

City of Salem
Marion and Polk Counties, Oregon

**\$5,500,000 General Obligation Bonds,
Series 2026A (Federally Taxable)**

**\$94,500,000 General Obligation Bonds,
Series 2026B (Tax-Exempt)**

DATED: April 7, 2026 (“Date of Delivery”)

DUE: June 1, as shown on the inside cover

PURPOSE — The \$5,500,000 General Obligation Bonds, Series 2026A (Federally Taxable) (the “2026A Bonds”) and the \$94,500,000 General Obligation Bonds, Series 2026B (Tax-Exempt) (the “2026B Bonds”, collectively with the 2026A Bonds, the “Bonds”) are being issued by the City of Salem (the “City”), located in Marion and Polk Counties, Oregon. The Bonds are being issued to finance capital costs for the City. See “Purpose and Use of Proceeds” herein.

MOODY’S RATING — “Aa2”. See “Rating” herein.

NOT BANK QUALIFIED — The City has NOT designated the 2026B Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the “Code”).

BOOK-ENTRY ONLY SYSTEM — The Bonds will be issued, executed and delivered in fully registered form under a book-entry only system and registered in the name of Cede & Co., as owner and nominee for The Depository Trust Company (“DTC”). DTC will act as initial securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased.

PRINCIPAL AND INTEREST PAYMENTS — Interest on the Bonds will be paid on December 1, 2026 and semiannually thereafter on June 1 and December 1 of each year to the maturity or earlier redemption of the Bonds. Principal of and interest on the Bonds will be payable by the City’s Paying Agent, initially U.S. Bank Trust Company, National Association, to DTC which, in turn, will remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Bonds at the address appearing upon the registration books on the 15th day of the month preceding a payment date (the “Record Date”).

MATURITY SCHEDULE — See inside front cover.

REDEMPTION — The Bonds are subject to optional redemption prior to their stated maturities as further described herein.

SECURITY — The Bonds are general obligations of the City. Pursuant to ORS 287A.315 the City has pledged its full faith and credit and taxing power to pay the Bonds. The City has covenanted for the benefit of the owners of the Bonds that the City shall levy annually, as necessary, a direct ad valorem tax upon all of the taxable property within the City which is sufficient after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes, and other legally available amounts to pay all Bond principal and interest when due. This tax shall be in addition to all other taxes of the City and this tax shall not be limited in rate, amount or otherwise by Sections 11 or 11b of Article XI of the Oregon Constitution. The Bonds do not constitute a debt or indebtedness of Marion County, Polk County, the State of Oregon, or any political subdivision thereof other than the City.

TAX MATTERS — *In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City (“Bond Counsel”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2026B Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2026B Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the 2026B Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Interest on the 2026A Bonds is included in gross income for federal income tax purposes pursuant to the Code. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from State of Oregon personal income tax under existing law. See “Tax Matters” herein for a discussion of the opinion of Bond Counsel.*

DELIVERY — The Bonds are offered for sale to the original purchaser subject to the final approving legal opinion of Bond Counsel. It is expected that the Bonds will be available for delivery to the Paying Agent for Fast Automated Securities Transfer on behalf of DTC, on or about the Date of Delivery.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

City of Salem
Marion and Polk Counties, Oregon
General Obligation Bonds, Series 2026

DATED: Date of Delivery

DUE: June 1, as shown below

MATURITY SCHEDULE –

\$5,500,000 General Obligation Bonds, Series 2026A (Federally Taxable)

| Due | Interest | CUSIP® | Due | Interest | CUSIP® | | | | |
|--------|------------|--------|--------|----------|--------|--------------|--------|--------|--------|
| June 1 | Amount | Rate | Yield | 794454 | June 1 | Amount | Rate | Yield | 794454 |
| 2027 | \$ 995,000 | 5.000% | 3.960% | 2L1 | 2029 | \$ 2,325,000 | 5.000% | 4.060% | 2N7 |
| 2028 | 2,180,000 | 5.000 | 4.030 | 2M9 | | | | | |

\$94,500,000 General Obligation Bonds, Series 2026B (Tax-Exempt)

| Due | Interest | CUSIP® | Due | Interest | CUSIP® | | | | |
|--------|------------|--------|--------|----------|--------|--------------|--------|----------------------|--------|
| June 1 | Amount | Rate | Yield | 794454 | June 1 | Amount | Rate | Yield | 794454 |
| 2029 | \$ 405,000 | 5.000% | 2.660% | 2Q0 | 2036 | \$ 1,795,000 | 5.000% | 3.400% | 2X5 |
| 2030 | 850,000 | 5.000 | 2.750 | 2R8 | 2037 | 2,060,000 | 5.000 | 3.500 ⁽¹⁾ | 2Y3 |
| 2031 | 1,170,000 | 5.000 | 2.840 | 2S6 | 2038 | 2,345,000 | 5.000 | 3.630 ⁽¹⁾ | 2Z0 |
| 2032 | 1,395,000 | 5.000 | 2.980 | 2T4 | 2039 | 2,650,000 | 5.000 | 3.740 ⁽¹⁾ | 3A4 |
| 2033 | 1,640,000 | 5.000 | 3.050 | 2U1 | 2040 | 2,975,000 | 5.000 | 3.760 ⁽¹⁾ | 3B2 |
| 2034 | 1,315,000 | 5.000 | 3.150 | 2V9 | 2041 | 3,325,000 | 5.000 | 3.850 ⁽¹⁾ | 3C0 |
| 2035 | 1,545,000 | 5.000 | 3.270 | 2W7 | | | | | |

\$10,830,000 4.250% Term Bond due June 1, 2044 @ 4.250% Yield; CUSIP No. 7944543F3
 \$11,185,000 4.550% Term Bond due June 1, 2047 @ 4.550% Yield; CUSIP No. 7944543J5
 \$20,175,000 4.625% Term Bond due June 1, 2050 @ 4.625% Yield; CUSIP No. 7944543M8
 \$28,840,000 5.000% Term Bond due June 1, 2053 @ 4.750% Yield⁽¹⁾; CUSIP No. 7944543Q9

(1) Yield based on pricing to the first optional redemption date of June 1, 2036.

The CUSIP® numbers herein are provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. CUSIP numbers are subject to change. Neither the City nor the Purchaser take any responsibility for the accuracy of such CUSIP numbers.

No website mentioned in this Official Statement is part of this Official Statement, and readers should not rely upon any information presented on any such website in determining whether to purchase the Bonds. Any references to any website mentioned in this Official Statement are not hyperlinks and do not incorporate such websites by reference.

No dealer, broker, salesman or other person has been authorized by the City or Piper Sandler & Co. (the "Municipal Advisor") to give information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Declaration has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the States in which the Bonds have been registered or qualified and the exemption from the registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these States nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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Mayor
Councilor
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OFFICIAL STATEMENT
City of Salem
Marion and Polk Counties, Oregon

**\$5,500,000 General Obligation Bonds,
Series 2026A (Federally Taxable)**

**\$94,500,000 General Obligation Bonds,
Series 2026B (Tax-Exempt)**

The City of Salem (the “City”), located in Marion and Polk Counties, Oregon, a political subdivision duly organized and existing under and by virtue of the laws of the State of Oregon (the “State”) furnishes this Official Statement in connection with the offering of \$5,500,000 General Obligation Bonds, Series 2026A (Federally Taxable) (the “2026A Bonds”) and the \$94,500,000 General Obligation Bonds, Series 2026B (Tax-Exempt) (the “2026B Bonds”, collectively with the 2026A Bonds, the “Bonds”), dated the Date of Delivery. This Official Statement, which includes the cover page, inside cover page, and appendices, provides information concerning the City and the Bonds.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as “estimated,” “projected,” “anticipate,” “expect,” “intend,” “plan,” “believe” and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. All projections, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

Capitalized terms used and not defined herein shall have the meanings assigned to such terms in “Appendix E – Form of Bond Declaration,” which is attached hereto and incorporated by reference herein.

Description of the Bonds

Authorization for Issuance

Ballot Measure. Article XI, Section 11 of the Oregon Constitution (“Article XI, Section 11”), requires majority voter approval for new or additional *ad valorem* property taxes for all May and November elections. The ballot measure for the Bonds was approved by a majority of the City’s voters at the November 8, 2022 election and the legality and sufficiency of that authorization was validated by the Circuit Court of Marion County on January 4, 2023. Final election results were as follows:

Official Voter Tally

| | Number of Votes | Percentage of Total Votes |
|-----|------------------------|----------------------------------|
| Yes | 41,221 | 64.13% |
| No | 23,056 | 35.87% |

Source: Marion County Abstract dated December 5, 2022.

The ballot measure authorized the issuance of \$300,000,000 aggregate principal amount of general obligation bonds in more than one series and with each series to mature over a period not to exceed 30 years. The City issued \$100,000,000 of the authorized principal amount in 2023, is issuing an additional \$100,000,000 of the authorized principal amount through the issuance of the Bonds, and plans to issue the balance of \$100,000,000 in calendar year 2029.

Under and in accordance with State laws and provisions, specifically Oregon Revised Statutes (“ORS”) Section 287A.050 and the other relevant provisions of ORS Chapter 287A, the Bonds are being issued pursuant to

Resolution No. 2022-58 (the “Resolution”) adopted by the City’s Mayor and City Council (the “Council”) on December 12, 2022, and under a Bond Declaration dated the Date of Delivery (the “Declaration”).

Principal Amount, Date, Interest Rates and Maturities

The Bonds will be issued in the aggregate principal amount posted on the cover of this Official Statement and will be dated and bear interest from the Date of Delivery. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover of this Official Statement. Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2026, until the maturity or earlier redemption of the Bonds and will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Paying Agent and Registration Features

Paying Agent. The principal of and interest on the Bonds will be payable by U.S. Bank Trust Company, National Association (the “Paying Agent”) to The Depository Trust Company (“DTC”), which, in turn, is obligated to remit such principal and interest to its participants (“DTC Participants”) for subsequent disbursement to the persons in whose names such Bonds are registered (the “Beneficial Owners”) of the Bonds, as further described in Appendix C attached hereto.

Book-Entry System. The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co. as owner and as nominee for DTC. DTC will act as securities depository for the Bonds. Individual purchases and sales of the Bonds may be made in book-entry form only in minimum denominations of \$5,000 within a single maturity and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds. See “Appendix C - Book Entry Only System” for additional information.

Procedure in the Event of Revisions of Book-Entry Transfer System. If the City discontinues maintaining the Bonds in book-entry only form, the City shall provide an alternative system for registering and paying the Bonds as provided in the Declaration.

Redemption Provisions

Series 2026A Bonds – Not Subject to Optional Redemption. The 2026A Bonds are not subject to optional redemption prior to maturity.

Series 2026B Bonds - Optional Redemption. The 2026B Bonds maturing in years 2029 through 2036, inclusive, are not subject to optional redemption prior to maturity. The City reserves the right to redeem all or any portion of the 2026B Bonds maturing on or after June 1, 2037 at the option of the City on June 1, 2036 and on any date thereafter in whole or in part, in any order of maturity with maturities selected by the City, at a price of par, plus accrued interest to the date of redemption. A 2026B Term Bond subject to optional redemption and redeemed in part will have the principal amount redeemed within the respective mandatory redemption dates selected by the City.

For as long as the 2026B Bonds are in book-entry only form, if fewer than all of the 2026B Bonds of a maturity are called for redemption, the selection of 2026B Bonds within a maturity to be redeemed shall be made by DTC in accordance with its operational procedures then in effect. See Appendix C attached hereto. If the 2026B Bonds are no longer held in book-entry only form, then the Paying Agent would select 2026B Bonds for redemption by lot.

Mandatory Redemption. If not previously redeemed under the provisions for optional redemption, the 2026B Term Bonds maturing on June 1 in the years 2044, 2047, 2050 and 2053 are subject to mandatory redemption (in such manner as the Paying Agent and DTC will determine or by lot by the Paying Agent) on June 1 of the following years in the following principal amounts, at a price of par plus accrued interest to the date of redemption.

| 2044 Term Bond | | 2047 Term Bond | |
|---------------------|----------------------|---------------------|----------------------|
| Due June 1 | Amount | Due June 1 | Amount |
| 2042 | \$ 3,695,000 | 2045 | \$ 3,380,000 |
| 2043 | 4,065,000 | 2046 | 3,720,000 |
| 2044 ⁽¹⁾ | 3,070,000 | 2047 ⁽¹⁾ | 4,085,000 |
| | <u>\$ 10,830,000</u> | | <u>\$ 11,185,000</u> |

| 2050 Term Bond | | 2053 Term Bond | |
|---------------------|----------------------|---------------------|----------------------|
| Due June 1 | Amount | Due June 1 | Amount |
| 2048 | \$ 4,475,000 | 2051 | \$ 8,845,000 |
| 2049 | 7,530,000 | 2052 | 9,600,000 |
| 2050 ⁽¹⁾ | 8,170,000 | 2053 ⁽¹⁾ | 10,395,000 |
| | <u>\$ 20,175,000</u> | | <u>\$ 28,840,000</u> |

(1) Maturity.

Notice of Redemption (Book-Entry). So long as the Bonds are in book-entry only form and unless DTC consents to a shorter period, the Paying Agent shall notify DTC of any redemption not less than 20 days and not more than 60 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC. Unless waived by the Paying Agent, the City shall give written notice of the intended redemption of the Bonds to the Paying Agent not later than five business days before the date notice of redemption of the Bonds is required to be made. The City reserves the right to rescind any redemption notice as allowed in the Declaration.

Notice of Redemption (No Book-Entry). During any period in which the Bonds are not in book-entry only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City as provided in the alternative system established by the City under the Declaration. Unless waived by the Paying Agent, the City shall give written notice of the intended redemption of the Bond to the Paying Agent not later than five business days before the date notice of redemption of the Bonds is required to be made. The City reserves the right to rescind any redemption notice as allowed in the Declaration.

Conditional Notice. Any notice of optional redemption to the Paying Agent or to the Owners may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected Owners of the Bonds as promptly as practicable.

Defeasance

The City may defease the Bonds by setting aside, with a duly appointed escrow agent, in a special escrow account irrevocably pledged to the payment of the Bonds to be defeased, cash or direct obligations of the United States in an amount which, in the opinion of an independent certified public accountant, is sufficient without reinvestment to pay all principal and interest on the defeased Bonds until their maturity date or any earlier redemption date. Bonds which have been defeased pursuant to the Declaration shall be deemed paid and no longer outstanding, and shall cease to be entitled to any lien, benefit or security under the Declaration except the right to receive payment from such special escrow account.

Default and Remedies

The occurrence of one or more of the following shall constitute an Event of Default under the Declaration and the Bonds:

- a. Failure by the City to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Bond has been properly called for redemption);
- b. Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of Bonds, for a period of sixty (60) days after written notice to the City by the Owners of fifty-one (51%) percent or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such sixty (60) day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the sixty (60) day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this paragraph; or,
- c. The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the payments.

The Owners of fifty-one (51%) percent or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default as described in (a) of this Section.

Upon the occurrence and continuance of any Event of Default the Owners of fifty-one (51%) percent or more of the principal amount of Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in the Declaration or the Bonds or in aid of the exercise of any power granted in the Declaration or in the Bonds or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by the Declaration or the Bonds or by law. However, the Bonds shall not be subject to acceleration.

No remedy in the Declaration conferred upon or reserved to Owners of Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by the Declaration or by law.

Purpose and Use of Proceeds

Purpose

The proceeds from the sale of the Bonds will be used to finance capital costs as described in the ballot measure for the Bonds (collectively, the "Project") and payment of costs of issuance.

Specifics on the Project expected to be financed with the Bonds, which constitute two of multiple series expected to be issued under the authority of the ballot measure are listed below.

Series A (Federally Taxable)

- Purchasing of two sites for mixed use of affordable housing and branch libraries

Series B (Tax-Exempt)

- Construction of new fire stations
- Construction and repair of streets and sidewalks
- Repair, replacement and construction of certain parks facilities
- Technology improvements including redundant fiber and off-site data center
- Construction and repair to City facilities

Sources and Uses of Funds

The proceeds of the Bonds are estimated to be applied as follows:

Estimated Sources and Uses of Funds

| Sources of Funds | 2026A Bonds | 2026B Bonds | The Bonds |
|------------------------------------|------------------------|-------------------------|--------------------------|
| Par Amount of Bonds | \$ 5,500,000.00 | \$ 94,500,000.00 | \$ 100,000,000.00 |
| Original Issue Premium | 118,364.80 | 3,225,414.75 | 3,343,779.55 |
| Total Sources of Funds | <u>\$ 5,618,364.80</u> | <u>\$ 97,725,414.75</u> | <u>\$ 103,343,779.55</u> |
| Uses of Funds | | | |
| Available for Project | \$ 5,588,457.81 | \$ 97,514,934.25 | \$ 103,103,392.06 |
| Underwriting and Costs of Issuance | 29,906.99 | 210,480.50 | 240,387.49 |
| Total Uses of Funds | <u>\$ 5,618,364.80</u> | <u>\$ 97,725,414.75</u> | <u>\$ 103,343,779.55</u> |

Security for the Bonds

General

The Bonds are general obligations of the City. Pursuant to ORS 287A.315 the City has pledged its full faith and credit and taxing power to pay the Bonds. The City covenants for the benefit of the owners of the Bonds that the City shall levy annually, as necessary, a direct ad valorem tax upon all of the taxable property within the City which is sufficient after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes, and other legally available amounts to pay all Bond principal and interest when due. This tax shall be in addition to all other taxes of the City, and this tax shall not be limited in rate, amount or otherwise by Sections 11 or 11b of Article XI of the Oregon Constitution.

The City may, subject to applicable laws, apply other funds available to make payments with respect to the Bonds and thereby reduce the amount of future tax levies for such purpose.

The Bonds do not constitute a debt or indebtedness of Marion County or Polk County, the State, or any political subdivision thereof other than the City.

Bonded Indebtedness

Debt Limitation

General Obligation Bonds. ORS 287A.050 establishes a limit on bonded indebtedness for cities. Cities may issue an aggregate principal amount up to three percent of the Real Market Value of all taxable properties within the city if the city's voters approve the general obligation bonds. The statutory limitation does not apply to general obligation bonds issued for water, sanitary or storm sewers, sewage disposal plants, hospitals, infirmaries, gas power, or lighting purposes, or the acquisition, establishment, or reconstruction of any off-street motor vehicle parking facility nor to bonds issued pursuant to application to pay assessments for improvements in installments under statutory or charter authority which are completely self-supporting. General obligation bonds are secured by the power to levy an additional tax outside the limitations of Article XI, Sections 11 and 11b. **The Bonds are general obligation bonds and are subject to this debt limitation. The City's remaining debt capacity under this debt limit is shown below:**

**City of Salem
General Obligation Debt Capacity**

| | |
|---|------------------------------|
| Measure 5 Real Market Value (Fiscal Year 2026) ⁽¹⁾ | \$ 30,963,864,336 |
| Debt Capacity | |
| General Obligation Debt Capacity (3.00% of Real Market Value) | \$ 928,915,930 |
| Less: Outstanding Debt Subject to Limit | (257,085,000) ⁽²⁾ |
| Remaining General Obligation Debt Capacity | \$ 671,830,930 |
| Percent of Capacity Issued | 27.68% |

Note: In addition to the legal limit of 3.00% of Real Market Value, the City maintains an internal policy restricting debt capacity to 1.50% of Real Market Value.

- (1) Value represents the Real Market Value of taxable properties, including the reduction in Real Market Value of specially assessed properties such as farm and forestland. This value is also commonly referred to as the Measure 5 Real Market Value by county assessors. The City’s fiscal year commences July 1 and ends on June 30 of the following year (the “Fiscal Year”). *Source: Marion and Polk Counties Department of Assessment and Taxation.*
- (2) Represents voter-approved, unlimited-tax general obligations of the City, including the Bonds.
Source: City of Salem Audited Financial Reports for the Fiscal Year Ended June 30, 2025, and this issue.

Full Faith and Credit Obligations/Limited Tax Obligations. Local governments may pledge their full faith and credit for “limited tax bonded indebtedness” or “full faith and credit obligations”. The Oregon Constitution and statutes do not limit the amount of limited tax bonded indebtedness that a city may issue. Full faith and credit obligations can take the form of certificates of participation, notes or capital leases. Collection of property taxes to pay principal and interest on such limited-tax debt is subject to the limitations of Article XI, Sections 11 and 11b. **The full faith and credit of the City is pledged to pay the Bonds in addition to the unlimited property tax authorized by voters. The Bonds are not limited tax obligations.**

Pension Bonds. ORS 238.694 authorizes local governments to issue full faith and credit obligations to pay pension liabilities without limitation as to principal amount. Pension bonds are not general obligations as defined under State law and the City is not authorized to levy additional taxes to make pension bond payments. **The Bonds are not pension bonds.**

Special Fund Obligations. Several Oregon statutes authorize the City to issue special fund obligations that are secured only by specified sources of revenue, such as water revenue bonds secured only by the net revenues of the water system. **The Bonds are not special fund obligations.**

Outstanding Long-Term Debt

| Governmental Activities | Date of Issue | Date of Maturity | Amount Issued | Amount Outstanding ⁽¹⁾ |
|---|---------------|------------------|---------------|-----------------------------------|
| <i>General Obligation Bonds</i> ⁽²⁾ : | | | | |
| Series 2017 GO and Refunding (Police) | 08/24/17 | 06/01/37 | \$ 74,775,000 | \$ 50,475,000 |
| Series 2018 Bonds (Library) | 03/22/18 | 06/01/31 | 18,600,000 | 13,195,000 |
| Series 2021 GO Refunding (Transportation) | 04/14/21 | 06/01/26 | 24,735,000 | 1,400,000 |
| Series 2023A | 02/23/23 | 06/01/26 | 12,000,000 | 4,015,000 |
| Series 2023B | 02/23/23 | 06/01/48 | 88,000,000 | 88,000,000 |
| Series 2026A ⁽³⁾ | 04/07/26 | 06/01/29 | 5,500,000 | 5,500,000 |
| Series 2026B ⁽³⁾ | 04/07/26 | 06/01/53 | 94,500,000 | 94,500,000 |
| Total General Obligation Bonds | | | | <u>257,085,000</u> |
| <i>Pension Obligations</i> ⁽²⁾ : | | | | |
| Series 2005 | 09/23/05 | 06/01/28 | 61,685,000 | <u>15,780,000</u> |
| <i>Urban Renewal Obligations</i> ⁽⁴⁾ : | | | | |
| Riverfront/Downtown, Series 2020A | 12/17/20 | 06/01/31 | 7,445,000 | <u>6,037,000</u> |
| Total Governmental Activities Debt | | | | <u>\$ 278,902,000</u> |
| Business-Type Activities | | | | |
| <i>Water & Sewer Fund Obligations:</i> | | | | |
| Revenue Refunding Bonds, Series 2017 | 07/18/17 | 06/01/27 | \$ 55,990,000 | \$ 8,775,000 |
| Revenue Bonds, Series 2020 | 04/02/20 | 06/01/40 | 56,925,000 | 47,400,000 |
| DEQ Loan (R80214) | 06/10/25 | 12/01/48 | 1,110,000 | 1,110,000 |
| Total Water & Sewer Fund Obligations | | | | <u>57,285,000</u> |
| Total Business-Type Activities Debt | | | | <u>\$ 57,285,000</u> |

(1) As of Date of Delivery.

(2) Also secured by the full faith and credit of the City.

(3) This issue.

(4) Secured by the tax increment revenues of the Urban Renewal Agency. Urban renewal area bonds and notes constitute debt of the Urban Renewal Agency of the City (the "Agency") and do not constitute debt of the City. However, urban renewal obligations are included in the City's outstanding long-term debt since the Agency is an entity established by the City.

Source: City of Salem Audited Financial Reports for the Fiscal Year Ended June 30, 2025.

**General Obligation Bonds
Projected Debt Service Requirements**

| Fiscal Year | Outstanding Bonds | | The 2026A Bonds | | The 2026B Bonds | | Total Debt Service |
|-------------|-----------------------|----------------------|---------------------|-------------------|----------------------|----------------------|-----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2026 | \$ 13,580,000 | \$ 6,534,200 | | | | | \$ 20,114,200 |
| 2027 | 8,825,000 | 5,855,200 | \$ 995,000 | \$ 316,250 | \$ - | \$ 5,195,454 | 21,186,904 |
| 2028 | 9,720,000 | 5,413,950 | 2,180,000 | 225,250 | - | 4,517,786 | 22,056,986 |
| 2029 | 10,605,000 | 4,992,050 | 2,325,000 | 116,250 | 405,000 | 4,517,786 | 22,961,086 |
| 2030 | 6,945,000 | 4,530,600 | - | - | 850,000 | 4,497,536 | 16,823,136 |
| 2031 | 7,575,000 | 4,244,950 | - | - | 1,170,000 | 4,455,036 | 17,444,986 |
| 2032 | 8,215,000 | 3,959,050 | - | - | 1,395,000 | 4,396,536 | 17,965,586 |
| 2033 | 8,950,000 | 3,591,250 | - | - | 1,640,000 | 4,326,786 | 18,508,036 |
| 2034 | 4,925,000 | 3,236,250 | - | - | 1,315,000 | 4,244,786 | 13,721,036 |
| 2035 | 5,245,000 | 3,088,500 | - | - | 1,545,000 | 4,179,036 | 14,057,536 |
| 2036 | 5,815,000 | 2,931,150 | - | - | 1,795,000 | 4,101,786 | 14,642,936 |
| 2037 | 6,285,000 | 2,751,800 | - | - | 2,060,000 | 4,012,036 | 15,108,836 |
| 2038 | 6,685,000 | 2,555,850 | - | - | 2,345,000 | 3,909,036 | 15,494,886 |
| 2039 | 7,300,000 | 2,221,600 | - | - | 2,650,000 | 3,791,786 | 15,963,386 |
| 2040 | 7,950,000 | 1,856,600 | - | - | 2,975,000 | 3,659,286 | 16,440,886 |
| 2041 | 8,560,000 | 1,538,600 | - | - | 3,325,000 | 3,510,536 | 16,934,136 |
| 2042 | 9,205,000 | 1,196,200 | - | - | 3,695,000 | 3,344,286 | 17,440,486 |
| 2043 | 9,885,000 | 828,000 | - | - | 4,065,000 | 3,187,249 | 17,965,249 |
| 2044 | 1,860,000 | 432,600 | - | - | 3,070,000 | 3,014,486 | 8,377,086 |
| 2045 | 2,005,000 | 358,200 | - | - | 3,380,000 | 2,884,011 | 8,627,211 |
| 2046 | 2,155,000 | 278,000 | - | - | 3,720,000 | 2,730,221 | 8,883,221 |
| 2047 | 2,315,000 | 191,800 | - | - | 4,085,000 | 2,560,961 | 9,152,761 |
| 2048 | 2,480,000 | 99,200 | - | - | 4,475,000 | 2,375,094 | 9,429,294 |
| 2049 | - | - | - | - | 7,530,000 | 2,168,125 | 9,698,125 |
| 2050 | - | - | - | - | 8,170,000 | 1,819,863 | 9,989,863 |
| 2051 | - | - | - | - | 8,845,000 | 1,442,000 | 10,287,000 |
| 2052 | - | - | - | - | 9,600,000 | 999,750 | 10,599,750 |
| 2053 | - | - | - | - | 10,395,000 | 519,750 | 10,914,750 |
| | <u>\$ 157,085,000</u> | <u>\$ 62,685,600</u> | <u>\$ 5,500,000</u> | <u>\$ 657,750</u> | <u>\$ 94,500,000</u> | <u>\$ 90,361,008</u> | <u>\$ 410,789,358</u> |

**Summary of Overlapping Debt
(As of January 20, 2026)**

| Overlapping Issuer Name | Percent Overlapping | Gross Direct Debt ⁽¹⁾ | Net Direct Debt ⁽²⁾ |
|----------------------------------|---------------------|----------------------------------|--------------------------------|
| Marion Cty SD 24J (Salem Keizer) | 65.9100% | \$ 486,018,166 | \$ 486,018,166 |
| Marion County | 40.6200% | 19,292,706 | 12,961,864 |
| Polk County | 32.8100% | 3,521,314 | 3,499,989 |
| Chemeketa Community College | 32.4200% | 47,760,259 | 42,674,931 |
| Willamette ESD | 29.5500% | 2,917,086 | 1,151,414 |
| Marion Cty SD 5 (Cascade) | 0.2000% | 13,153 | 13,153 |
| | | <u>\$ 559,522,684</u> | <u>\$ 546,319,517</u> |

(1) Gross Direct Debt includes all unlimited (general obligation bonds) and limited (full faith and credit obligations) tax supported debt. Limited tax pension obligations are included.

(2) Net Debt is Gross Direct Debt less self-supporting limited and unlimited tax supported debt.

Source: Debt Management Division, The Office of the State Treasurer.

Debt Ratios

The following table presents information regarding the City’s direct debt, including the Bonds, and the estimated portion of the debt of overlapping taxing districts allocated to the City’s property owners.

Debt Ratios

| | | |
|---|--|--------------------------------------|
| Total Real Market Value ⁽¹⁾ (Fiscal Year 2026) | \$ 31,004,155,957 | |
| Estimated Population | 179,977 | |
| Per Capita Real Market Value | \$ 172,267 | |
| | Gross Direct Debt⁽²⁾ | Net Direct Debt⁽³⁾ |
| Debt Information | | |
| City Direct Debt ⁽⁴⁾ | \$ 272,865,000 | \$ 272,865,000 |
| Overlapping Direct Debt | 559,522,684 | 546,319,517 |
| Total Direct Debt ⁽⁴⁾ | \$ 832,387,684 | \$ 819,184,517 |
| Bonded Debt Ratios⁽⁴⁾ | | |
| City Direct Debt to Real Market Value | 0.88% | 0.88% |
| Total Direct Debt to Real Market Value | 2.68% | 2.64% |
| Per Capita City Direct Debt | \$ 1,516 | \$ 1,516 |
| Per Capita Total Direct Debt | \$ 4,625 | \$ 4,552 |

- (1) Value represents the total Real Market Value of taxable properties, without the reduction available to specially assessed properties such as farm and forestland.
- (2) Gross Direct Debt includes all debt with an unlimited (general obligation bonds) and limited (full faith and credit obligations) tax pledge. Limited tax pension obligations are included.
- (3) Net Debt is Gross Direct Debt less any self-supporting obligations which are paid from other revenue sources.
- (4) Includes the Bonds.

Sources: Marion and Polk Counties Department of Assessment and Taxation, Portland State University Population Research Center, Debt Management Division, The Office of the State Treasurer as of January 20, 2026 and City of Salem Audited Financial Reports for the Fiscal Year Ended June 30, 2025.

Debt Payment Record

The City has promptly met principal and interest payments on outstanding borrowings in the past ten years when due.

Future Financings

Long-term Borrowings. Other than the bonds authorized at the November 2022 election, the City has no authorized but unissued borrowings, nor does it anticipate issuing additional long-term borrowings within the next twelve months.

Short-term Borrowings. The City does not anticipate issuing short-term borrowings within the next twelve months. The Urban Renewal Agency of the City of Salem (the “Agency”) issues short-term “Du Jour” borrowings on an annual basis that are payable solely from revenues of the Agency’s various urban renewal areas. Urban renewal area bonds and notes constitute debt of the Agency and do not constitute debt of the City. The next borrowing is anticipated in 2027 and the amounts to be issued are not determined at this time. The City does not anticipate any additional short-term borrowings within the next twelve months.

The City

General Description

The City, with an estimated population 179,977, encompasses approximately 49.18 square miles and is located in Marion and Polk Counties. The City was incorporated as a municipal corporation in 1860. The City is the state capital of Oregon and the county seat of Marion County. The City provides a full range of municipal

services including fire and police protection, parks and recreation facilities/activities, a library, utilities, streets, planning, zoning and general administrative services.

Government

The City operates with a council-manager form of government, which is overseen by a nine-member City Council under the Oregon Constitution and the laws of the State of Oregon and the City’s Home Rule Charter. The City Council is composed of a Mayor and eight Council members. The Council members are elected from wards that have been equally apportioned according to population. Council member positions are elected for a term of four years which overlap to provide for the election of four Council members every two years. The Mayor, who is elected Citywide, serves a two-year term and is the presiding officer of the City Council. All are part-time, uncompensated elected officials who exercise the legislative powers of the City and determine matters of policy. The City Council appoints a City Manager who is the chief administrative officer of the City. The City Manager appoints the heads of all City departments, including a Chief Financial Officer who supervises the financial affairs of the City. The Chief Financial Officer is responsible for operating a general accounting system for City government in conformity with generally accepted accounting principles and practices, and for receipt, custody and disbursement of all City funds and monies along with being the City and Urban Renewal Agency Budget Officer. Current members of the City Council are shown in the following table.

Mayor and City Council

| Name | Position | Occupation | Service Began | Term Expires |
|--------------------|-----------------|--|----------------------|---------------------|
| Julie Hoy | Mayor | Musician & Business Owner | May 2024 | Dec. 31, 2026 |
| Dr. Irvin M. Brown | Councilor | Policy Advisor OR Dept. of Human Resources | Jan. 1, 2025 | Dec. 31, 2028 |
| Deanna Gwyn | Councilor | Real Estate Principal Broker | Jan. 1, 2023 | Dec. 31, 2026 |
| Shane Matthews | Councilor | Real Estate Principal Broker | Jan. 1, 2025 | Dec. 31, 2028 |
| Linda Nishioka | Councilor | Retired Director of Facial Plastic Surgery | Aug. 15, 2022 | Dec. 31, 2026 |
| Vanessa Nordyke | Councilor | Exec. Director CASA of Marion County | Oct 28, 2019 | Dec. 31, 2028 |
| Paul Tigan | Councilor | Vice President, Metropolitan Group | Jan. 1, 2025 | Dec. 31, 2028 |
| Mai Vang | Councilor | Attorney | May 2025 | Dec. 31, 2026 |
| Micki Varney | Councilor | Retired, Salmon Biologist | Mar. 28, 2022 | Dec. 31, 2026 |

Source: City of Salem.

Key Administrative Officials

The day-to-day affairs of the City are managed by a professional administrative staff which includes the following principal officials:

Julie Hoy, Mayor. Ms. Hoy was elected as the Mayor of Salem in May 2024, after serving as a City Councilor since May 2022.

Krishna Namburi, City Manager. Ms. Namburi was selected by the City Council as the City Manager on October 13, 2025. Ms. Namburi has a 25-year tenure with the City, previously serving as Deputy City Manager, where she oversaw Enterprise Services including Information Technology, Human Resources, Facilities, Fleet, Risk, and the Customer Service Center.

Prior to her work at the City, Ms. Namburi worked as a Senior Consultant for PricewaterhouseCoopers. She attended the Indian Institute of Technology-Kharagpur to pursue an M.S. in Civil Engineering and Portland State University for an M.S. in Computer Science.

Joshua Eggleston, Chief Financial Officer. Mr. Eggleston has been the CFO of the City since February 2022. Prior to being appointed, Mr. Eggleston served as interim CFO since July of 2021 after being the City’s Budget Officer prior to that position. Mr. Eggleston has over ten years of prior experience in government finance as a Senior Fiscal Analyst and Management Analyst.

Mr. Eggleston holds a Bachelor’s in Economics and Business Administration with a concentration in Management from George Fox University. He also holds a Master of Business Administration from Corban University.

Staff

As of February 2, 2026, the City had 1,328 full-time employees and 80 part-time employees.

Bargaining Units

| Bargaining Unit | No. of Employees | Contract Expires |
|---|------------------|------------------|
| American Federation of State, County | 603 | June 30, 2027 |
| 911 Professional Communication | 59 | June 30, 2026 |
| International Association of Firefighters | 220 | June 30, 2026 |
| Salem Police Employees Union (SPEU) | 186 | June 30, 2027 |
| Salem City Attorneys (SCABU) | 6 | June 30, 2026 |

Source: City of Salem.

Revenue Sources

The following section summarizes certain major revenue sources of the City.

Local Revenue Sources - Property Taxes

Most local governments, school districts, education service districts and community college districts (“local governments”) have permanent authority to levy property taxes for operations (“Permanent Rates”) up to a maximum rate (the “Operating Tax Rate Limit”). Local governments that have never levied property taxes may request that the voters approve a new Operating Tax Rate Limit. Most local governments also have the authority to levy property taxes for debt service associated with general obligation bonds outside of the Operating Tax Rate Limit upon receiving voter approval.

Local governments may not increase their Operating Tax Rate Limits; rather they may only request that voters approve limited term levies for operations or capital expenditures (“Local Option Levies”).

Local Option Levies that fund operating expenses are limited to five years, and Local Option Levies dedicated to capital expenditures are limited to ten years.

The City currently has a Local Option Levy of \$0.98 per \$1,000 of assessed value. The levy was approved at the May 2025 election to fund services and programs, including libraries, parks, recreation, and Center 50+. The City created a separate special revenue fund for the Local Option Levy collections which began in Fiscal Year 2026. The levy expires on June 30, 2031.

Local governments impose property taxes by certifying their levies to the county assessor(s) of the county(ies) in which the local government is located. Property taxes ordinarily can only be levied once each Fiscal Year. The local government ordinarily must notify the county assessor(s) of its levies by July 15.

Valuation of Property – Real Market Value. “Real Market Value” is the minimum amount in cash which could reasonably be expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an “arms-length” transaction during the period for which the property is taxed.

Property subject to taxation includes all privately owned real property (land, buildings and improvements) and personal property (machinery, office furniture and equipment) for non-residential taxpayers. There is no property tax on household furnishings (exempt since 1913), personal belongings, automobiles (exempt since 1920), crops, orchards, business inventories or intangible property such as stocks, bonds or bank accounts, except for centrally assessed utilities, for which intangible personal property is subject to taxation.

Property used for charitable, religious, fraternal and governmental purposes is exempt from taxation. Special assessments that provide a reduction in the taxable value may be granted (upon application) for veterans' homesteads, farm and forest land, open space and historic buildings. The Real Market Value of specially assessed properties is often called the "Taxable Real Market Value" or "Measure 5 Real Market Value." This differential affects the City's value (See "Taxable Property Values" table herein.) The assessment roll, a listing of all taxable property, is prepared as of January 1 of each year.

Valuation of Property – Assessed Value. Property taxes are imposed on the assessed value of property. The assessed value of each parcel cannot exceed its Taxable Real Market Value, and ordinarily is less than its Taxable Real Market Value. The assessed value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now Article XI, Section 11, often called "Measure 50") assigned each property an assessed value and limited increases in that assessed value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption. When property is newly constructed or reassessed because it is improved, rezoned, subdivided, or ceases to qualify for exemption, it is assigned an assessed value that is comparable to the assessed value of similar property within the county. Counties are generally responsible for managing the assessment and taxation process, with some exceptions (see "Property Tax Collections" herein.)

The Oregon Department of Revenue ("ODR") appraises and establishes values for utility property, forestland and most large industrial property for county tax rolls. It collects taxes on harvested timber for distribution to schools, county taxing districts, and State programs related to timber. Certain properties, such as utilities, are valued on the unitary valuation approach. Under the unitary valuation approach, the taxpaying entity's operating system is defined and a value is assigned for the operating unit using the market value approach (cost, market value and income appraisals). Values are then allocated to the entities' operations in Oregon, and then to each county the entity operates in and finally to site locations.

Generally speaking, industrial properties are valued using an income approach, but ODR may apply additions or retirements to the property value through a cost of materials approach. Under the income and cost of materials approaches, property values fluctuate from year-to-year.

Tax Rate Limitation – Measure 5. A tax rate limitation was established in 1990 as the result of a constitutional amendment. That amendment (now Article XI, Section 11b, often called "Measure 5") separates property taxes into two categories: one to fund the public school system (kindergarten through grade twelve school districts, education service districts and community college districts, collectively, "Education Taxes") and one to fund government operations other than the public school system ("General Government Taxes"). Education Taxes are limited to \$5 per \$1,000 and General Government taxes are limited to \$10 per \$1,000 of the Taxable Real Market Value of property (the "Measure 5 Limits"). Taxes levied by general purpose governments (such as cities and counties) may be subject to the \$5 per \$1,000 limit if those taxes are used for educational services provided by public schools. If the taxes on a property exceed the Measure 5 Limit for Education or General Government, then tax rates are compressed to the Measure 5 Limit. Local Option Levy rates compress to zero before there is any compression of Permanent Rates. In Fiscal Year 2025, there was \$485,920 of compression of the City's Permanent Rate due to the tax rate limitation. In addition, there was \$2,319,282 of compression of the City's Local Option Levy.

Taxes imposed to pay the principal and interest on the following bonded indebtedness are not subject to Measure 5 Limits: (1) bonded indebtedness authorized by a specific provision of the Oregon Constitution; and (2) general obligation bonded indebtedness incurred for capital costs approved by the electors of the issuer and bonds issued to refinance such bonds. **Property taxes imposed to pay the principal of and interest on the Bonds are NOT subject to the limitations of Article XI, Sections 11 and 11b.**

Property Tax Collections. Each county assessor is required to deliver the tax roll to the county tax collector in sufficient time to mail tax statements on or before October 25 each year. All tax levy revenues collected by a county for all taxing districts within the county are required to be placed in an unsegregated pool, and each taxing district shares in the pool in the same proportion as its levy bears to the total of all taxes levied by all taxing districts within the county. As a result, the tax collection record of each taxing district is a *pro-rata* share of the total tax collection record of all taxing districts within the county combined.

Taxpayers may choose to make payments in one lump sum by 15th of November of the same Fiscal Year, or in installments. Under the partial payment schedule, taxes are payable in three equal installments on the 15th of November, February and May of the same Fiscal Year. The method of giving notice of taxes due, the county treasurer’s account for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all specified by detailed statutes. The lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, a county may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency.

The following tables represent historical tax information for the City.

Taxable Property Values

Total City of Salem

| Fiscal Year | Total Real Market Value | % Change | M5 Real Market Value ⁽¹⁾ | % Change | Total Assessed Valuation | Urban Renewal Excess ⁽²⁾ | AV Used to Calculate Rates ⁽³⁾ | % Change |
|-------------|-------------------------|----------|-------------------------------------|----------|--------------------------|-------------------------------------|---|----------|
| 2026 | \$ 31,004,155,957 | 4.6% | \$ 30,963,864,336 | 4.6% | \$ 17,472,036,755 | \$ 1,364,165,587 | \$ 16,107,871,168 | 4.1% |
| 2025 | 29,631,082,615 | 3.1% | 29,594,561,737 | 3.1% | 16,750,589,453 | 1,273,662,391 | 15,476,927,062 | 3.5% |
| 2024 | 28,736,830,055 | 6.6% | 28,703,411,226 | 6.6% | 16,097,211,387 | 1,136,495,010 | 14,960,716,377 | 4.2% |
| 2023 | 26,968,061,124 | 4.0% | 26,937,456,385 ⁽⁴⁾ | 19.6% | 15,304,303,042 | 949,168,306 | 14,355,134,736 | 4.5% |
| 2022 | 25,941,393,924 | 2.2% | 22,517,964,872 | 8.8% | 14,634,130,755 | 896,124,791 | 13,738,005,964 | 4.2% |
| 2021 | 25,392,655,409 | --- | 20,690,976,632 | --- | 14,028,199,032 | 840,175,762 | 13,188,023,270 | --- |

Portion of City Located in Marion County (83.4% of Total AV)

| Fiscal Year | Total Real Market Value | % Change | M5 Real Market Value ⁽¹⁾ | % Change | Total Assessed Valuation | Urban Renewal Excess | AV Used to Calculate Rates ⁽²⁾ | % Change |
|-------------|-------------------------------|----------|-------------------------------------|----------|--------------------------|----------------------|---|----------|
| 2026 | \$ 25,948,381,820 | 5.4% | \$ 25,923,545,519 | 5.4% | \$ 14,671,883,115 | \$ 1,218,608,898 | \$ 13,453,274,217 | 4.3% |
| 2025 | 24,616,902,809 | 3.4% | 24,596,577,170 | 3.4% | 14,042,519,927 | 1,139,170,541 | 12,903,349,386 | 3.5% |
| 2024 | 23,806,022,250 | 6.6% | 23,788,095,652 | 6.5% | 13,472,808,518 | 1,009,927,804 | 12,462,880,714 | 4.4% |
| 2023 | 22,341,363,081 | 0.9% | 22,326,523,189 ⁽⁴⁾ | 19.1% | 12,767,029,712 | 834,156,664 | 11,932,873,048 | 4.8% |
| 2022 | 22,152,650,093 ⁽⁵⁾ | 1.0% | 18,742,901,053 | 8.6% | 12,173,810,178 | 786,405,111 | 11,387,405,067 | 4.1% |
| 2021 | 21,942,835,160 | --- | 17,254,176,399 | --- | 11,667,575,355 | 732,915,839 | 10,934,659,516 | --- |

Portion of City Located in Polk County (16.6% of Total AV)

| Fiscal Year | Total Real Market Value | % Change | M5 Real Market Value ⁽¹⁾ | % Change | Total Assessed Valuation | Urban Renewal Excess | AV Used to Calculate Rates ⁽²⁾ | % Change |
|-------------|-------------------------|----------|-------------------------------------|----------|--------------------------|----------------------|---|----------|
| 2026 | \$ 5,055,774,137 | 0.8% | \$ 5,040,318,817 | 0.8% | \$ 2,800,153,640 | \$ 145,556,689 | \$ 2,654,596,951 | 3.1% |
| 2025 | 5,014,179,806 | 1.7% | 4,997,984,567 | 1.7% | 2,708,069,526 | 134,491,850 | 2,573,577,676 | 3.0% |
| 2024 | 4,930,807,805 | 6.6% | 4,915,315,574 | 6.6% | 2,624,402,869 | 126,567,206 | 2,497,835,663 | 3.1% |
| 2023 | 4,626,698,043 | 22.1% | 4,610,933,196 | 22.1% | 2,537,273,330 | 115,011,642 | 2,422,261,688 | 3.0% |
| 2022 | 3,788,743,831 | 9.8% | 3,775,063,819 | 9.8% | 2,460,320,577 | 109,719,680 | 2,350,600,897 | 4.3% |
| 2021 | 3,449,820,249 | --- | 3,436,800,233 | --- | 2,360,623,677 | 107,259,923 | 2,253,363,754 | --- |

- (1) Value represents the Real Market Value of taxable properties, including the reduction in Real Market Value of specially assessed properties such as farm and forestland. This value is also commonly referred to as the Measure 5 Real Market Value by county assessors. Includes fully tax-exempt properties such as State-owned property.
- (2) Includes City urban renewal areas.
- (3) Assessed value of property in the City on which the Permanent Rate is applied to derive *ad valorem* property taxes, excluding urban renewal, exempt property within enterprise zones and any other offsets.
- (4) According to the Marion County Assessor, the significant growth of the M5 real market value in Fiscal Year 2023 was due to a combination of strong growth in residential properties, expiring enterprise zone exemptions, new construction projects and growth in commercial property values.
- (5) In Fiscal Year 2022, Marion County Tax Assessor’s office converted to a new software program. In the new program any properties that were fully exempt from paying taxes including manufactured homes under \$20K were excluded from the Total Real Market Value. Marion County Assessor’s office rewrote the code for the program and beginning in Fiscal Year 2024 the Total Real Market Value now includes exempt properties previously excluded.

Note: General obligation bonds may be levied on the Total Assessed Value, the Assessed Value Used to Calculate Rates, or a combination of the two, depending on the type of urban renewal plan and the original approval date of the bond issue.

Source: Marion County and Polk County Assessors’ Offices.

Property Tax Exemption Programs. Oregon statutes authorize a wide variety of full and partial property tax exemptions, including exemptions for property owned or used by cities, counties, schools and other local governments, property of the federal government, property used by religious and charitable entities, property used for low-income housing, historical properties or transit-oriented property. The City serves as the State capital, therefore the State owns a significant amount of exempt property within the City. Marion County reports that as of Fiscal Year 2025, State-owned property accounted for approximately \$1.79 billion of Real Market Value within the City's limits.

The Oregon Enterprise Zone program is a State of Oregon economic development program that allows for property tax exemptions for three to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by State statutes and the local sponsor.

The Low-Income Housing program allows land acquired and held by a nonprofit corporation for the purpose of building residences to be sold to certain individuals is exempt from property tax. This exemption only applies to the land on which the residences are to be built.

The Strategic Investments Program ("SIP") provides tax incentives for capital investments by "traded-sector" businesses, including manufacturing. SIP recipients receive a 15-year property tax exemption on new construction over \$25 million outside of urban areas, and over \$100 million in urban areas. The exemption value (\$25 million or \$100 million) then increases three percent per year. SIP recipients pay an annual Community Service Fee which is equal to 25 percent of the value of the tax break, which is allocated to local governments through local negotiations. The Community Service Fee is not considered a property tax and thus is outside of the Measure 5 Limit. There are no SIP Agreements within the City's boundaries.

A Senior Citizen Property Tax Deferral Program allows certain homeowners to defer taxes until death or sale of the home. A similar program is offered for Disability Tax Deferral, which does not have an age limitation.

ORS 307.250 allows a portion of the assessed value of a disabled veteran's or a veteran's surviving spouse's/partner's residential property to be exempt from property tax. The amount of the initial exemption is \$15,000 or \$18,000 of the assessed value of the property, dependent on meeting certain qualifications. Once the initial exemption is granted, the exemption amount increases by three percent each year.

GASB Statement No. 77 requires local governments to disclose information related to tax abatement programs and amounts abated. Tax abatements result from agreements entered into by the reporting government, as well as those that are initiated by other governments, which reduce the reporting government's tax revenues. In Fiscal Year 2025, the City reported a loss of \$2,389,354 in tax revenues due to tax abatement programs.

Tax Rates and Collections. The following table presents the Fiscal Year 2026 tax rates for the City and other taxing jurisdictions within Marion and Polk Counties that overlap the City. The City's Operating Tax Rate Limit is \$5.8315 per \$1,000 of assessed property value. The Operating Tax Rate Limit was calculated in conjunction with the implementation of Measure 50 in 1997. The Permanent Rates shown in the following table are the rates that are actually applied to the assessed value of the taxing district. The Permanent Rates may be different from the Operating Tax Rate Limit of the taxing district due to the decision by the taxing district to levy less than its Operating Tax Rate Limit.

Fiscal Year 2026 Representative Levy Rate - Marion County
(Rates per \$1,000 of Assessed Value)

| General Government | Permanent Rate | Urban Renewal Special Levy ⁽¹⁾ | Bond Levy Rate | Local Option Rate ⁽²⁾ | Consolidated Rate | Urban Renewal Portion of the Consolidated Rate ⁽³⁾ |
|---------------------------------------|-------------------|---|------------------|----------------------------------|-------------------|---|
| Marion County | \$ 3.0252 | \$ 0.0000 | \$ 0.0000 | \$ 0.0000 | \$ 3.0252 | \$ 0.2510 |
| City of Salem | 5.8315 | 0.0000 | 1.1608 | 0.9800 | 7.9723 | 0.4646 |
| Marion Soil & Water | 0.0500 | 0.0000 | 0.0000 | 0.0000 | 0.0500 | 0.0039 |
| Marion County Extension & 4H District | 0.0500 | 0.0000 | 0.0000 | 0.0000 | 0.0500 | 0.0039 |
| Regional Library | 0.0818 | 0.0000 | 0.0000 | 0.0000 | 0.0818 | 0.0061 |
| Salem Mass Transit | 0.7609 | 0.0000 | 0.0000 | 0.0000 | 0.7609 | 0.0591 |
| Salem Urban Renewal Special Levy | 0.0000 | 0.2130 | 0.0000 | 0.0000 | 0.2130 | 0.0000 |
| Total General Government | <u>9.7994</u> | <u>0.2130</u> | <u>1.1608</u> | <u>0.9800</u> | <u>12.1532</u> | <u>0.7886</u> |
| Education | | | | | | |
| Willamette Regional ESD | 0.2967 | 0.0000 | 0.0000 | 0.0000 | 0.2967 | 0.0228 |
| Chemeketa Community College | 0.6259 | 0.0000 | 0.2634 | 0.0000 | 0.8893 | 0.0508 |
| Salem-Keizer School District | 4.5210 | 0.0000 | 2.6843 | 0.0000 | 7.2053 | 0.3751 |
| Total Education | <u>5.4436</u> | <u>0.0000</u> | <u>2.9477</u> | <u>0.0000</u> | <u>8.3913</u> | <u>0.4487</u> |
| Total Tax Rate | <u>\$ 15.2430</u> | <u>\$ 0.2130</u> | <u>\$ 4.1085</u> | <u>\$ 0.9800</u> | <u>\$ 20.5445</u> | <u>\$ 1.2373</u> |

NOTE: County assessors report levy rates by tax code. Levy rates apply to the assessed property value. Measure 5 Limits are based on the Taxable Real Market Value and are only reported in total dollar amount of compression, if any, for each taxing jurisdiction (see "Local Revenue Sources - Property Taxes - Tax Rate Limitation - Measure 5" herein).

- (1) Some urban renewal areas that existed when Measure 50 was adopted are authorized to impose taxes throughout the boundaries of their creating city or county. Special urban renewal levies are subject to Tax Rate Compression. The City has one urban renewal area (Riverfront) with this taxing authority.
- (2) Local Option Levies are voter-approved serial levies. They are limited by ORS 280.060 to five years for operations or ten years for capital construction. Local Option Levy rates compress to zero before there is any compression of overlapping jurisdictions' Permanent Rates.
- (3) A portion of a taxing district's consolidated rate is contributed to the Agency through division of tax.

Source: Marion County Department of Assessment and Taxation. Note that there are 17 tax codes in Marion County that overlap the City and Tax Code 24010 has the highest property value of these tax codes. Total tax levies in the City range from \$19,0717 to \$20,5445 per \$1,000 of assessed property value.

**Fiscal Year 2026 Representative Levy Rate - Polk County
(Rates per \$1,000 of Assessed Value)**

| | Permanent Rate | Urban Renewal Special Levy ⁽¹⁾ | Bond Levy Rate | Local Option Rate ⁽²⁾ | Consolidated Rate | Urban Renewal Portion of the Consolidated Rate ⁽³⁾ |
|---------------------------------------|-------------------|---|------------------|----------------------------------|-------------------|---|
| General Government | | | | | | |
| Polk County | \$ 1.7160 | \$ 0.0000 | \$ 0.0000 | \$ 0.4950 | \$ 2.2110 | \$ 0.0892 |
| Chemeketa Regional Library | 0.0818 | 0.0000 | 0.0000 | 0.0000 | 0.0818 | 0.0061 |
| City of Salem | 5.8315 | 0.0000 | 1.1608 | 0.9800 | 7.9723 | 0.4646 |
| Riverfront Urban Renewal Special Levy | 0.0000 | 0.2130 | 0.0000 | 0.0000 | 0.2130 | 0.0000 |
| Polk Soil/Water CD | 0.0500 | 0.0000 | 0.0000 | 0.0000 | 0.0500 | 0.0025 |
| Salem Mass Transit | 0.7609 | 0.0000 | 0.0000 | 0.0000 | 0.7609 | 0.0591 |
| Extension & 4H District | 0.0750 | 0.0000 | 0.0000 | 0.0000 | 0.0750 | 0.0038 |
| Total General Government | 8.5152 | 0.2130 | 1.1608 | 1.4750 | 11.3640 | 0.6253 |
| Education | | | | | | |
| Willamette Regional ESD | 0.2967 | 0.0000 | 0.0000 | 0.0000 | 0.2967 | 0.0228 |
| Chemeketa Community College | 0.6259 | 0.0000 | 0.2634 | 0.0000 | 0.8893 | 0.0508 |
| Salem-Keizer School District | 4.5210 | 0.0000 | 2.6843 | 0.0000 | 7.2053 | 0.3751 |
| Total Education | 5.4436 | 0.0000 | 2.9477 | 0.0000 | 8.3913 | 0.4487 |
| Total Tax Rate | \$ 13.9588 | \$ 0.2130 | \$ 4.1085 | \$ 1.4750 | \$ 19.7553 | \$ 1.0740 |

NOTE: County assessors report levy rates by tax code. Levy rates apply to the assessed property value. Measure 5 Limits are based on the Taxable Real Market Value and are only reported in total dollar amount of compression, if any, for each taxing jurisdiction (see "Local Revenue Sources - Property Taxes - Tax Rate Limitation - Measure 5" herein).

- (4) Some urban renewal areas that existed when Measure 50 was adopted are authorized to impose taxes throughout the boundaries of their creating city or county. Special urban renewal levies are subject to Tax Rate Compression. The City has one urban renewal area (Riverfront) with this taxing authority.
- (5) Local Option Levies are voter-approved serial levies. They are limited by ORS 280.060 to five years for operations or ten years for capital construction. Local Option Levy rates compress to zero before there is any compression of overlapping jurisdictions' Permanent Rates.
- (6) A portion of a taxing district's consolidated rate is contributed to the Agency through division of tax.

Source: Polk County Department of Assessment and Taxation. Note that there are 3 tax codes in Polk County that overlap the City and Tax Code 3201 has the highest property value of these tax codes. Total tax levies in the City range from \$18.9944 to \$19.7553 per \$1,000 of assessed property value.

Tax Collection Record⁽¹⁾

Marion County

| Fiscal Year | Percent Collected as of Levy Year ⁽²⁾ | Percent Collected as of 6/30/2025 ⁽³⁾ |
|-------------|--|--|
| 2025 | 98.01% | 98.01% |
| 2024 | 97.93% | 99.26% |
| 2023 | 98.24% | 99.56% |
| 2022 | 98.19% | 99.81% |
| 2021 | 98.23% | 99.92% |

Polk County

| Fiscal Year | Percent Collected as of Levy Year ⁽²⁾ | Percent Collected as of 6/30/2025 ⁽³⁾ |
|-------------|--|--|
| 2025 | 97.99% | 97.99% |
| 2024 | 98.16% | 99.17% |
| 2023 | 98.34% | 99.60% |
| 2022 | 98.56% | 99.80% |
| 2021 | 98.52% | 99.95% |

- (1) Percentage of total tax levy collection in Marion and Polk Counties. Pre-payment discounts are considered to be collected when outstanding taxes are calculated. The tax rates are before offsets.
- (2) The percentage of taxes collected in the "year of the levy" represents taxes collected in a single levy year, beginning July 1 and ending June 30.
- (3) The percentage of taxes shown in the column represents taxes collected cumulatively from July 1 of a given levy year through June 30, 2025.

Source: Marion County and Polk County Assessors' Offices.

Major Taxpayers
(As of Fiscal Year 2026)
City of Salem

| Taxpayer | Business/Service | Assessed Value ⁽¹⁾ | Percent of Value | Tax ⁽²⁾ |
|---|-------------------------|--------------------------------------|-------------------------|---------------------------|
| Portland General Electric Co. | Electrical Utility | \$ 174,404,000 | 1.00% | \$ 3,326,107 |
| Northwest Natural Gas Co. | Natural Gas Utility | 121,787,072 | 0.70% | 2,322,781 |
| DG Strategic VII LLC (Dollar General) | Retail | 108,872,970 | 0.62% | 2,236,741 |
| Comcast Corporation | Telecommunications | 102,336,581 | 0.59% | 2,102,454 |
| BIT Investment Ninety-Seven LLC | Investment Company | 88,024,080 | 0.50% | 1,808,411 |
| Pacific Realty Associates LP | Commercial Real Estate | 65,737,710 | 0.38% | 1,350,207 |
| State Accident Insurance Fund | Insurance | 64,016,160 | 0.37% | 1,256,000 |
| Lancaster Development Company | Shopping Mall | 60,341,700 | 0.35% | 1,161,834 |
| Snyder's-Lance Inc. | Food Products | 47,534,410 | 0.27% | 907,596 |
| Newport Hill LLC | Motorcycle Dealer | 43,588,020 | 0.25% | 895,494 |
| Subtotal - District's ten largest taxpayers | | <u>876,642,703</u> | <u>5.02%</u> | |
| All other District's taxpayers | | <u>16,595,394,052</u> | <u>94.98%</u> | |
| Total District | | <u>\$ 17,472,036,755</u> | <u>100.00%</u> | |

Source: Marion County and Polk County Assessors' Offices.

Marion County

| Taxpayer | Business/Service | Assessed Value ⁽¹⁾ | Percent of Value | Tax ⁽²⁾ |
|---|----------------------------|--------------------------------------|-------------------------|---------------------------|
| Portland General Electric | Electrical Utility | \$ 610,962,080 | 1.75% | \$ 9,198,212 |
| Amazon.com Services LLC | Distribution Center | 339,406,390 | 0.97% | 6,247,041 |
| Northwest Natural Gas Co. | Natural Gas Utility | 270,330,973 | 0.77% | 4,596,176 |
| Comcast Corporation | Telecommunications | 158,121,006 | 0.45% | 2,956,366 |
| DG Strategic VII LLC | Distribution Center | 108,872,970 | 0.31% | 2,236,741 |
| WinCo Foods Inc. | Retail/Warehouse | 115,085,750 | 0.33% | 2,041,863 |
| Bit Investment Ninety-Seven LLC | Amazon Distribution Center | 88,024,080 | 0.25% | 1,808,411 |
| Pacific Realty Associates LP | Commercial Prop. | 78,546,250 | 0.22% | 1,595,023 |
| Woodburn Premium Outlets LLC | Shopping Mall | 81,369,310 | 0.23% | 1,559,107 |
| Lumen Technologies Inc. | Telecommunications | 85,025,870 | 0.24% | 1,353,003 |
| Subtotal - County's ten largest taxpayers | | <u>1,935,744,679</u> | <u>5.53%</u> | |
| All other County's taxpayers | | <u>33,044,048,995</u> | <u>94.47%</u> | |
| Total County | | <u>\$ 34,979,793,674</u> | <u>100.00%</u> | |

Note: 83.4 percent of the City's assessed value is located within Marion County.

- (1) Assessed value does not exclude offsets such as urban renewal and farm tax credits.
- (2) Tax amount is the total tax paid by the taxpayer within the boundaries of the City and Marion County, respectively. This amount is distributed to individual local governments by Marion County. A breakdown of amounts paid to each individual local government is not available.

Source: Marion County Assessors' Offices.

Polk County

| Taxpayer | Business/Service | Assessed Value ⁽¹⁾ | Percent of Value | Tax ⁽²⁾ |
|---|-------------------------|--------------------------------------|-------------------------|---------------------------|
| Northwest Natural Gas Co. | Natural Gas Utility | \$ 101,507,754 | 1.22% | \$ 1,424,166 |
| Orchard Heights Apartments LLC | Apartments | 37,565,840 | 0.45% | 742,124 |
| Portland General Electric Co. | Electrical Utility | 53,673,130 | 0.65% | 610,751 |
| PacificCorp (PP&L) | Utility | 43,406,333 | 0.52% | 540,820 |
| Capital Manor | Real Estate Development | 27,634,510 | 0.33% | 527,117 |
| Weyerhaeuser Timber Holdings Inc | Paper Manufacturing | 34,717,168 | 0.42% | 435,985 |
| Riverplace Apartment Homes LLC | Apartments | 20,829,800 | 0.25% | 380,156 |
| Pollan Willamette LLC ETAL | Apartments | 17,012,290 | 0.20% | 335,761 |
| Orchard Ridge Apartments LLC | Apartments | 16,708,920 | 0.20% | 330,090 |
| Meduri Farms Inc. | Food Products | 26,095,436 | 0.31% | 304,384 |
| Subtotal - County's ten largest taxpayers | | 379,151,181 | 4.56% | |
| All other County's taxpayers | | 7,940,041,553 | 95.44% | |
| Total County | | \$ 8,319,192,734 | 100.00% | |

Note: 16.6 percent of the City's assessed value is located within Polk County.

- (1) Assessed value does not exclude offsets such as urban renewal and farm tax credits.
- (2) Tax amount is the total tax paid by the taxpayer within the boundaries of the City and Polk County, respectively. This amount is distributed to individual local governments by Polk County. A breakdown of amounts paid to each individual local government is not available.

Source: Polk County Assessors' Offices.

Federal Funding

Oregon local governments receive federal funding for a variety of purposes. Such funding is generally restricted to specific purposes. Federal funding may be subject to reduction or withdrawal. See "Certain Investment Considerations - Federal and State Actions" herein.

Other Taxes

Oregon cities and counties generally have broad authority to impose taxes on activities within their boundaries. Certain Oregon cities and counties currently impose business license taxes, food and beverage taxes, motor vehicle fuel taxes, transient room taxes and other taxes. Generally these taxes must be either approved by the voters or may be subject to referral by the voters.

The Legislative Assembly generally has the authority to limit or prohibit local governments from imposing taxes, and has limited a number of local government taxes, including transient room taxes and real estate transfer taxes. Each local government has its own mix of taxes, as well as fees and other revenue sources.

Local Government Fees

Oregon cities and counties generally have broad authority to impose and collect fees for services. Many cities and counties collect sewer, water, electric and other enterprise fees, building permit fees, and surface water management fees.

Other local governments, such as special purpose districts, generally require legislative authorization to impose fees for services. Local governments that are authorized to operate utility systems generally are authorized to impose fees for services that are sufficient to pay for their costs of operating and financing their utility systems.

The Legislative Assembly generally has the authority to limit or prohibit local governments from imposing fees for services. Cities are currently authorized to collect franchise fees from utilities, while other local governments are prohibited from doing so. In Fiscal Year 2025, the City collected \$22.6 million in franchise fees.

State of Oregon Funding

Oregon cities and counties receive a share of the revenues the State receives from taxing motor vehicle fuels. The Oregon Constitution requires that these revenues be used only to pay for costs of public roads. Oregon cities and counties also receive a share of the revenues the State of Oregon receives from tobacco taxes and liquor taxes.

The State of Oregon also appropriates money to Oregon counties to operate the justice system, and it provides a wide variety of funding for other purposes.

The State of Oregon is generally not obligated to continue to provide these revenues to local governments.

Financial Factors

Financial Reporting and Accounting Policies

The City's basic financial statements were prepared using modified accrual accounting in conformity with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB").

Additional information on the City's accounting methods is available in the City's audited financial statements. A copy of the City's audited financial report for Fiscal Year 2025 is attached hereto as Appendix B.

Auditing

Each Oregon political subdivision must obtain an audit and examination of its funds and account groups at least once each year pursuant to the Oregon Municipal Audit Law, ORS 297.405-297.555. Political subdivisions having annual expenditures of less than \$150,000, with the exception of counties and school districts, are exempt from this requirement. All Oregon counties and school districts, regardless of amount of annual expenditures, must obtain an audit annually. The required audit may be performed by the State Division of Audits or by independent public accountants certified by the State as capable of auditing political subdivisions. Municipal Audit Law, ORS 297.405 to 297.555 and ORS 297.990, requires Oregon local governments to submit annual financial reports to the Secretary of State within six months of the end of the fiscal year.

The City's audits for the Fiscal Years 2021 through 2025 ("City Audited Financial Statements") were performed by Grove, Mueller & Swank, P.C., CPAs, Salem, Oregon, which was acquired by REDW Advisors & CPAs LLC (the "Auditor") in December 2023. The audit report for Fiscal Year 2025 indicates the financial statements, in all material respects, fairly present the City's financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information and the respective changes in financial position and the cash flows, where applicable, in conformance with accounting principles generally accepted in the United States of America. The Auditor was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of their report on the 2025 Fiscal Year.

Future financial statements may be obtained from the Electronic Municipal Market Access ("EMMA") system, a centralized repository operated by the Municipal Securities Rulemaking Board ("MSRB"), currently located at: www.emma.msrb.org.

Summaries of the City's Net Position and Changes in Net Position follow:

Statement of Net Position- Governmental Activities
(Fiscal Years)

| Assets | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Current assets: | | | | | |
| Cash and investments | \$ 218,564,349 | \$ 255,106,480 | \$ 353,325,827 | \$ 343,700,475 | \$ 323,862,653 |
| Accounts receivables, net | 32,569,820 | 29,468,556 | 35,830,833 | 43,019,935 | 48,579,769 |
| Leases receivable | - | 311,885 | 236,638 | 209,646 | 213,610 |
| Due from other governmental agencies | - | - | 229,387 | 253,779 | 212,989 |
| Internal balances | (8,193,308) | (6,384,882) | (4,353,105) | (1,905,855) | 81,884 |
| Inventories and prepayments | 1,401,667 | 1,471,782 | 1,931,705 | 1,697,800 | 1,919,045 |
| Noncurrent assets: | | | | | |
| Restricted cash and investments | 896,879 | 854,741 | 899,522 | - | - |
| Leases receivable | - | 2,183,342 | 1,955,790 | 1,746,145 | 758,260 |
| Assessments receivable | 1,889,943 | 1,475,497 | 1,215,518 | 4,419,516 | 5,784,977 |
| Net OPEB asset | 769,537 | 2,001,162 | 2,111,057 | 2,293,368 | 2,236,490 |
| Capital assets: | | | | | |
| Land and construction in progress | 419,654,142 | 412,287,923 | 425,797,112 | 390,952,945 | 423,891,253 |
| Other capital assets, net | 261,459,097 | 273,317,323 | 292,208,202 | 356,038,608 | 352,998,278 |
| Total Assets | <u>929,012,126</u> | <u>972,093,809</u> | <u>1,111,388,486</u> | <u>1,142,426,362</u> | <u>1,160,539,208</u> |
| Deferred Outflows of Resources | | | | | |
| Deferred outflows related to OPEB | 3,124,483 | 2,529,197 | 2,138,878 | 2,586,295 | 2,526,304 |
| Deferred outflows related to pensions | 50,640,130 | 47,843,431 | 48,153,165 | 57,052,288 | 68,518,664 |
| Total Deferred Outflows of Resources | <u>53,764,613</u> | <u>50,372,628</u> | <u>50,292,043</u> | <u>59,638,583</u> | <u>71,044,968</u> |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | 15,659,421 | 14,353,767 | 21,248,159 | 22,652,790 | 24,712,628 |
| SBITA payable | - | - | 486,511 | 306,471 | 176,297 |
| Leases payable | - | 166,904 | 142,389 | 147,527 | 1,110,069 |
| Interest payable | 828,502 | 622,472 | 2,193,078 | 916,267 | 724,758 |
| Due to other agencies | 21,599 | 62,986 | 91,880 | 47,367 | 38,084 |
| Claims and judgments due within one year | 1,450,000 | 1,475,000 | 1,575,000 | 1,875,000 | 2,235,000 |
| Long-term debt due within one year | 17,961,256 | 19,369,144 | 16,028,723 | 19,158,280 | 20,730,407 |
| Compensated absences due within one year | 1,340,984 | 1,453,222 | 1,623,785 | 1,353,184 | 4,248,561 |
| Noncurrent liabilities: | | | | | |
| Security deposit payable | 3,574 | 12,699 | 11,511 | 12,971 | 15,571 |
| Unearned revenue | 7,752,878 | 2,052,912 | 13,373 | 251 | - |
| SBITA payable | - | - | 452,263 | 145,792 | 109,011 |
| Leases payable | - | 708,484 | 566,061 | 418,534 | 1,750,350 |
| Developer reimbursement | 1,889,943 | 1,475,497 | 1,215,518 | 4,419,516 | 5,784,977 |
| Long-term debt | 149,070,272 | 128,403,035 | 218,459,182 | 197,681,895 | 171,856,588 |
| Net OPEB obligation | 13,387,596 | 12,005,446 | 12,249,566 | 14,104,185 | 13,075,813 |
| Net pension liability | 152,465,686 | 83,536,407 | 114,276,333 | 154,199,519 | 170,075,880 |
| Claims and judgments payable | 4,895,000 | 5,012,000 | 5,063,000 | 11,781,000 | 10,106,000 |
| Compensated absences payable | 7,945,216 | 8,508,880 | 8,914,086 | 9,335,859 | 20,348,366 |
| Total Liabilities | <u>374,671,927</u> | <u>279,218,855</u> | <u>404,610,418</u> | <u>438,556,408</u> | <u>447,098,360</u> |
| Deferred Inflows of Resources | | | | | |
| Deferred charge on refunding | 775,453 | 620,362 | 465,271 | 310,180 | 155,089 |
| Deferred inflows related to leases | - | 2,463,874 | 2,113,018 | 1,835,442 | 2,852,561 |
| Deferred inflows related to OPEB | 1,048,284 | 3,740,296 | 3,536,799 | 2,654,709 | 4,067,254 |
| Deferred inflows related to pensions | 3,684,308 | 65,825,794 | 34,872,606 | 12,602,612 | 17,431,437 |
| Total Deferred Inflows of Resources | <u>5,508,045</u> | <u>72,650,326</u> | <u>40,987,694</u> | <u>17,402,943</u> | <u>24,506,341</u> |
| Net Position | | | | | |
| Net investment in capital assets, | 565,499,786 | 575,714,723 | 590,223,245 | 621,627,432 | 644,883,984 |
| Restricted | 109,477,858 | 141,667,383 | 173,644,605 | 182,254,938 | 199,638,551 |
| Unrestricted | (72,380,877) | (46,784,850) | (47,785,433) | (57,776,776) | (84,543,060) |
| Total Net Position | <u>\$ 602,596,767</u> | <u>\$ 670,597,256</u> | <u>\$ 716,082,417</u> | <u>\$ 746,105,594</u> | <u>\$ 759,979,475</u> |

Source: City Audited Financial Statements.

Statement of Activities- Governmental Activities
(Fiscal Years)

| Revenues: | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|---------------------------------|------------------------------|---------------------------------|------------------------------|------------------------------------|
| Program Revenues: | | | | | |
| Charges for services | \$ 44,665,477 | \$ 47,321,446 | \$ 57,281,250 | \$ 51,702,901 | \$ 54,907,495 |
| Operating grants and contributions | 27,724,481 | 51,417,952 | 25,709,550 | 20,768,745 | 20,751,513 |
| Capital grants and contributions | 17,691,624 | 24,502,686 | 28,671,746 | 26,169,701 | 19,670,185 |
| General Revenues: | | | | | |
| Property taxes | 106,036,841 | 112,236,879 | 116,767,104 | 123,379,170 | 128,088,830 |
| Transient occupancy tax | 3,095,121 | 4,326,660 | 4,668,844 | 4,842,375 | 5,298,982 |
| Other taxes | 1,584,048 | 1,777,348 | 1,299,102 | 1,403,095 | 1,374,729 |
| Shared state revenue | 7,576,469 | 7,437,065 | 7,885,459 | 7,797,149 | 6,802,859 |
| Franchise fees based on gross receipts | 18,667,017 | 19,958,970 | 20,721,487 | 21,628,965 | 22,664,483 |
| City operations fee | 7,205,667 | 7,475,556 | 7,952,954 | 13,761,916 | 14,612,375 |
| Payment in lieu of taxes | 99,146 | 102,498 | 121,389 | 119,217 | 125,169 |
| Investment earnings | 3,290,559 | 2,405,246 | 6,388,615 | 12,152,344 | 13,166,337 |
| Gain on sale of assets | 159,308 | 2,206,527 | 1,993,631 | 39,460 | 2,889,345 |
| Miscellaneous | 1,329,778 | 761,816 | 4,042,447 | 2,497,650 | 1,493,663 |
| Transfers | <u>(1,050,003)</u> | <u>2,101,926</u> | <u>1,674,157</u> | <u>6,341,505</u> | <u>1,880,100</u> |
| Total Revenues | <u>238,075,533</u> | <u>284,032,575</u> | <u>285,177,735</u> | <u>292,604,193</u> | <u>293,726,065</u> |
| Expenses: | | | | | |
| General government | 33,544,932 | 28,073,717 | 27,663,634 | 33,502,842 | 33,862,605 |
| Public safety | 101,932,771 | 91,848,440 | 101,714,590 | 119,726,538 | 124,681,272 |
| Community development | 31,725,690 | 29,707,264 | 35,178,144 | 36,527,001 | 39,132,018 |
| Community services | 14,901,391 | 19,541,160 | 24,966,224 | 23,356,594 | 17,944,411 |
| Transportation | 28,667,000 | 34,732,759 | 35,691,196 | 34,416,846 | 38,957,379 |
| Library services | 6,073,307 | 5,496,128 | 6,258,334 | 5,651,365 | 6,038,347 |
| Interest on debt | 6,875,063 | 6,632,618 | 7,417,300 | 9,399,830 | 8,796,006 |
| Total Expenses | <u>223,720,154</u> | <u>216,032,086</u> | <u>238,889,422</u> | <u>262,581,016</u> | <u>269,412,038</u> |
| Increase (decrease) in net position | 14,355,379 | 68,000,489 | 46,288,313 | 30,023,177 | 24,314,027 |
| Net position- July 1 | <u>579,864,724</u> | <u>602,596,767</u> | <u>670,597,256</u> | <u>716,082,417</u> | <u>746,105,594</u> |
| Prior period adjustment ⁽¹⁾ | <u>8,376,664</u> ⁽¹⁾ | <u>-</u> | <u>(803,152)</u> ⁽²⁾ | <u>-</u> | <u>(10,440,146)</u> ⁽³⁾ |
| Total Net Position | <u>\$ 602,596,767</u> | <u>\$ 670,597,256</u> | <u>\$ 716,082,417</u> | <u>\$ 746,105,594</u> | <u>\$ 759,979,475</u> |

(1) In Fiscal Year 2021, prior period adjustments were required for capital asset work-in-progress incorrectly reported as expense in Fiscal Year 2020 (\$7.0 million) and grant revenue not reported in Fiscal Year 2020 (\$1.4 million).

(2) In Fiscal Year 2022, revenue of \$803,152 was reported in the Community Enhancement fund as a development fee. During Fiscal Year 2023 it was determined that should have been classified as a reimbursable / pass-through charge to be reported in the Reimbursement Districts custodial fund.

(3) Restatement of the Fiscal Year 2024 net position recognized in Fiscal Year 2025 with implementation of GASB 101, Compensated Absences.

Source: City Audited Financial Statements.

A five-year summary of the City's General Operating Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance follows.

General Operating Fund Balance Sheet
(Fiscal Years)

| Assets | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Cash and investments | \$ 30,578,886 | \$ 41,418,633 | \$ 39,525,158 | \$ 36,078,201 | \$ 31,727,667 |
| Accounts receivable, net | 8,618,326 | 9,736,756 | 10,244,398 | 12,091,315 | 13,081,772 |
| Leases receivable | | 350,182 | 339,536 | 337,498 | 335,386 |
| Due from other agencies | - | - | 229,387 | 253,779 | 212,989 |
| Advances to other funds | - | - | - | 625,758 | 12,208 |
| Inventories and prepayments | 135,214 | 90,144 | 45,073 | - | - |
| Total Assets and Other Debits | <u>39,332,426</u> | <u>51,595,715</u> | <u>50,383,552</u> | <u>49,386,551</u> | <u>45,370,022</u> |
| Liabilities, Deferred Inflow of Resources, and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | 5,963,389 | 6,311,825 | 10,233,533 | 10,576,872 | 9,775,865 |
| Due to other agencies | 21,599 | 62,986 | 91,880 | 47,367 | 38,084 |
| Security deposit payable | 1,734 | 11,054 | 9,971 | 11,596 | 14,526 |
| Unearned revenues | - | 1,415,892 | - | - | - |
| Total Liabilities: | <u>5,986,722</u> | <u>7,801,757</u> | <u>10,335,384</u> | <u>10,635,835</u> | <u>9,828,475</u> |
| Deferred Inflow of Resources: | | | | | |
| Related to leases | - | 345,758 | 331,248 | 320,301 | 2,245,612 |
| Unavailable revenue | 2,260,826 | 2,649,361 | 3,032,719 | 3,295,734 | 3,480,712 |
| Total Deferred Inflow of Resources: | <u>2,260,826</u> | <u>2,995,119</u> | <u>3,363,967</u> | <u>3,616,035</u> | <u>5,726,324</u> |
| Fund Balances: | | | | | |
| Nonspendable | 135,214 | 90,144 | 45,073 | - | - |
| Committed | 40,157 | 26,239 | 51,264 | 84,640 | 91,817 |
| Assigned | 1,091,940 | 1,352,350 | 696,170 | 284,800 | 377,140 |
| Unassigned | 29,817,567 | 39,330,106 | 35,891,694 | 34,765,241 | 29,346,266 |
| Total Fund Balances | <u>31,084,878</u> | <u>40,798,839</u> | <u>36,684,201</u> | <u>35,134,681</u> | <u>29,815,223</u> |
| Total Liabilities, Deferred Inflow of Resources and Fund Balance | <u>\$ 39,332,426</u> | <u>\$ 51,595,715</u> | <u>\$ 50,383,552</u> | <u>\$ 49,386,551</u> | <u>\$ 45,370,022</u> |

Note: The General Operating Fund contains the General Fund and Public Art Fund which must be combined with the General Fund for GAAP reporting.

Source: City Audited Financial Statements.

**General Operating Fund Statement of Revenues, Expenditures and
Changes in Fund Balance
(Fiscal Years)**

| Revenues | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Property taxes | \$ 74,536,268 | \$ 77,817,603 | \$ 81,563,712 | \$ 84,431,400 | \$ 87,126,016 |
| Other taxes | 1,584,048 | 1,777,348 | 1,299,102 | 1,403,095 | 1,374,729 |
| Sales, fees, licenses, and permits | 31,531,800 | 35,175,302 | 35,568,477 | 41,564,503 | 44,398,815 |
| Special assessments | 1,232 | - | 7,127 | 15,743 | 13,748 |
| Rents | 538,882 | 760,236 | 1,115,420 | 1,041,044 | 1,322,304 |
| Grants | 10,644,562 | 14,386,476 | 1,306,509 | 2,443,702 | 678,925 |
| Intergovernmental | 16,707,611 | 16,105,894 | 18,530,783 | 16,236,987 | 15,261,302 |
| Fines and penalties | 1,631,719 | 2,137,929 | 3,295,369 | 3,456,876 | 3,388,840 |
| Interest on investments | 503,992 | 386,189 | 1,025,586 | 1,475,904 | 1,558,919 |
| Other | 200,570 | 243,396 | 266,407 | 329,428 | 655,961 |
| Total Revenues | <u>137,880,684</u> | <u>148,790,373</u> | <u>143,978,492</u> | <u>152,398,682</u> | <u>155,779,559</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 22,811,941 | 26,458,885 | 25,401,413 | 23,920,301 | 24,674,705 |
| Community development | 7,883,525 | 8,072,140 | 8,268,095 | 8,017,832 | 7,592,384 |
| Community service | 11,068,551 | 10,977,077 | 11,507,671 | 12,789,359 | 13,216,414 |
| Public safety | 85,112,538 | 90,395,796 | 97,649,984 | 106,806,729 | 112,811,849 |
| Library | 4,662,788 | 4,954,340 | 5,275,572 | 4,773,396 | 5,066,512 |
| Capital Outlay | 764,835 | 859,065 | 1,198,765 | 613,486 | 2,452,502 |
| Debt service | 47,494 | 143,876 | 310,156 | 330,320 | 1,227,833 |
| Total Expenditures | <u>132,351,672</u> | <u>141,861,179</u> | <u>149,611,656</u> | <u>157,251,423</u> | <u>167,042,199</u> |
| Excess (deficiency) of revenues over expenditures | <u>5,529,012</u> | <u>6,929,194</u> | <u>(5,633,164)</u> | <u>(4,852,741)</u> | <u>(11,262,640)</u> |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from leases | - | 543,147 | - | - | - |
| SBITA financing | - | - | 587,062 | - | 290,017 |
| Sale of capital assets | - | 497,111 | - | 400 | 1,952,279 |
| Transfers in | 1,904,460 | 3,102,256 | 3,891,255 | 5,050,468 | 5,702,868 |
| Transfers out | (1,337,829) | (1,357,747) | (2,959,791) | (1,747,647) | (2,001,982) |
| Total Other Financing Sources (Uses) | <u>566,631</u> | <u>2,784,767</u> | <u>1,518,526</u> | <u>3,303,221</u> | <u>5,943,182</u> |
| Change in fund balance | <u>6,095,643</u> | <u>9,713,961</u> | <u>(4,114,638)</u> | <u>(1,549,520)</u> | <u>(5,319,458)</u> |
| Fund balance at beginning of year | <u>24,989,235</u> | <u>31,084,878</u> | <u>40,798,839</u> | <u>36,684,201</u> | <u>35,134,681</u> |
| Ending fund balance | <u>\$ 31,084,878</u> | <u>\$ 40,798,839</u> | <u>\$ 36,684,201</u> | <u>\$ 35,134,681</u> | <u>\$ 29,815,223</u> |

Note: The General Operating Fund contains the General Fund and Public Art Fund which must be combined with the General Fund for GAAP reporting.

Source: City Audited Financial Statements.

Budgetary Process

The City prepares an annual budget in accordance with Oregon Local Budget Law (ORS Chapter 294) which establishes standard procedures for all budget functions for Oregon local governments. Under the applicable provisions, there must be public participation in the budget process and the adopted budget must be balanced.

The City's administrative staff evaluates the budget requests of the various departments of the City to determine the funding levels of the operating programs. The budget is presented to the public through public hearings held by a budget committee consisting of Council members and lay members. After giving due consideration to

the input received from the citizens, the City Council adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted no later than June 30 of each Fiscal Year.

The budget may be amended during the applicable Fiscal Year through the adoption of a supplemental budget. Supplemental budgets may be adopted by the Council pursuant to ORS 294.471.

General Operating Fund Adopted Budget (Fiscal Years)

| Resources | 2025 | 2026 |
|---------------------------------------|-----------------------|-----------------------|
| Property Taxes | \$ 87,826,740 | \$ 92,233,890 |
| Marijuana Sales Tax | 1,501,900 | 1,451,360 |
| Franchise Fees | 22,926,940 | 23,669,020 |
| Sales, Fees, Licenses, and Permits | 20,591,260 | 21,155,090 |
| Assessments | 20,000 | 17,100 |
| Rents | 1,160,610 | 1,024,250 |
| Internal Charges | 19,856,880 | 20,117,050 |
| State Shared Revenues | 8,264,650 | 7,707,640 |
| Other Agencies | 1,145,230 | 552,660 |
| Other Fees | 500 | 250 |
| Grants | 991,790 | 661,350 |
| Other Revenue | 5,193,400 | 4,990,110 |
| Interfund Transfers | 7,493,740 | 3,572,590 |
| Cash Balance | 32,795,520 | 30,834,780 |
| Total Resources | \$ 209,769,160 | \$ 207,987,140 |
| Requirements | | |
| Personal Services ⁽¹⁾ | \$ 148,954,880 | \$ 147,597,010 |
| Materials and Services ⁽¹⁾ | 37,894,240 | 31,652,870 |
| Capital Outlay | 395,200 | 395,200 |
| Debt Service | 668,140 | 662,300 |
| Interfund Transfers | 1,716,590 | 1,397,330 |
| Contingencies | 1,470,330 | 3,000,000 |
| Unappropriated Ending Fund Balance | 18,669,780 | 23,282,430 |
| Total Requirements | \$ 209,769,160 | \$ 207,987,140 |

(1) Services related to the Local Option Levy were moved from the General Fund to a special revenue fund which will be used to account for Local Option Levy collections and expenditures.

Note: The General Operating Fund Adopted Budget combines the General Fund and the Public Art Fund for GAAP reporting purposes, but funds are budgeted separately.

Source: City Adopted Fiscal Year 2026 Budget.

Fiscal Year 2027 Budget Development. The Budget Committee consists of the entire City Council and nine appointed resident members who analyze and recommend a budget to the City Council. This committee is active for about six weeks in April and May of each year. Members participate in the budget hearings weekly during this period. The final budget is expected to be adopted by the Council prior to June 30, 2026.

Investments

ORS 294.035 authorizes Oregon political subdivisions to invest in obligations, ranging from U.S. Treasury obligations and Agency securities to municipal obligations, bankers' acceptances, commercial paper, certificates

of deposit, corporate debt and guaranteed investment contracts, all subject to certain size and maturity limitations. No municipality may have investments with maturities in excess of 18 months without adopting a written investment policy which has been reviewed by the Oregon Short Term Fund Board. ORS 294.052 authorizes Oregon political subdivisions to invest proceeds of bonds or certificates of participation and amounts held in a fund or account for such bonds or certificates of participation under investment agreements if the agreements: (i) produce a guaranteed rate of return; (ii) are fully collateralized by direct obligations of, or obligations guaranteed by, the United States; and (iii) require that the collateral be held by the municipality, an agent of the municipality or a third-party safekeeping agent. The City has its own investment policy which is available upon request.

Political subdivisions are also authorized to invest approximately \$63.387 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" (ORS 293.726) and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. A listing of investments held by the Oregon Short-Term Fund is available on the Oregon State Treasury website under "Other OSTF Reports - OSTF Detailed Monthly Reports" at [http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx).

Pension System

General. The City participates in a retirement pension benefit program under the State of Oregon Public Employees Retirement System ("PERS" or the "System"). After six full months of employment, all City employees are required to participate in PERS. Employer contribution rates are calculated as a percentage of covered payroll. Employees are required to contribute six percent of their annual salary as well; however, employers are allowed to pay the employees' contribution in addition to the required employers' contribution. See "Employer Contribution Rates" herein.

T1/T2 Pension Programs. Employees hired before August 29, 2003 participate in the "Tier 1" or "Tier 2" pension programs (the "T1/T2 Pension Programs"). The benefits provided through the T1/T2 Pension Programs are based primarily on a defined benefit model and provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Between January 1, 2004 and June 30, 2020, six percent of each employee's salary was contributed to fund individual retirement accounts under a separate defined contribution program known as the Individual Account Program (the "IAP"). Effective July 1, 2020, the six percent contribution for employees who earn in excess of \$2,500 per month (indexed annually for inflation) was split in two, with two-and-one-half percent of the employee's salary deposited in the "Employee Pension Stability Account" ("EPSA") and 3.50 percent of salary sent to the IAP. The threshold amount was raised in June 2021 to \$3,333 per month (indexed annually for inflation). Effective January 1, 2026, the monthly threshold for this contribution is \$3,890 per month. This policy will apply until the funded status reaches 90 percent.

OPSRP. Employees hired on or after August 29, 2003 participate in the Oregon Public Service Retirement Plan ("OPSRP") unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a defined benefit pension plan, but also provides access to the IAP. As stated above, effective July 1, 2020, the six percent contribution for employees that earn in excess of \$2,500 per month (indexed annually for inflation) was split in two, with 0.75 percent of the employee's salary deposited in the EPSA and 5.25 percent of salary sent to the IAP. Effective January 1, 2026, the monthly threshold for this contribution split is \$3,890 per month. This policy will apply until the funded status reaches 90 percent.

RHIA/RHIPA. The Oregon PERS Health Insurance Program offers optional medical, dental, and long-term care insurance plans to eligible T1/T2 retirees, their spouses, and dependents. See "Other Postemployment Benefits, Retirement Health Insurance Account" herein.

Actuarial Valuation. Actuarial valuations are performed annually as of December 31 of each year and are designed to measure the liabilities, assets and funded status of the System for each employer, as well as determine employer contribution rates. The valuations are based on complex models which utilize assumptions on rates of return, payroll growth rates and demographic trends. The valuations as of December 31 of odd-number years are used

by the Oregon Public Employees Retirement System Board (the “PERB”) to set employer contribution rates; valuations as of even-numbered years are used for advisory purposes only. Should the assumptions used in the actuarial model prove inaccurate, liabilities of the System may be higher or lower than estimated. Any increases or decreases in liabilities will be absorbed into future contribution rates assessed against employer payrolls. An employer’s unfunded actuarial liability (“UAL”) is equal to the excess of the actuarially determined present value of the employer’s benefit obligations to employees over the existing assets available to pay those benefits. PERS’ current actuary is Milliman, Inc. (“Milliman,” or the “Actuary”).

Actuarial valuations are performed for the entire System (the “System Valuation”), and for most participating employers, including the City (the “City Valuation”). Valuations are released nine to eleven months after the valuation date. Current payroll rates are based on the System’s actuarial valuation report as of December 31, 2023 (the “2023 System Valuation”), and those rates will extend through June 30, 2027, including the rates for the City. The System’s actuarial valuation report as of December 31, 2024 (the “2024 System Valuation”), which was released on December 17, 2025 provides projections of contribution rates for the 2027-2029 biennium. See “Actuarial Assumptions” and “Employer Contribution Rates” herein. Actual contribution rates for the 2027-2029 biennium will be set by the System’s actuarial valuation report as of December 31, 2025, which is expected to be released late in calendar year 2026.

| Valuation Date | Release Date | Rates Effective |
|-------------------|---------------|--|
| December 31, 2021 | October 2022 | July 1, 2023 – June 30, 2025 |
| December 31, 2022 | December 2023 | Advisory only for July 1, 2025 – June 30, 2027 |
| December 31, 2023 | October 2024 | Current Rates: July 1, 2025 – June 30, 2027 |
| December 31, 2024 | December 2025 | Advisory only for July 1, 2027 – June 30, 2029 |

System Actuarial Organization. An employer participates in PERS either on an independent basis, or through an actuarial pool, as follows:

T1/T2 Pension Programs

- *Independents:* An Independent Employer is one for whom its T1/T2 Pension Programs assets and liabilities are based on an actuarial analysis performed on its employee base. **The City is an independent employer.**
- *School District Pool:* All kindergarten through grade 12 public school district and education service district public employers are pooled for actuarial purposes for the T1/T2 pension programs (the “School District Pool”). Each School District Pool member’s allocated share of the pool’s assets and liabilities is based on the member’s proportionate share of the School District Pool’s pooled payroll, which share may shift in the future due to relative growth in payroll. Further, a school district’s Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions. The City is not a member of the School District Pool.
- *State and Local Government Rate Pool:* For the T1/T2 Pension Programs, all State agencies, certain Oregon local governments and all community college public employers are pooled (the “State and Local Government Rate Pool” or “SLGRP”). Each SLGRP member’s allocated share of the pool’s assets and liabilities is based on the member’s proportionate share of the SLGRP’s pooled payroll which share may shift in the future due to relative growth in payroll. Further, a SLGRP member’s Allocated T1/T2 UAL may increase if other pool participants fail to pay their full employer contributions. The City is not a member of the SLGRP.

OPSRP

- OPSRP's assets and liabilities are pooled on a System-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of OPSRP's assets and liabilities is based on the City's proportionate share of OPSRP's pooled payroll.

Actuarial Assumptions. Actuarial assumptions are set each biennium and are applied to the System's valuations. Significant actuarial assumptions and methods used since the 2020 System Valuation included (a) the Entry Age Normal method, (b) asset valuation method based on market value, (c) the assumed earnings rate (the "Assumed Rate") on the investment of present and future assets of 6.90 percent, (d) payroll growth rate of 3.40 percent, (e) consumer price inflation of 2.40 percent per year, (f) UAL amortization method of a level percentage of payroll, with the 2019 UAL attributable to the Tier 1 and Tier 2 pension programs amortized over a 22-year period, and all subsequent UALs attributable to Tier 1 and Tier 2 amortized over a 20-year period. Any UAL attributable to OPSRP is amortized over 16 years (fixed) from the date of the first rate-setting valuation at which the UAL is recognized, (g) a rate collar to limit increases or decreases in employer contribution rates from biennium to biennium (the "Rate Collar") (see "Rate Collar" herein), and (h) a portion of the IAP is redirected to the EPSA resulting in a direct offset and reduction of Employer contribution.

Employer Contribution Rates. Employer contribution rates are calculated as a percent of covered payroll. The rates are based on the current and projected cost of benefits and the anticipated level of funding available from the Oregon Public Employees Retirement Fund ("OPERF"), including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations, litigation, decisions by the PERB and changes in benefits resulting from legislative modifications. Pursuant to ORS 238.225, all participating employers are required to make their contribution to PERS based on the employer contribution rates set by the PERB. Employees are required to contribute six percent of their annual salary to the IAP and, if applicable, the EPSA. Employers are allowed to pay the employees' contribution in addition to the required employers' contribution. The City has elected to make the employee contribution.

Rate Collar. The PERB uses a rate collar (the "Rate Collar") to limit increases (or decreases) in UAL contribution rates from biennium to biennium in order to smooth the impact of significant increases or decreases from one valuation to the next.

For employers, such as the City who participate in neither pool and have independent valuations, increases in the Tier 1/Tier 2 UAL Rate are limited to the greater of four percent of pay or one-third of the difference between the collared and uncollared UAL rates at the last rate-setting valuation. The collar for the OPSRP UAL Rate is one percent. The UAL Rates are not allowed to decrease until the employer reaches a minimum funded level of 88 percent (excluding side accounts). Normal cost and RHIA/RHIPA rates are excluded from the rate collar calculation

System Funded Status & UAL. According to the 2024 System Valuation, the UAL for the System as of December 31, 2024 was \$29.2 billion, and the funded status, excluding Side Accounts for the System, was approximately 73 percent.

The funded status of PERS and related contribution rates of the City will change over time depending on a variety of factors, including the market performance of the investments in which the OPERF is invested, future changes in compensation and benefits of covered employees, demographic characteristics of members, methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS, legislative or judicial actions, and other actions taken by the PERB. The annual rate of return on the OPERF in 2024 was 5.71 percent, which was lower than the assumed earnings rate of 6.90 percent. Year to date return in 2025 through December was 9.68 percent. Total returns in 2026 and thereafter, along with the factors mentioned above, may affect the System-wide and City UALs and related contribution rates in future valuations. Under current PERS policies, modification to contribution rates based upon investment performance in 2026 and 2027 will occur during the 2027-29 biennium.

The table below includes the UAL and funded status for the System and the City’s T1/T2 UAL from the five most recent actuarial valuations.

Unfunded Actuarial Liability and Funded Status⁽¹⁾
(\$ in millions)

| Valuation Date | System ⁽²⁾ | | City of Salem ⁽³⁾ | |
|----------------|-----------------------|---------------|------------------------------|---------------|
| | UAL | Funded Status | T1/T2 UAL | Funded Status |
| 12/31/24 | \$ 29,187.0 | 73.1% | \$ 287.6 | 65.0% |
| 12/31/23 | 29,381.3 | 72.4% | 271.7 | 66.0% |
| 12/31/22 | 28,032.9 | 72.8% | 253.9 | 68.0% |
| 12/31/21 | 20,038.2 | 79.6% | 192.2 | 75.0% |
| 12/31/20 | 28,043.8 | 70.6% | 242.6 | 67.0% |

- (1) Does not take into account offsets for deposits made by individual employers from pension bond proceeds or cash on hand in side accounts (see “Side Accounts and Pension Bonds” herein).
- (2) System UAL includes total of SLGRP, School District Pool, Independent Employers, and OPSRP.
- (3) UAL and funding status of T1/T2 employees. Does not include OPSRP which is a separate pool.

Source: System Valuations and PERS.

Side Accounts and Pension Bonds. The City issued pension bonds (the “Pension Bonds”) and used other cash resources to make lump sum payments to PERS. These lump sum payments were deposited into a “side account” (the “Side Accounts”) that is amortize over a fixed period and reduce the contribution rates. In addition to its PERS contributions, the City also has debt service payments due on its Pension Bonds. See “Outstanding Long-Term Debt” herein. The City made a lump sum deposit to PERS as follows:

| Date | Original Deposit | Value of Side Account as of 2024 Valuation | Source of Funds | Projected End Date of Rate Credits ⁽¹⁾ |
|--------------|----------------------|--|-----------------|---|
| 09/30/2005 | \$ 61,081,641 | \$ 17,606,701 | Bonds | 12/31/27 |
| 06/30/2006 | 3,294,862 | 1,312,877 | Cash | 12/31/27 |
| Total | \$ 64,376,503 | \$ 18,919,577 | | |

- (1) Side account rate credits are amortized to expire 12/31/27, however, high payroll growth can cause the funds to be drawn down more quickly than anticipated. The City has received projections which suggest the side accounts may be depleted as early as July 2027, dependent on actual payroll growth and investment earnings in the interim.

Source: 2024 City Valuation, and the City.

Debt service is also due on the Pension Bonds as follows:

City of Salem
Projected Pension Bond Debt Service

| Fiscal Year | Outstanding Pension Bonds | | Total Debt Service |
|-------------|---------------------------|---------------------|----------------------|
| | Principal | Interest | |
| 2026 | \$ 5,900,000 | \$ 789,631 | \$ 6,689,631 |
| 2027 | 6,465,000 | 494,395 | 6,959,395 |
| 2028 | 3,415,000 | 170,887 | 3,585,887 |
| | <u>\$ 15,780,000</u> | <u>\$ 1,454,913</u> | <u>\$ 17,234,913</u> |

Source: The City.

Net Unfunded Actuarial Liability. The City’s net unfunded pension UAL is the total of the City Allocated T1/T2 UAL and City Allocated OPSRP UAL, less the balance in the City’s Side Account, if any. The City’s net unfunded pension UAL as reported in the City’s actuarial valuation reports as of December 31, 2021 (the “2021 City Valuation”), December 31, 2022 (the “2022 City Valuation”) December 31, 2023 (the “2023 City Valuation”) and as of December 31, 2024 (the “2024 City Valuation”) is shown in the following table.

**City of Salem
Net Unfunded Pension Liability**

| | 2021 Valuation | 2022 Valuation | 2023 Valuation | 2024 Valuation |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Allocated pooled T1/T2 UAL | \$ 192,228,198 | \$ 253,900,496 | \$ 271,679,890 | \$ 287,602,088 |
| Allocated pooled OPSRP UAL | 12,674,598 | 27,631,474 | 32,274,551 | 33,533,303 |
| City Side Account | <u>(42,324,492)</u> | <u>(33,947,075)</u> | <u>(27,025,948)</u> | <u>(18,919,577)</u> |
| Net unfunded pension actuarial accrued liability | <u>\$ 162,578,304</u> | <u>\$ 247,584,895</u> | <u>\$ 276,928,493</u> | <u>\$ 302,215,814</u> |

Source: City Valuations.

City Contribution Rates. The City’s prior contribution rates for the 2023-25 biennium under the 2021 City Valuation, current rates for the 2025-27 biennium under the 2023 City Valuation, and the projected rates for the 2027-29 biennium under the 2024 City Valuation are provided in the following table.

**City of Salem
Pension Contribution Rates (Percent of Covered Payroll)**

| | 2021 Valuation | | | 2023 Valuation | | | 2024 Valuation | | |
|---|-------------------------|------------------|--------------|-------------------------|------------------|--------------|---|------------------|--------------|
| | <u>2023-25 Biennium</u> | | | <u>2025-27 Biennium</u> | | | <u>Advisory Only 2027-29 Biennium</u> | | |
| | T1/T2 | OPSRP General | OPSRP P&F | T1/T2 | OPSRP General | OPSRP P&F | T1/T2 | OPSRP General | OPSRP P&F |
| Normal cost rate | 18.40 | 9.89 | 14.68 | 18.49 | 10.47 | 15.74 | 18.40 | 10.35 | 15.74 |
| T1/T2 UAL rate | 14.88 | 14.88 | 14.88 | 16.50 | 16.50 | 16.50 | 16.96 | 16.96 | 16.96 |
| Mult. Fire District #10 ⁽¹⁾ | 0.15 | 0.15 | 0.15 | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 |
| OPSRP UAL rate | 1.69 | 1.69 | 1.69 | 2.69 | 2.69 | 2.69 | 2.92 | 2.92 | 2.92 |
| Side account rate relief ⁽²⁾ | (7.65) | (7.65) | (7.65) | (5.05) | (5.05) | (5.05) | 0.00 | 0.00 | 0.00 |
| Member redirect offset ⁽³⁾ | (2.40) | (0.65) | (0.65) | (2.40) | (0.65) | (0.65) | (2.40) | (0.65) | (0.65) |
| Retiree Healthcare rate (RHIA) ⁽⁴⁾ | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total net contribution rate (%) | <u>25.07</u> | <u>18.31</u> | <u>23.10</u> | <u>30.29</u> | <u>24.02</u> | <u>29.29</u> | <u>35.94</u> | <u>29.64</u> | <u>35.03</u> |

- (1) Multnomah Fire District #10 (“MFD”) was dissolved in 1984, however, the unfunded PERS liability was not accounted for. In 2003, the Legislature passed House Bill 2278, which included a resolution to pay off the liability by allocating a certain percentage to all T1/T2 employers until it is fully paid in December 2027. The merger, dissolution, and consolidation of employers is now codified in Oregon Administrative Rule 459-009-0350 to prevent future issues.
- (2) Rate credits for side accounts ending in 2027 are not reflected in the 2024 Valuation. There may be remaining fund balance to draw at the beginning of the 2027-29 biennium so actual rates paid may be lower than reported above. Future fund balance and the amount of rate credits is dependent on actual payroll growth and investment earnings in the interim. While rate credits will decrease, debt service payments due on the City’s Pension Bonds are also scheduled to decrease in Fiscal Years 2028 and 2029 as shown in the “Projected Pension Bond Debt Service” table above.
- (3) Redirected member contributions (2.50 percent of payroll for Tier 1/Tier 2 and 0.75 percent of payroll for OPSRP) will be used to offset employer contribution rates. The redirect of the IAP does not apply to members with monthly pay below a certain threshold. The values shown in the table incorporate an estimate of the effect of this limitation. (See “Pension System herein”).
- (4) Contribution rates to fund RHIA benefits are included in the total City employer contribution rate, but are not a cost related to pensions. See “Other Postemployment Benefits – Retirement Health Insurance Account” below.

Source: 2021 City Valuation, 2023 City Valuation, 2024 City Valuation.

City Contributions. The City’s historical and projected annual contributions to PERS and Pension Bond debt service are provided in the following table.

**City of Salem
Pension Contributions**

| Fiscal Year | City Contribution ⁽¹⁾ | Pension Bond Debt Service | Total |
|---------------------|----------------------------------|---------------------------|---------------|
| 2026 ⁽²⁾ | \$ 50,087,730 | \$ 6,689,631 | \$ 56,777,361 |
| 2025 | 35,432,343 | 6,433,596 | 41,865,939 |
| 2024 | 33,084,491 | 6,188,042 | 39,272,532 |
| 2023 | 30,135,046 | 5,949,469 | 36,084,515 |
| 2022 | 28,296,430 | 5,719,378 | 34,015,809 |
| 2021 | 27,106,782 | 5,499,272 | 32,606,054 |

(1) City’s contribution to PERS which includes employee contribution paid by the City, IAP offset paid by the City on behalf of International Association of Fire Fighters members, and is net of the side account rate credit draw.

(2) Budgeted.

Source: *The City and City Audited Financial Statements.*

GASB 67 and GASB 68. GASB Statements No. 67 and No. 68 modify the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67 (“GASB 67”), Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68 (“GASB 68”), Accounting and Financial Reporting for Pensions, establishes accounting and financial reporting requirements for governments that provide their employees with pensions. The PERS System is subject to GASB 67; each participating employer, including the City is subject to GASB 68. PERS contracted with Milliman to provide information for local governments to use in their financial statements.

The City’s proportionate share of the System’s net pension liability and pension expense under GASB 68 follows.

**City of Salem
Pension Amounts under GASB 68**

| Measurement Date | City’s Share of Net Pension Liability | City’s Proportionate Share | Pension Expense |
|------------------|---------------------------------------|----------------------------|-----------------|
| 6/30/2025 | \$ 234,872,936 | 1.0517% | \$ 33,043,174 |
| 6/30/2024 | 231,492,161 | 1.0415% | 38,787,346 |
| 6/30/2023 | 210,503,621 | 1.1238% | 37,301,545 |
| 6/30/2022 | 157,197,368 | 1.0266% | 22,022,220 |
| 6/30/2021 | 115,742,078 | 0.9672% | 16,604,363 |

Source: *Oregon Public Employees Retirement System – GASB 68 Exhibits prepared by Milliman.*

Other Postemployment Benefits

Retirement Health Insurance Account. PERS retirees who receive benefits through the Tier 1 and Tier 2 plans and are enrolled in certain PERS administered health insurance programs, may receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premium under the RHIA plan. The RHIA program’s assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. According to the 2024 Valuation, this program had a surplus of approximately \$434 million as of December 31, 2024. The City’s allocated share of the RHIA program’s assets and liabilities is based on the City’s proportionate share of the program’s pooled payroll. According to the 2024 City Valuation, the City’s allocated share of the RHIA program’s surplus was \$3,347,555.

Medical Benefits - Implicit Subsidy. Under ORS 243.303 the City is required to offer the same healthcare benefits for current City employees to all retirees and their dependents until such time as the retirees are eligible for

Medicare. GASB Statement No. 75 refers to this as an “implicit subsidy” and requires that the corresponding liability be determined and reported. The benefits under this program are entirely paid by the retired employees.

The City’s projections of total OPEB Liability under GASB 75 follows:

Projection of Total OPEB Liability - Implicit Rate Subsidy

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Liability Beginning of Fiscal Year | \$ 15,891,684 | \$ 19,600,900 | \$ 17,331,498 | \$ 17,677,690 | \$ 20,332,435 |
| Changes for the year: | | | | | |
| Service cost | \$ 1,158,458 | \$ 1,535,571 | \$ 1,109,061 | \$ 990,950 | \$ 1,105,484 |
| Interest | 445,841 | 455,980 | 740,493 | 756,503 | 885,264 |
| Changes to benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | 1,002,500 | (923,294) | (1,178,357) | 702,024 | (3,334,896) |
| Changes in assumptions or other inputs | 1,684,624 | (2,703,325) | 352,979 | 915,214 | 527,068 |
| Benefit payments | (582,207) | (634,334) | (677,984) | (709,946) | (829,106) |
| Balance end of Fiscal Year | <u>\$ 19,600,900</u> | <u>\$ 17,331,498</u> | <u>\$ 17,677,690</u> | <u>\$ 20,332,435</u> | <u>\$ 18,686,249</u> |

Source: City Audited Financial Statements.

See Note D “Other Post-Employment Benefits” of the City’s audited financial statements for Fiscal Year 2025 for more information on the City’s liability under GASB 75.

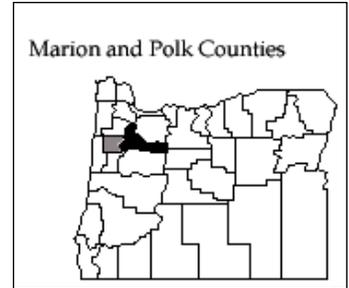
Risk Management

The City is exposed to various risks of loss. A description of the risks is provided in the City’s audited financial statements. The audited financial statement for Fiscal Year 2025 is attached hereto as Appendix B. See also “Certain Investment Considerations” herein.

Demographic Information

General

The City is part of the Salem Metropolitan Statistical Area (“Salem MSA”), which is comprised of Marion and Polk counties. The City is the capital of the State of Oregon, as well as the county seat for Marion County, and is the State's second largest city. Salem is located 47 miles south of the City of Portland, in the northwest portion of Oregon. Marion County is part of the Willamette Valley, bordered on the west by the Willamette River.



Population

The following table shows the historical population for the State, the Counties and the City:

| Population | | | | |
|------------------------------|------------------------|----------------------|--------------------|----------------------|
| July 1⁽¹⁾ | State of Oregon | Marion County | Polk County | City of Salem |
| 2025 | 4,300,464 | 352,162 | 89,616 | 179,977 |
| 2024 | 4,286,443 | 350,509 | 89,428 | 179,497 |
| 2023 | 4,269,152 | 348,655 | 88,635 | 178,543 |
| 2022 | 4,255,112 | 347,399 | 88,881 | 178,466 |
| 2021 | 4,234,736 | 346,087 | 87,876 | 176,437 |
| April 1⁽²⁾ | | | | |
| 2020 | 4,237,256 | 345,920 | 87,433 | 175,535 |
| 2010 | 3,831,074 | 315,335 | 75,403 | 154,637 |
| 2000 | 3,421,399 | 284,838 | 62,380 | 136,924 |

(1) Source: Center for Population Research and Census, Portland State University; revised estimates as of July 1, 2025.

(2) Source: U.S. Census Count on April 1.

Economic Overview

The economy of the Salem MSA is based largely on government employment, agriculture, food processing, wood and paper products and light manufacturing. Area manufacturing includes silicon wafers, metal products, and electronic equipment. Major employers include the State of Oregon, Salem-Keizer School District, Salem Hospital, Marion and Polk Counties, Chemeketa Community College, T-Mobile and the City Foods. Major agricultural commodities produced in the region include nursery and greenhouse crops, perennial ryegrass, dairy products, chicken eggs, tall fescue, Christmas trees, broiler chickens, and wheat.

Currently, government jobs account for 24.1 percent of the total non-farm employment in the Salem MSA, while private education and health services accounts for 20.4 percent, and trade, transportation and utilities accounts for 16.1 percent.

Income. Historical personal income and per capita income levels for the Counties and the State are shown below:

Total Personal and Per Capita Income

| State of Oregon | | | | |
|---------------------|------------------------------------|------------------------------|----------------------|---------------------------------|
| Year | Personal Income (\$000 Omitted) | Dividends, Interest, Rent | Per Capita Income | Per Capita |
| | | (\$000 Omitted) | | Dividends, Interest, Rent |
| 2025 ⁽¹⁾ | \$ 316,789,099 | \$ 64,698,630 | \$ 74,082 | \$ 15,130 |
| 2024 | 302,582,283 | 63,384,210 | 70,823 | 14,836 |
| 2023 | 286,979,914 | 59,918,213 | 67,467 | 14,086 |
| 2022 | 270,427,867 | 52,771,399 | 63,669 | 12,424 |
| 2021 | 266,544,637 | 50,392,940 | 62,653 | 11,845 |
| 2020 | 240,450,386 | 44,192,436 | 56,659 | 10,413 |

| Year | Marion County | | | | Polk County | | | |
|------|------------------------------------|--|----------------------|---|---------------------------------------|--|----------------------|---|
| | Personal Income (\$000 Omitted) | Dividends, Interest, Rent (\$000 Omitted) | Per Capita Income | Per Capita Dividends, Interest, Rent | Personal Income (\$000 Omitted) | Dividends, Interest, Rent (\$000 Omitted) | Per Capita Income | Per Capita Dividends, Interest, Rent |
| 2024 | \$ 21,219,683 | \$ 3,544,437 | \$ 60,135 | \$ 10,045 | \$ 5,184,024 | \$ 1,028,030 | \$ 57,251 | \$ 11,353 |
| 2023 | 20,091,515 | 3,337,312 | 57,425 | 9,539 | 4,877,183 | 918,232 | 54,017 | 10,170 |
| 2022 | 19,141,781 | 2,969,107 | 54,787 | 8,498 | 4,617,533 | 812,843 | 51,314 | 9,033 |
| 2021 | 18,910,614 | 2,798,305 | 54,375 | 8,046 | 4,570,499 | 852,233 | 51,078 | 9,524 |
| 2020 | 16,983,475 | 2,523,647 | 49,042 | 7,287 | 4,032,814 | 706,448 | 45,826 | 8,028 |

(1) Data for third quarter, preliminary and subject to change.

Note: Dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis; County data as of February 5, 2026; State data as of January 23, 2026.

Employment. Non-farm employment within the Salem MSA is described in the following tables:

**Salem MSA
Labor Force Summary ⁽¹⁾
(by place of residence)**

| | 2021 | 2022 | 2023 | 2024 | 2025 | <u>2025 Change from</u> | | | |
|------------------------|---------|---------|---------|---------|---------|-------------------------|--------|--------|-------|
| | | | | | | 2021 | 2022 | 2023 | 2024 |
| Civilian Labor Force | 209,023 | 211,198 | 212,686 | 222,317 | 227,536 | 18,513 | 16,338 | 14,850 | 5,219 |
| Number of Unemployed | 10,508 | 8,472 | 7,937 | 9,087 | 11,064 | 556 | 2,592 | 3,127 | 1,977 |
| Percent of Labor Force | 5.0% | 4.0% | 3.7% | 4.1% | 4.9% | --- | --- | --- | --- |
| Total Employment | 198,515 | 202,726 | 204,749 | 213,230 | 216,472 | 17,957 | 13,746 | 11,723 | 3,242 |

Non-Agricultural Wage & Salary Employment ⁽²⁾

| | 2021 | 2022 | 2023 | 2024 | 2025 | <u>2025 Change from</u> | | | |
|---------------------------------------|---------|---------|---------|---------|---------|-------------------------|--------|-------|-------|
| | | | | | | 2021 | 2022 | 2023 | 2024 |
| Total Nonfarm Payroll Employment | 170,200 | 176,400 | 181,700 | 184,400 | 188,500 | 18,300 | 12,100 | 6,800 | 4,100 |
| Total Private | 129,100 | 133,600 | 137,800 | 139,600 | 143,100 | 14,000 | 9,500 | 5,300 | 3,500 |
| Mining, logging and construction | 13,200 | 13,700 | 14,100 | 13,900 | 13,600 | 400 | -100 | -500 | -300 |
| Manufacturing | 12,000 | 12,200 | 12,100 | 11,900 | 11,800 | -200 | -400 | -300 | -100 |
| Trade, transportation, and utilities | 30,300 | 30,500 | 30,100 | 30,000 | 30,300 | 0 | -200 | 200 | 300 |
| Information | 1,500 | 1,600 | 1,800 | 1,800 | 1,700 | 200 | 100 | -100 | -100 |
| Financial activities | 7,000 | 6,800 | 6,500 | 6,200 | 6,200 | -800 | -600 | -300 | 0 |
| Professional and business services | 15,800 | 16,400 | 17,600 | 18,100 | 19,200 | 3,400 | 2,800 | 1,600 | 1,100 |
| Private education and health services | 30,100 | 31,300 | 33,800 | 35,800 | 38,400 | 8,300 | 7,100 | 4,600 | 2,600 |
| Leisure and hospitality | 13,900 | 15,600 | 16,100 | 16,200 | 16,300 | 2,400 | 700 | 200 | 100 |
| Other services | 5,300 | 5,400 | 5,700 | 5,700 | 5,700 | 400 | 300 | 0 | 0 |
| Government | 41,100 | 42,800 | 44,000 | 44,800 | 45,400 | 4,300 | 2,600 | 1,400 | 600 |

(1) Civilian labor force includes employed and unemployed individuals 16 years and older by place of residence. Employed includes nonfarm payroll employment, self-employed, unpaid family workers, domestics, agriculture and labor disputants. Data are adjusted for multiple job-holding and commuting.

(2) Nonfarm payroll data are based on the 1987 Standard Industrial Classification manual. The data are by place of work. Persons working multiple jobs are counted more than once. The data excludes the self-employed, volunteers, unpaid family workers, and domestics.

Source: State of Oregon Employment Department.

Major Employers in the City

| Company | Service | No. Employees |
|--------------------------------------|-----------------------|---------------|
| State of Oregon | Government | 23,600 |
| Salem Health/Salem Hospital | Healthcare | 6,409 |
| Salem-Keizer School District | K-12 Public Education | 3,194 |
| Marion County | Government | 1,834 |
| Federal Government | Government | 1,500 |
| City of Salem | Government | 1,401 |
| Chemeketa Community College | Higher Education | 1,250 |
| State Accident Insurance Fund (SAIF) | Insurance | 1,219 |
| Amazon Fulfillment Center | E-Commerce | 1,000 |
| Wal-Mart | Retail | 700 |

Note: Total number of employees may include full, part-time, temporary and seasonal employment.

Source: City of Salem Annual Comprehensive Financial Report for Fiscal Year 2025.

Building Permits. Residential building permits are an indicator of growth within a region. The number and valuation of new single-family and multi-family residential building permits in the City are listed below:

City of Salem Residential Building Permits

| Year | New Single Family | | New Multi Family | | | Total |
|------|-------------------|-------------------|------------------|-------|-------------------|-------------------|
| | Number | Construction Cost | Number | Units | Construction Cost | Construction Cost |
| 2025 | 364 | \$ 121,231,342 | 26 | 414 | \$ 51,241,365 | \$ 172,472,707 |
| 2024 | 392 | 127,758,879 | 49 | 513 | 77,098,476 | 204,857,355 |
| 2023 | 360 | 103,384,018 | 26 | 326 | 51,667,131 | 155,051,149 |
| 2022 | 318 | 100,991,552 | 60 | 851 | 101,449,722 | 202,441,274 |
| 2021 | 439 | 121,596,043 | 48 | 498 | 56,472,805 | 178,068,848 |

Source: U.S. Census Bureau.

Transportation. Interstate 5 and U.S. Highways 99E, 22 and 18 are the primary ground transportation routes serving the City. Community air transportation is available at the Salem Municipal Airport. Commercial air transportation is available at Portland International Airport (“PDX”).

Rail service to the City is handled by the Burlington Northern and Southern Pacific railroads. Amtrak passenger service is available in the City. Amtrak provides direct rail service to Seattle, Portland, San Francisco and Los Angeles.

Salem Area Mass Transit District (Cherriots) buses provide fixed route service in the Salem-Keizer area, with easy connections to the Portland and Grande Ronde areas. Local public bus transportation is also provided by the Chemeketa Area Regional Transportation System (CARTS), a partnership between Marion, Polk and Yamhill Counties. CARTS operates in rural Marion and Polk Counties including the Cities of Independence and Monmouth. Yamco Transit which operates bus routes Monday through Saturday includes routes to east, north and south McMinnville and routes to the cities of Salem, Amity, Sheridan, Willamina, Yamhill, Carlton and Newberg.

Higher Education. There are two private universities and a community college located in Salem. Willamette University and Corban University, are both private liberal arts colleges which offer bachelor and master degree programs. Chemeketa Community College is a public community college offering associate degrees and technical programs. The college provides general education courses, occupational and technical preparatory training, lower division college transfer courses, skills upgrading and employee technical training.

Healthcare. Healthcare services are available at the Salem Hospital, a not-for-profit hospital licensed for 644 acute-care beds. Salem Hospital employs approximately 5,058 full and part-time employees.

Certain Investment Considerations

In addition to factors set forth elsewhere in this Official Statement, this section describes certain factors and considerations that purchasers of the Bonds should carefully consider in connection with an investment in the Bonds. The following is not meant to present an exhaustive list of the risks and considerations associated with the purchase of any Bonds (and other considerations that may be relevant to particular investors) and the order in which the information is presented does not necessarily reflect the relative importance of the various factors. Prospective investors are advised to consider the following factors, along with all other information contained or incorporated by reference in this Official Statement, in evaluating whether to purchase the Bonds. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

General

Economic Considerations. Global and national economic conditions may have had, and may in the future have, significant effects on the finances and operations of the City, the properties within the City and its property tax receipts. No assurance can be given that future changes in economic conditions will not have an effect on the City and its finances and operations, nor can there be any assurances the changes in economic conditions will not have an impact on the taxpayers of the City. It is difficult for the City to predict the occurrence of such economic changes or the potential effect on the finances and operations of the City and its property taxes until the extent and duration of such changes are known.

Public Health Considerations. The financial and operating condition of the City may be materially affected by a national or localized outbreak of an infectious disease, such as the outbreak of avian influenza, measles, COVID-19, or other highly contagious or epidemic disease (an "Outbreak"). There can be no assurances that an Outbreak, including COVID-19 in the State, nationally and globally, will not materially affect the City, state and national economies and accordingly, materially adversely affect the operations and financial condition of the City. The City cannot predict the effects of such events.

Cybersecurity

The City, like other public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. The City and its departments routinely face cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's information technology systems to misappropriate assets and/or information or to cause operational disruption and damage. The City has not had a material Cybersecurity incident in the past five years.

To reduce and mitigate the risk of business operations impact and/or damage from cybersecurity incidents, the City has invested in multiple forms of cybersecurity and operational safeguards, including making further investments with funding from the Bonds. No assurances can be given that the security and operational control measures of the City will be successful in guarding against any and each cyber threat and attack.

The results of any attack on the computer and information technology systems could have a material adverse impact on the operations of the City and damage the digital networks and systems. The City cannot predict the outcome of any such attack, nor its effect on the operations and finances of the City.

Environmental Considerations

The City, like all communities in the State, may be subject to unpredictable natural or man-made disasters, such as seismic events, seasonal storms, excessive/high winds, flood, fire, toxic dumping or acts of terrorism, any of which could adversely affect the City and the collection and receipt of revenues. In the event of such calamities,

there may be significant damage to both property and infrastructure, including City facilities. The occurrence of a severe natural disaster could have negative effects on the economic, financial and operational status of both the City and its citizens, which could have an adverse impact on the City's ability to make payments of principal of and interest on the Bonds.

Seismic and Tsunami Risks. The City is located in an area of seismic activity, with frequent small earthquakes and occasional moderate to larger earthquakes on the coast. The scientific consensus is that the Pacific Northwest region is subject to periodic great earthquakes along the Cascadia Subduction Zone, a large fault that runs offshore from Northern California to British Columbia. Historically, the Pacific Northwest has experienced 8.7 to 9.1 magnitude earthquakes every 300 to 400 years, and such seismic event has not occurred since at least 1700. Such an earthquake would cause widespread damage to structures and infrastructure in affected portions of the State, and potentially catastrophic damage in coastal areas inundated by a possible accompanying tsunami. The City cannot predict how such seismic activity could impact its revenue sources. This kind of regional disaster could result in a significant, and perhaps permanent, loss of population and business as well as significant damage to both property and infrastructure. The Bonds are unlimited tax general obligation bonds (see "Security for the Bonds" and "Revenue Sources" herein).

Wildfire Risks. In recent years, portions of the State, including in the City and its neighboring communities, have experienced wildfires that have burned millions of acres and destroyed thousands of homes and structures. Within the last five years, the City has not experienced material wildfire damage within its boundaries. Property damage due to future wildfires could result in a significant decrease in the assessed value of property of the City. It is not possible for the City to make any representation or prediction regarding the extent to which wildfires could cause reduced economic activity within the boundaries of the City or the extent to which wildfires may affect the value of taxable property within the City.

Drought. Areas of the State have experienced varying levels of drought conditions in recent years, and may experience extended drought conditions in the future. As of March 10, 2026, the U.S. Drought Monitor reports that all of Marion County is currently experiencing abnormally dry to moderate drought conditions and 70 percent of Polk County is experiencing abnormally dry conditions. Extended drought conditions may affect development of undeveloped properties and the value of properties within the boundaries of the City, which may negatively affect the financial condition and operations of the City.

Severe Weather. Many areas across the State have experienced severe weather events such as heavy rainfall, windstorms, and snow and ice storms. The Salem MSA is vulnerable to severe winter weather, and these storms can have negative impacts on property. The City has not withstood damage as a result of any material severe weather event in the past five years.

No Acceleration; Limitation of Remedies

The Bonds are not subject to acceleration. The rights of holders are limited by the terms of the Declaration. See "Description of the Bonds - Default and Remedies" herein.

Change in Law

State legislation is introduced before the Oregon Legislative Assembly and as described below, initiatives and referenda are placed on the ballot from time to time that could affect the finances or operations of the City. The City cannot predict whether any such legislation, initiative or referenda will be introduced, enacted or approved in the future, nor can it predict the potential implications on the finances or operations of the City.

Federal and State Actions

Federal and State statutory and regulatory changes, administrative rulings, interpretations of policy, funding restrictions, whether taken as part of federal or State budgetary actions or otherwise, may reduce funds made available to the City to support certain programs and operations. At the same time, the federal or State government may maintain or increase the responsibilities of the City in certain areas, notwithstanding reductions in federal or State funding for such activities. It is difficult for the City to predict the occurrence of such federal or State government changes or the potential effect on the finances and operations of the City until the extent and duration of such changes are known.

Federal Funding Uncertainty. The City receives federal funding for various purposes including program grants. See “Revenue Sources – Federal Funding” herein. The Trump administration has issued a series of executive orders and implemented policies purporting to suspend or limit federal spending and funding to state and local governments. Certain of these actions have been challenged in court and in some cases enjoined. These federal policies, and potentially future federal policies, if implemented, may adversely impact federal revenues received by the City. The Bonds are unlimited tax general obligation bonds (see “Security for the Bonds” and “Local Revenue Sources - Property Taxes” herein) and therefore the City does not expect that the loss or reduction of federal revenues would impact its ability to pay debt service on the Bonds.

Federal tariffs imposed on international products could increase the cost and timeline of the Project and other capital projects of the City. As a result, the City could be required to adjust the scope of the Project, however, it is not expected to impact its ability to pay debt service on the Bonds.

The Initiative and Referendum Process

Article IV, Section 1 of the Oregon Constitution reserves to the people of the State the initiative power to amend the State Constitution or to enact legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State’s office without payment of fees or other burdensome requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State’s office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed statewide initiative measures are submitted to the Oregon Secretary of State’s office that do not qualify for the ballot, the City does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. The City also does not formally or systematically monitor efforts to qualify measures for the ballot that would initiate new provisions for, or amend, the City’s charter and ordinances. Consequently, the City does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

Pursuant to ORS 250.125, a five-member Committee composed of the Secretary of State, the State Treasurer, the Director of the Department of Revenue, the Director of the Department of Administrative Services, and a local government representative must prepare an estimate of the direct financial impact of each measure (“Financial Estimate Statements”) to be printed in the voters’ pamphlet and on the ballot.

Initiative Process

To place a proposed statewide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. Statewide initiatives may only be filed for general elections in even-numbered years.

A statewide initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure’s financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact.

Historical Initiative Petitions. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

Recent Initiative Petitions

| Year of General Election | Number of Initiatives that Qualified | Number of Initiatives that were Approved |
|--------------------------|--------------------------------------|--|
| 2014 | 4 | 2 |
| 2016 | 4 | 3 |
| 2018 | 4 | 0 |
| 2020 | 2 | 2 |
| 2022 | 2 | 2 |
| 2024 | 2 | 1 |

Source: Elections Division, Oregon Secretary of State, Initiative, Referendum and Referral Log.

Referendum

“Referendum” generally means measures that have been passed by a legislative body, such as the Legislative Assembly or the governing body of a district, county or other political subdivision and referred to the electors by the legislative body, or by petition prior to the measure’s effective date.

In Oregon, both houses of the Legislative Assembly must vote to refer a statute or constitutional amendment for a popular vote. Such referrals cannot be vetoed by the governor. Any change to the Oregon Constitution passed by the Legislative Assembly requires referral to voters. In the case of a referendum by petition, proponents of the referendum must obtain a specified number of signatures from qualified voters. The required number of signatures is equal to four percent of the votes cast for all candidates for governor at the preceding gubernatorial election.

Gas Tax Referendum. During a Legislative Special Session in September 2025, the Legislature passed House Bill 3991 (“HB 3991”) to raise billions to fund road maintenance and operations by raising the gas tax, vehicle registration fees, and payroll tax used to support public transit. Following the passage of HB 3991, opponents initiated a referendum petition to challenge the tax and fee increases (the “Gas Tax Referendum”). As a result, most of the tax and fee increases are suspended pending the vote which impacts the current State budget. The Gas Tax Referendum was originally scheduled to be put to the voters at the November 2026 election. In February 2026, the Legislature passed Senate Bill 1599 (“SB 1599”) to move the date from the November 2026 election to the May 2026 election. However, a lawsuit has been filed contesting the date change. The City does not expect to update this Official Statement if there is a decision in the case.

The outcome of the Gas Tax Referendum is not expected to materially impact the City’s financial condition. The Bonds are unlimited tax general obligation bonds (see “Security for the Bonds” and “Local Revenue Sources - Property Taxes” herein) and therefore the City does not expect the outcome of the referendum would impact its ability to pay debt service on the Bonds.

City Charter

In addition to statutory and constitutional changes by the Legislative Assembly and the initiative and referendum process, the independent basis of legislative authority has been granted to cities in Oregon by municipal charters. A copy of the City Charter is available upon request from the City.

Legal Matters and Litigation

Legal Matters

Legal matters incident to the authorization, issuance and sale of Bonds are subject to the approving legal opinion of Bond Counsel, substantially in the form attached hereto as Appendix A. Bond Counsel has reviewed this document only to confirm that the portions of it describing the Bonds and the authority to issue them conform to the Bonds and the applicable laws under which they are issued.

Litigation

There is no litigation pending questioning the validity of the Bonds nor the power and authority of the City to issue the Bonds. There is no litigation pending which would materially affect the finances of the City or affect the City's ability to meet debt service requirements on the Bonds.

Under the Oregon law local public bodies, such as the City, are subject to the following limits on liability. The State of Oregon is subject to different limits.

Personal Injury and Death Claim. The liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$879,200, for causes of action arising on or after July 1, 2025, and before July 1, 2026. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence may not exceed \$1,758,300 for causes of action arising on or after July 1, 2025, and before July 1, 2026.

Property Damage or Destruction Claim. The liability limits of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2025: (a) \$144,200, adjusted as described below, to any single claimant, and (b) \$721,000, adjusted as described below, to all claimants.

For causes of action arising on or after July 1, 2026, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the statutory formula. The adjustment may not exceed three percent for any year.

Tax Matters – 2026A Bonds (Federally Taxable)

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City ("Bond Counsel"), interest on the 2026A Bonds (i) is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of Oregon.

The following discussion is a brief summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of 2026A Bonds by original purchasers of the 2026A Bonds who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the 2026A Bonds will be held as "capital assets"; and (iii) does not discuss all of the United States federal income tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the 2026A Bonds as a position in a "hedge" or "straddle", U.S. Holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, U.S. Holders who acquire 2026A Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Certain taxpayers that are required to prepare certified financial statements and file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the 2026A Bonds at the time that such income, gain or loss is taken into account on such financial statements instead of under the rules described below. In addition, interest on the 2026A Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

U.S. Holders of 2026A Bonds should consult with their own tax advisors concerning the United States federal income tax and other consequences with respect to the acquisition, ownership and disposition of the 2026A Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

In general, if Original Issue Discount (“OID”) is greater than a statutorily defined *de minimis* amount, a U.S. Holder of a 2026A Bond having a maturity of more than one year from its date of issue must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such U.S. Holder holds such 2026A Bond) the daily portion of OID, as it accrues (generally on a constant-yield method) and regardless of the U.S. Holder’s method of accounting. “OID” is the excess of (i) the “stated redemption price at maturity” over (ii) the “issue price”. For purposes of the foregoing: “issue price” means the first price at which a substantial amount of the 2026A Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); “stated redemption price at maturity” means the sum of all payments, other than “qualified stated interest”, provided by such 2026A Bond; “qualified stated interest” is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and “*de minimis* amount” is an amount equal to 0.25 percent of the 2026A Bond’s stated redemption price at maturity multiplied by the number of complete years to its maturity. A U.S. Holder may irrevocably elect to include in gross income all interest that accrues on a 2026A Bond using the constant-yield method, subject to certain modifications.

Acquisition Discount on Short-Term Bonds

Each U.S. Holder of a 2026A Bond with a maturity not longer than one year (a “Short-Term Bond”) is subject to rules of Sections 1281 through 1283 of the Code, if such U.S. Holder is an accrual method taxpayer, bank, regulated investment company, common trust fund or among certain types of pass-through entities, or if the Short-Term Bond is held primarily for sale to customers, is identified under Section 1256(e)(2) of the Code as part of a hedging transaction, or is a stripped bond or coupon held by the person responsible for the underlying stripping transaction. In any such instance, Interest, and “acquisition discount” with respect to, the Short-Term Bond accrue on a ratable (straight-line) basis, subject to an election to accrue such interest and acquisition discount on a constant-interest-rate basis using daily compounding. “Acquisition discount” means the excess of the stated redemption price of a Short-Term Bond at maturity over the U.S. Holder’s tax basis therefor.

A U.S. Holder of a Short-Term Bond not described in the preceding paragraph, including a cash-method taxpayer, must report interest income in accordance with the U.S. Holder’s regular method of tax accounting, unless such U.S. Holder irrevocably elects to accrue acquisition discount currently.

2026A Bond Premium

In general, if a 2026A Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the 2026A Bond other than “qualified stated interest” (a “Taxable Premium Bond”), that Taxable Premium 2026A Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the U.S. Holder of a Taxable Premium Bond elects to amortize the premium as “amortizable bond premium” over the remaining term of the Taxable Premium Bond, determined based on constant-yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the U.S. Holder will make a corresponding adjustment to the U.S. Holder’s basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the U.S. Holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the U.S. Holder of a Taxable Premium Bond may

realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder's original acquisition cost.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a 2026A Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the 2026A Bond.

The City may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the 2026A Bonds to be deemed to be no longer outstanding (a "defeasance"). For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the 2026A Bonds subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate U.S. Holders of the 2026A Bonds with respect to payments of principal, payments of interest, and the accrual of OID on a 2026A Bond and the proceeds of the sale of a 2026A Bond before maturity within the United States. Backup withholding may apply to U.S. Holders of 2026A Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term "U.S. Holder" means a beneficial owner of an 2026A Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions may adversely affect the tax-exempt status of interest on the 2026A Bonds under state law. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2026A Bonds.

Prospective purchasers of the 2026A Bonds should consult their own tax advisors regarding the foregoing matters.

Tax Matters – 2026B Bonds (Tax-Exempt)

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2026B Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the 2026B Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the 2026B Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the 2026B Bonds, and Bond Counsel has assumed compliance by the City with certain ongoing covenants

to comply with applicable requirements of the Code to assure the exclusion of interest on the 2026B Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the 2026B Bonds is exempt from State of Oregon personal income tax.

Bond Counsel expresses no opinion as to any other federal, state, or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel, regarding federal, state or local tax matters, including, without limitation exclusion from gross income for federal income tax purposes of interest on the 2026B Bonds.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2026B Bonds in order that interest on the 2026B Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2026B Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2026B Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2026B Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2026B Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a 2026B Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2026B Bonds.

Prospective owners of the 2026B Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the 2026B Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2026B Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the 2026B Bonds. In general, the issue price for each maturity of 2026B Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any 2026B Bonds having OID (a “Discount 2026B Bond”), OID that has accrued and is properly allocable to the owners of the Discount 2026B Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the 2026B Bonds.

In general, under Section 1288 of the Code, OID on a Discount 2026B Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount 2026B Bond. An owner's adjusted basis in a Discount 2026B Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount 2026B Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount 2026B Bond even though there will not be a corresponding cash payment.

Owners of Discount 2026B Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount 2026B Bonds.

2026B Bond Premium

In general, if an owner acquires a 2026B Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2026B Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "2026B Bond premium" on that 2026B Bond (a "Premium 2026B Bond"). In general, under Section 171 of the Code, an owner of a Premium 2026B Bond must amortize the 2026B Bond premium over the remaining term of the Premium 2026B Bond, based on the owner's yield over the remaining term of the Premium 2026B Bond determined based on constant yield principles (in certain cases involving a Premium 2026B Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such 2026B Bond). An owner of a Premium 2026B Bond must amortize the 2026B Bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the 2026B Bond premium allocable to that period. In the case of a tax-exempt Premium 2026B Bond, if the 2026B Bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium 2026B Bond may realize a taxable gain upon disposition of the Premium 2026B Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium 2026B Bonds should consult their own tax advisors regarding the treatment of 2026B Bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of 2026B Bond premium on, sale, exchange, or other disposition of Premium 2026B Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2026B Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2026B Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2026B Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2026B Bonds under federal or state law or otherwise prevent beneficial owners of the 2026B Bonds from realizing the full current benefit of the tax status

of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2026B Bonds.

Prospective purchasers of the 2026B Bonds should consult their own tax advisors regarding the foregoing matters.

Continuing Disclosure

The Securities and Exchange Commission Rule 15c2-12 (the “Rule”) requires at least annual disclosure of current financial information and timely disclosure of certain events with respect to the Bonds. Pursuant to the Rule, the City has agreed to provide audited financial information and certain financial information or operating data at least annually, and timely notice of certain events (collectively, “Continuing Disclosure”) to the MSRB through its EMMA system (so long as such method of disclosure continues to be approved by the Securities and Exchange Commission for such purposes).

Prior Undertakings. During the last five fiscal years, the City was obligated to provide Continuing Disclosure filings for its Limited Tax Pension Obligations, Series 2005; General Obligation and Refunding Bonds, Series 2017; Water and Sewer Revenue Refunding Bonds, Series 2017; General Obligation Bonds, Series 2018; Water and Sewer Revenue Bonds, Series 2020; General Obligation Refunding Bonds, Series 2021; General Obligation Bonds, Series 2023A (Federally Taxable); and General Obligation Bonds, Series 2023B (Tax-Exempt). The City’s undertakings for its Limited Tax Pension Obligations, Series 2005 requires its annual financial information filing by within 270 days of the end of the Fiscal Year (usually March 27). The City’s other undertakings require its annual financial information filing within nine months of the Fiscal Year end.

The City’s audited financial statements and annual operating filing for Fiscal Year 2020 on its Limited Tax Pension Obligations, Series 2005 were discovered to have been originally filed on incorrect CUSIPs. The City subsequently attached the filing for Fiscal Year 2020 to the correct CUSIPs on March 31, 2021.

A copy of the form of the City’s Continuing Disclosure Certificate for the Bonds is attached hereto as Appendix D.

Municipal Advisor

In connection with the authorization and issuance of the Bonds, the City has retained Piper Sandler & Co., Portland, Oregon, as its Municipal Advisor (the “Municipal Advisor”).

The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement.

Rating

As noted on the cover page of this Official Statement, Moody’s Ratings has assigned its rating of “Aa2” to the Bonds. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

Purchaser of the Bonds

The 2026A Bonds are being purchased by Raymond James & Associates, Inc. and they will receive compensation of \$ 17,287.50. The purchaser of the 2026A Bonds may offer and sell the 2026A Bonds to certain dealers (including

dealers depositing the 2026A Bonds into investment trusts) and others at prices lower than the initial offering prices corresponding to the yields set forth on page i of this Official Statement, and such initial offering prices may be changed from time to time by such purchaser. After the initial public offering, the public offering prices may be varied from time to time.

The 2026B Bonds are being purchased by J.P. Morgan Securities LLC and they will receive compensation of \$11,444.99. The purchaser of the 2026B Bonds may offer and sell the 2026B Bonds to certain dealers (including dealers depositing the 2026B Bonds into investment trusts) and others at prices lower than the initial offering prices corresponding to the yields set forth on page i of this Official Statement, and such initial offering prices may be changed from time to time by such purchaser. After the initial public offering, the public offering prices may be varied from time to time.

In connection with the offering of the Bonds, the purchasers of the Bonds may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued or recommenced at any time.

Certificate with Respect to Official Statement

At the time of the original delivery of and payment for the Bonds, the City will deliver a certificate of its authorized representative to the effect that the representative has examined this Official Statement and the financial and other data concerning the City contained herein and that to the best of the representative's knowledge and belief, (i) the Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (ii) between the date of the Official Statement and the date of delivery of the Bonds there has been no material adverse change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in or contemplated by the Official Statement.

Appendix A

Forms of Bond Counsel Opinions

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April 7, 2026

City of Salem
555 Liberty Street SE, Suite 230
Salem, Oregon 97301

Subject: \$5,500,000 City of Salem, Oregon General Obligation Bonds,
Series 2026A (Federally Taxable)

We have acted as bond counsel in connection with the issuance by the City of Salem, Oregon (the "City") of its General Obligation Bonds, Series 2026A (Federally Taxable) (the "2026A Bonds"), which are dated as of the date of their delivery and are issued in the aggregate principal amount of \$5,500,000. The 2026A Bonds are authorized by Oregon Revised Statutes ("ORS") Section 287A.050 and the other relevant provisions of ORS Chapter 287A, Measure 24-747 approved by the City's electors on November 8, 2022, City Resolution No. 2022-58 adopted December 12, 2022 (the "Resolution"), and a Bond Declaration for the 2026A Bonds (the "Bond Declaration") dated as of the date of issuance of the 2026A Bonds.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering materials which have been or may be supplied to the purchasers of the Series 2026A Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Resolution, the Bond Declaration, and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Series 2026A Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the City Charter, the Resolution and the Bond Declaration. The Series 2026A Bonds constitute valid and legally binding obligations of the City that are enforceable in accordance with their terms.

2. Pursuant to ORS Section 287A.315, the City has pledged its full faith and credit and taxing power to the payment of the Series 2026A Bonds. In addition, the Series 2026A Bonds are payable from ad valorem taxes which may be levied without limitation as to rate or amount on all taxable property within the boundaries of the City.

3. Interest on the Series 2026A Bonds is not excludable from gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

4. Interest on the 2026A Bonds is exempt from Oregon personal income tax.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the 2026A Bonds, or the ownership or disposition thereof, except as stated in paragraphs 3 and 4 above. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon advice or an opinion of other counsel regarding federal, state or local tax matters.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the 2026A Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

This opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to the City in connection with the 2026A Bonds and have not represented and are not representing any other party in connection with the 2026A Bonds. This opinion is given solely for the benefit of the City in connection with the 2026A Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the City and any person to whom we may send a formal reliance letter indicating that the recipient is entitled to rely on this opinion.

Very truly yours,

April 7, 2026

City of Salem
555 Liberty St. SE, Suite 230
Salem, Oregon 97301

Subject: \$94,500,000 City of Salem, Oregon General Obligation Bonds,
Series 2026B (Tax-Exempt)

We have acted as bond counsel in connection with the issuance by the City of Salem, Oregon (the “City”) of its General Obligation Bonds, Series 2026B (Tax-Exempt) (the “2026B Bonds”), which are dated as of the date of their delivery and are issued in the aggregate principal amount of \$94,500,000. The 2026B Bonds are authorized by Oregon Revised Statutes (“ORS”) Section 287A.050 and the other relevant provisions of ORS Chapter 287A, Measure 24-747 approved by the City’s electors on November 8, 2022, City Resolution No. 2022-58 adopted December 12, 2022 (the “Resolution”), and a Bond Declaration for the 2026B Bonds (the “Bond Declaration”) dated as of the date of issuance of the 2026B Bonds.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering materials which have been or may be supplied to the purchasers of the 2026B Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Resolution, the Bond Declaration, and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The 2026B Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the City Charter, the Resolution and the Bond Declaration. The 2026B Bonds constitute valid and legally binding obligations of the City that are enforceable in accordance with their terms.

2. Pursuant to ORS Section 287A.315, the City has pledged its full faith and credit and taxing power to the payment of the 2026B Bonds. In addition, the 2026B Bonds are payable from ad valorem taxes which may be levied without limitation as to rate or amount on all taxable property within the boundaries of the City.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the 2026B Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the 2026B Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the 2026B Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the 2026B Bonds, and we have assumed compliance by the City and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2026B Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the 2026B Bonds in order that, for federal income tax purposes, interest on the 2026B Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the 2026B Bonds, restrictions on the investment of proceeds of the 2026B Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2026B Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the 2026B Bonds, the City will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest paid on the 2026B Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the 2026B Bonds, and (ii) compliance by the City with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

4. Interest on the 2026B Bonds is exempt from Oregon personal income tax.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the 2026B Bonds, or the ownership or disposition thereof, except as stated in paragraphs 3 and 4 above. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon advice or an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the 2026B Bonds.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the 2026B Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

This opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as bond counsel only to the City in connection with the 2026B Bonds and have not represented and are not representing any other party in connection with the 2026B Bonds. This opinion is given solely for the benefit of the City in connection with the 2026B Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the City and any person to whom we may send a formal reliance letter indicating that the recipient is entitled to rely on this opinion.

Very truly yours,

Appendix B

Financial Statements

The City's Auditor has not performed any further review of the City's financial statements since the date of the audit contained herein. The Auditor was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of its report on the 2025 Fiscal Year.

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**CITY OF SALEM,
OREGON**

ANNUAL

COMPREHENSIVE

FINANCIAL

REPORT

For the Fiscal Year Ended

June 30, 2025

Prepared by the Finance Department

**CITY OF SALEM, OREGON
Annual Comprehensive 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



January 26, 2026

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

The Finance Department is pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Salem, Oregon (City), for the fiscal year ended June 30, 2025. This report is a key component of the City's commitment to transparency and accountability, providing a comprehensive overview of its financial health and operations. 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 REDW, LLC, a firm of licensed certified public accountants. The independent auditor has issued an unmodified opinion on the City's financial statements for the year ended June 30, 2025. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to meeting the above requirements, the audit was also designed to meet the special needs of federal grantor agencies as required by the Single Audit Act and the Office of Management and Budget's Uniform Guidance. These standards require the auditor to report on the fair presentation of the financial statements, as well as the City's internal controls and compliance with legal requirements, with emphasis on the administration of federal and state awards. The report on the City's Single Audit for the fiscal year ended June 30, 2025 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 ACFR 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 177,567 and covers 49 square miles. The City operates under a home rule charter available at <http://www.cityofsalem.net/Pages/city-charter.aspx>. The Charter provides specific and general powers for conducting the City's business through an elected council and appointed city manager. The council-manager form of government separates legislative policy functions from administrative functions.

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

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

Reporting entity

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

ECONOMIC CONDITIONS AND OUTLOOK

Recent economic performance

As of September 2025, the average seasonally adjusted unemployment rate has increased to 5.2 percent for the current year compared to 4.2 percent for the prior year. Latest data released in October for September for the Salem Metropolitan Statistical Area (MSA) shows that private job sectors with the largest growth in the past year have been private education and health services along with government, and professional and business services. The average hourly wage across all occupations is \$31.63 approximately \$65,774 per year.

Local development has increased slightly in the last fiscal year compared to the prior year. Between fiscal year 2024 and 2025, total permits issued by the City's Building and Safety division have increased overall by more than 1.7 percent. Largest growth of permit issuance types include multifamily units and commercial / industrial.

Tourism Occupancy Tax (TOT) collections for fiscal year 2024 totaled approximately \$4.8 million, while unaudited collections for fiscal year 2025 came in at \$5.3 million. The City's tax rate is 9 percent for overnight stays within city limits, implying a spending of more than \$58.9 million directly in Salem by visitors. The year-over-year increase is 9.4 percent.

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 14 City funds, including the General fund, are 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. This proactive approach ensures the City remains resilient and well-prepared to address economic uncertainties and emerging financial challenges.

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

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

Economic impact of Oregon Public Employees Retirement System (PERS) future rates –The City's PERS employer contribution rates continue to be a significant driver of personnel costs. City staff continue to monitor the PERS liability and discuss methodologies for meeting this economic challenge.

Relevant financial policies

Fund reserves – City policy establishes a goal of maintaining approximately 15 percent 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. In addition to the General fund, several others City funds have adopted fund balance policies.

Major initiatives

The City Council has established a strategic plan identifying six broad result areas and has integrated this with the annual budgeting process. The result areas are:

- Safe and Healthy Community
- Welcoming and Livable Community
- Strong and Diverse Economy
- Safe, Reliable, and Efficient Infrastructure
- Natural Environment Stewardship
- Good Governance

Under these broad areas, more specific priority goals are established. Current focus areas are addressing homelessness, planning for our future, engaging our community, and sustaining infrastructure and services.

The 2021 through 2026 Salem Strategic Plan is currently undergoing update. This update ensures the plan remains responsive to evolving community needs and priorities. Some of the specific activities being pursued in the 2025 policy agenda are identified below:

- Sustaining infrastructure and Services
 - Convene community conversation about increasing revenue to continue community services.
 - Deliver projects in the Community Improvement Bond and report progress to the Steering Committee and community at-large.
 - Continue to pursue opportunities to lower expenses, improve efficiency and effectiveness of our work.
- Engaging our community
 - Improve engagement and communications, expand conversations and voices in decisions.
 - Expand neighbor to neighbor communications.
 - Incorporate equity in delivery of Salem programs and services, assuring City services are equitably available to and accessed by all.
 - Conduct review of City Charter to ensure it reflects an efficient and effective government, principles of equity, and is relevant to today's Salem.
 - Continue investment in Community-Engaged Policing.
 - Strengthen our community's resilience and emergency response by continuing to support community preparedness efforts.
- Planning for our future
 - Connect people and places, advancing Salem In Motion.
 - Advance Housing Production Strategy.
 - Further climate action plan.
 - Prepare Solid Waste Policy.
- Responding to our sheltering crisis
 - Expand housing options to prevent homelessness in our community.
 - Managing homelessness.
 - Respond to community complaints for clean up at scattered unmanaged tent, car, and RV camping sites, and clean up accumulated trash.
 - Transition more households into supportive housing.
 - Build more permanent supportive housing.
 - Pursue partnerships and funding support for our most vulnerable, including funding to keep micro-shelter village communities and Navigation Center open.
 - Support regional efforts: Mid-Willamette Valley Homeless Alliance.

OTHER INFORMATION

Certificate of Achievement

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Salem, Oregon, for its ACFR for the fiscal year ended June 30, 2024. The City has received this award 27 times. This consistent recognition underscores the City's commitment to excellence in financial reporting and transparency. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized ACFR, 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 preparation of this report reflects the collaborative effort and dedication of City personnel, whose commitment to excellence ensures the City's financial integrity and transparency. The Finance Department would like to thank all City personnel who contributed to these reports and the members of the City Council, Finance Committee, Budget Committee, and City Manager for their interest and support in the professional and progressive management of the financial operations of the City. Preparation of this report would not have been successful without their support.

Respectfully submitted,



Joshua Eggleston
Chief Financial Officer
City of Salem, Oregon





Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Salem Oregon

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

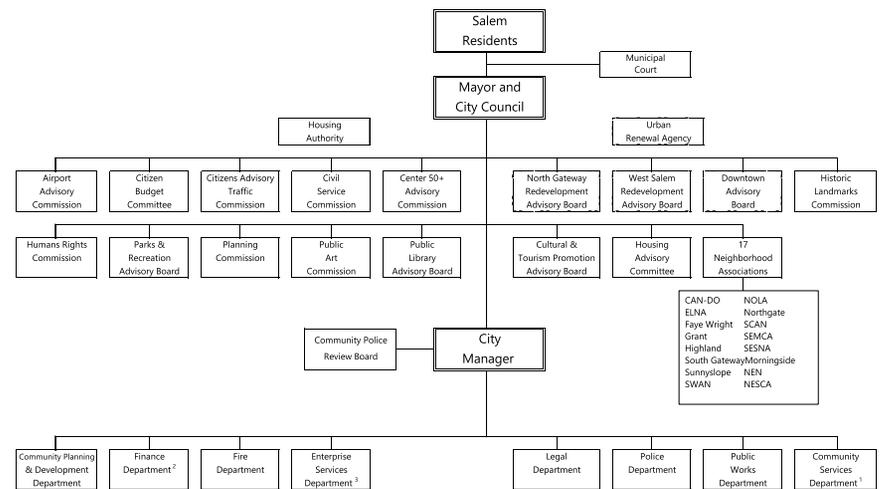
June 30, 2024

Christopher P. Morvill

Executive Director/CEO

Organization of the City of Salem, Oregon

July 2024



1. The Community Services Department includes the Salem Public Library as a functional division.

2. The Finance Department includes Municipal Court as a functional division.

3. The Enterprise Services Department includes Human Resources, Fleet, Information Technology and Facilities Services as functional divisions.

CITY OF SALEM, OREGON

CITY COUNCIL

| <u>Ward No.</u> | <u>Name</u> | <u>Term Expires December 31,</u> |
|------------------------|--------------------|---|
| Mayor | Julie Hoy | 2028 |
| 1 | Paul Tigan | 2028 |
| 2 | Linda Nishioka | 2026 |
| 3 | Shane Matthews | 2028 |
| 4 | Deanna Gwyn | 2026 |
| 5 | Irvin Brown | 2028 |
| 6 | Mai Vang | 2026 |
| 7 | Vanessa Nordyke | 2028 |
| 8 | Micki Varney | 2026 |



ADMINISTRATIVE STAFF

City Manager: Krishna Namburi
Chief Financial Officer: Josh Eggleston
Financial Reporting Manager: Jeremy Morgan

All correspondence for persons listed above may be sent to:

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

Financial Section

Independent Auditor's Report

Honorable Mayor and Council Members
City of Salem
Salem, Oregon

Report on the Audit of Financial Statements

Opinions

We have audited the 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 (the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem, Oregon, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Salem Housing Authority (SHA), which represent three percent, four percent, and ten percent, respectively, of the assets, net position, and revenues of the government-wide financial statements of the City. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for SHA, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller general of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

City of Salem, Oregon
Annual Comprehensive Financial Report
For Fiscal Year Ended: June 30, 2025

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information included in the ACFR. The other information comprises the introductory section, other financial schedules, statistical section, and SEC Rule 15c2-12 disclosures but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

Other Reporting Required by Legal and Regulatory Requirements

Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 22, 2026, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and results of that testing and not to provide an opinion on compliance.



Ryan T. Pasquarella, Principal
For REDW LLC
Salem, Oregon
January 22, 2026

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, 2025. Please read it in conjunction with the transmittal letter, basic financial statements, and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The net position of the City at the close of fiscal year 2024-25 is \$1,607.7 million. Of this amount, negative \$67.7 million is unrestricted. This is negative primarily due to long-term obligations related to pension and other post-employment benefits (OPEB).
- Net position increased by \$41.7 million during the year (excluding restatement discussed below), \$24.3 million in governmental activities and \$17.4 million in business-type activities.
- Capital assets increased \$18.7 million overall, increasing \$29.9 million in governmental activities and decreasing \$11.2 million in business-type activities. The governmental increase is primarily due to bond related projects in progress, street infrastructure and parks improvements. In business-type activities, additions were primarily utility infrastructure, including aquifer storage and recovery facilities.
- Long-term liabilities decreased by \$7.3 million overall. Governmental activities increased \$1.0 million due to a net pension liability increase of \$15.9 million and increased compensated absences payable of \$11.0 million. This is offset by a decrease in long-term debt of \$25.8 million. Business-type activities decreased by \$8.3 million, primarily from decreased long term debt by \$12.4 million offset by an increase in net pension liability of \$5.1 million.
- This report includes implementation of GASB statement 101, Compensated Absences. The primary impact is inclusion of accrued employee sick time in the compensated absences liability which was excluded before. The total liability of \$32.7 million is \$18.2 million higher than last year. The bulk of the total change has been presented as a restatement of beginning net position in the applicable statements. More detail is available in the notes.
- The government-wide financial statements include pension related obligations. The overall net pension liability is \$231.5 million, accompanied by deferred outflows of \$93.1 million, and deferred inflows of \$24.0 million. Net pension expense of \$12.2 million was recognized in 2024-25. See the PERS note for more details.
- The government-wide statements also include other post-employment benefit (OPEB) obligations. The overall net OPEB liability is \$15.5 million, with deferred outflows of \$3.6 million, and deferred inflows of \$5.8 million. A net OPEB expense of \$0.6 million was recognized during 2024-25. See the RHIA and OPEB notes for more details.
- On a fund basis, governmental funds reported a combined ending fund balance of \$283.5 million. Of this amount, \$61.0 million (21.5%) is either committed, assigned, or unassigned and available to fund ongoing activities. The remaining fund balance of \$222.5 million (78.5%) is either restricted or non-spendable, a decrease of \$16.2 million from the prior year. A decrease of \$16.8 million in the Capital improvements fund is due to expenditure of bond funds. General Operating fund decreased \$5.3 million due to the overall structural imbalance in revenues and expenditures. A new operating levy was passed by voters and will be in effect in the fiscal year 2025-26. To offset these decreases, there was an increase in the Tax Allocation Improvements fund of \$5.8 million due to capital outlay expenditures lower than the prior year as some major urban renewal projects were completed.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

- At year-end, the unassigned fund balance in the General fund was \$29.3 million, or 16.5% of total General fund expenditures.

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

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

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

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

Fund financial statements. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

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

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

Fiduciary funds – The City is the trustee, or fiduciary, for funds held on behalf of individuals, other government entities, and non-public organizations. The Statement of Fiduciary Net Position reports the City's fiduciary activities, which consist of custodial 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. 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, an Annual Comprehensive Financial Report requires inclusion of two other sections with specific requirements.

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

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

Government-wide Financial Analysis

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

Financial Position

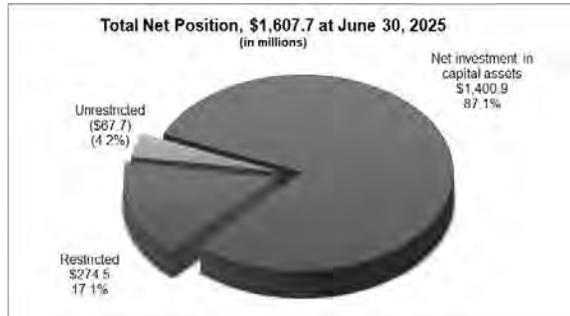
Net position, over time, is a useful indicator of a government's financial position. The following table shows a summary of the Statement of Net Position for the past two years.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

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

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|----------------------------------|-------------------------|----------|--------------------------|----------|--------------------------|------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Cash and investments | \$ 323.9 | \$ 343.7 | \$ 132.7 | \$ 115.2 | \$ 456.6 | \$ 458.9 |
| Other assets | 59.6 | 51.7 | 23.4 | 24.2 | 83.0 | 75.9 |
| Capital assets | 776.9 | 747.0 | 817.4 | 828.6 | 1,594.3 | 1,575.6 |
| Total assets | 1,160.4 | 1,142.4 | 973.5 | 968.0 | 2,133.9 | 2,110.4 |
| Deferred outflows of resources | 71.0 | 59.6 | 26.7 | 23.6 | 97.7 | 83.2 |
| Current liabilities | 54.0 | 46.4 | 18.2 | 17.5 | 72.2 | 63.9 |
| Noncurrent liabilities | 393.1 | 392.1 | 126.0 | 134.3 | 519.1 | 526.4 |
| Total liabilities | 447.1 | 438.5 | 144.2 | 151.8 | 591.3 | 590.3 |
| Deferred inflows of resources | 24.3 | 17.4 | 8.3 | 6.2 | 32.6 | 23.6 |
| Net position: | | | | | | |
| Net investment in capital assets | 644.9 | 621.6 | 756.0 | 754.5 | 1,400.9 | 1,376.1 |
| Restricted | 199.6 | 182.3 | 74.9 | 51.7 | 274.5 | 234.0 |
| Unrestricted | (84.5) | (57.8) | 16.8 | 27.4 | (67.7) | (30.4) |
| Total net position | \$ 760.0 | \$ 746.1 | \$ 847.7 | \$ 833.6 | \$ 1,607.7 | \$ 1,579.7 |

See the Statement of Net Position for more details.



The City ended the year with a net position of \$1,607.7 million. \$1,400.9 million, or 87.1% of this amount represents the City's net investment in capital assets. This includes all capital assets (land, buildings, infrastructure, improvements, and machinery and equipment, net of accumulated depreciation) plus related deferred inflows and less related outstanding debt used to acquire the assets. The City uses these capital assets to provide various services to citizens and consequently they are not available for future spending. Although the City reports investment in capital assets as net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the assets themselves cannot be used to pay the liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

An additional portion of net position, \$274.5 million, or 17.1%, represents resources that are subject to external restrictions on how they may be used, such as debt service or capital projects. The remaining balance of unrestricted net position totals a negative \$67.7 million, or -4.2%. The unrestricted net position is comprised of a negative \$84.5 million for governmental activities and a positive \$16.8 million for business type activities. The governmental amount is negative due to recognition of long-term pension and OPEB obligations.

Governmental Activities. The total net position from governmental activities increased by \$13.9 million, or 1.9%. The most significant changes on the Statement of Net Position were an increase of \$29.9 million in capital assets, decrease of \$19.8 million in Cash and investments, other assets increased by \$7.9 million and an increase in other liabilities by \$7.6 million. Cash and investments decreased mostly due increased in operating expenses over revenue in the General fund which will be corrected in fiscal year 2025/26 with the new operating levy. Capital assets increased mainly due to the Navigation center placed into service along with Fire equipment. Other assets increase was due to increase Accounts receivable and Assessment receivable. Other liabilities increased was due to Accounts payable and Developer reimbursement payable.

Business-type Activities. The total net position of business-type activities increased \$14.1 million, or 1.7%. The most significant changes on the Statement of Net Position were an increase in Cash and investments of \$17.5 million, a decrease in Capital assets of \$11.2 million, and a decrease in Long-term debt outstanding of \$8.3 million. Capital assets decreased primarily in work-in-progress for improvements at the Geren Island water filter system and the slowing expenditures on the new Public Works building. Long-term debt decreased mostly due to the payoff of long-term in the Utility fund.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

Results of Operations

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

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

| | Governmental | | Business-type | | Total Primary | |
|---|--------------|----------|---------------|----------|---------------|------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Program revenues | | | | | | |
| Charge for services | \$ 54.9 | \$ 51.7 | \$ 161.1 | \$ 151.4 | \$ 216.0 | \$ 203.1 |
| Operating grants and contrib. | 20.7 | 20.8 | - | - | 20.7 | 20.8 |
| Capital grants and contrib. | 19.7 | 26.2 | 9.2 | 19.9 | 28.9 | 46.1 |
| General revenues | | | | | | |
| Taxes | 134.8 | 129.7 | - | - | 134.8 | 129.7 |
| Shared state tax revenue | 6.8 | 7.8 | - | - | 6.8 | 7.8 |
| Franchise and operations fees | 37.3 | 35.4 | - | - | 37.3 | 35.4 |
| Interest | 13.2 | 12.2 | 4.6 | 3.9 | 17.8 | 16.1 |
| Other | 4.4 | 2.5 | 1.2 | 1.1 | 5.6 | 3.6 |
| Total revenues | 291.8 | 286.3 | 176.1 | 176.3 | 467.9 | 462.6 |
| Program expenses | | | | | | |
| General government | 33.9 | 33.5 | - | - | 33.9 | 33.5 |
| Public safety | 124.7 | 119.7 | - | - | 124.7 | 119.7 |
| Community development | 39.1 | 36.5 | - | - | 39.1 | 36.5 |
| Community services | 17.9 | 23.4 | - | - | 17.9 | 23.4 |
| Transportation | 39.0 | 34.4 | - | - | 39.0 | 34.4 |
| Library services | 6.0 | 5.7 | - | - | 6.0 | 5.7 |
| Interest on long-term debt | 8.8 | 9.4 | - | - | 8.8 | 9.4 |
| Utilities | - | - | 127.2 | 120.2 | 127.2 | 120.2 |
| Emergency medical services | - | - | 7.3 | 6.1 | 7.3 | 6.1 |
| WVPS communications center | - | - | 15.2 | 14.1 | 15.2 | 14.1 |
| Police regional records system | - | - | 0.5 | 0.7 | 0.5 | 0.7 |
| Salem Convention Center | - | - | 6.6 | 5.3 | 6.6 | 5.3 |
| Total expenses | 269.4 | 262.6 | 156.8 | 146.4 | 426.2 | 409.0 |
| Excess before special items and transfers | 22.4 | 23.7 | 19.3 | 29.9 | 41.7 | 53.6 |
| Transfers | 1.9 | 6.3 | (1.9) | (6.3) | - | - |
| Change in net position | 24.3 | 30.0 | 17.4 | 23.6 | 41.7 | 53.6 |
| Net position - beginning, restated | 735.7 | 716.1 | 830.3 | 810.0 | 1,566.0 | 1,526.1 |
| Net position - ending | \$ 760.0 | \$ 746.1 | \$ 847.7 | \$ 833.6 | \$ 1,607.7 | \$ 1,579.7 |

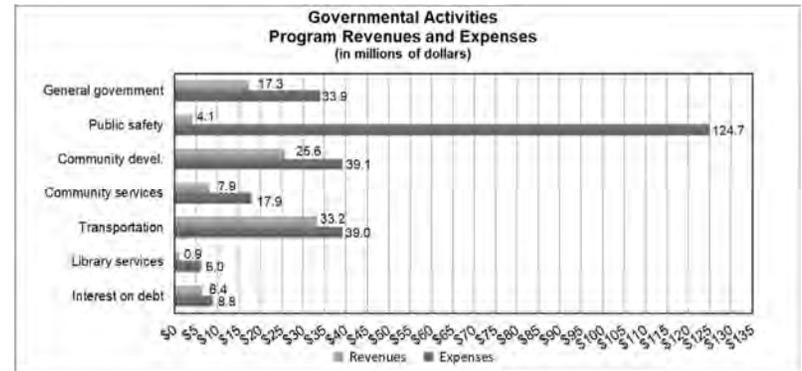
See the Statement of Activities for more details.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

Governmental Activities. The governmental net position increased by \$24.3 million (excluding restatement), \$5.7 million less than it increased in the prior year. This is primarily due to the following:

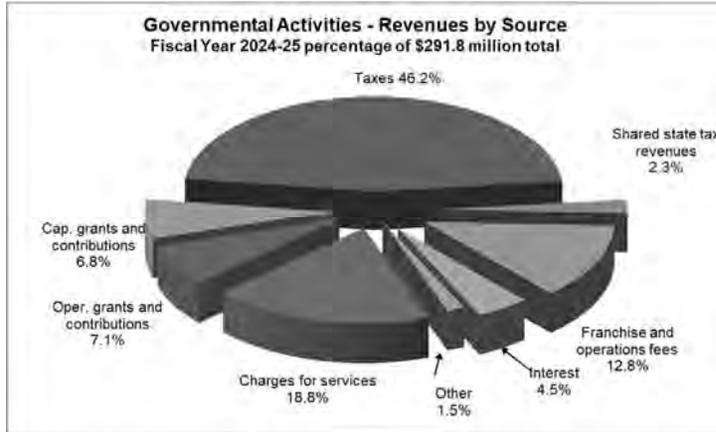
- Charge for services increased by \$3.2 million, primarily due to increased city operations fee, increased public safety fees, partially offset by a reduction in building permits.
- Property tax revenues increased \$5.1 million based on increased property values and new development.
- Capital grants and contributions decreased by \$6.5 million, primarily in the transportation (street infrastructure) functional area.
- Program expenses increased by \$6.8 million overall. Public Safety increased \$5.0 million, primarily due to increased payroll and benefits. Transportation expenses increased by \$4.6 million mostly due to increased payroll and benefits and street improvements. Community Development expenses increased \$2.6 million primarily due to reduced construction activity in the Urban Renewal Agency. These increases were partially offset by a reduction in Community Services expenses of \$5.5 million reflecting greatly reduced support for homeless initiatives which were required to maintain General fund fiscal health.

The following chart compares revenues generated by governmental activities and the related current year expense. As the chart reflects, most governmental programs generate less revenue than the cost of their operations. As a result, these programs require funding from other general revenues.



MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

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

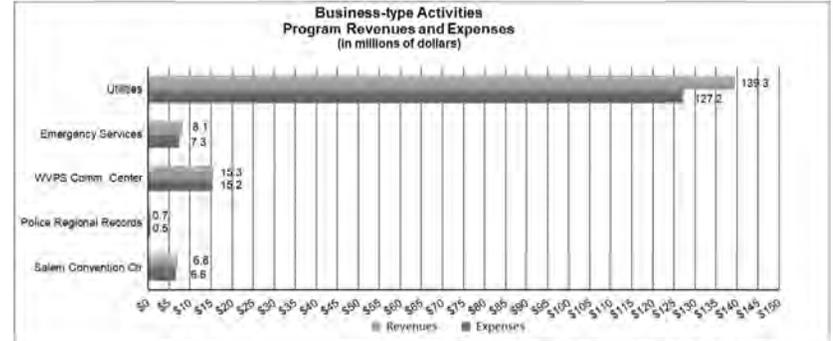


Business-type Activities. The Statement of Activities table presented earlier shows the City's net position from business-type activities increased by \$17.4 million. The following are some highlights:

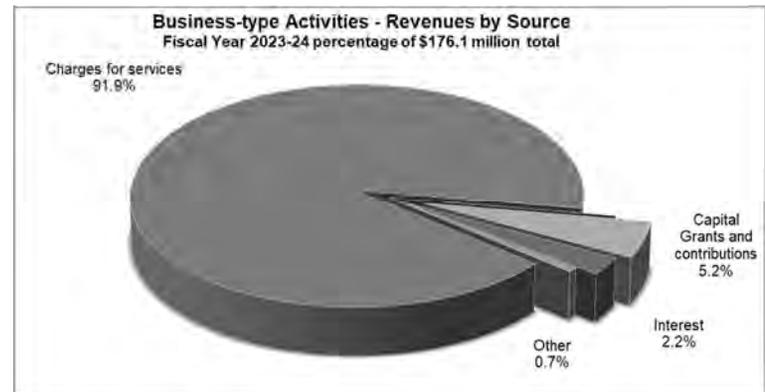
- Utility fund generated an operating income of \$8.3 million, which is a decrease of \$7.5 compared to last year. Capital contributions to the Utility decreased by \$10.7 million, from \$19.9 million to \$9.2 million due to reduced construction activity. This category of inflow is primarily composed of construction grants, developer donated infrastructure, and sometimes Utility infrastructure constructed with URA funding.
- WVPS communications center operating income decreased by \$0.2 million primarily due to increasing personal services costs.
- Nonmajor business type funds overall operating income decreased by \$1.4 million. Emergency services operating income decreased by \$0.9 million due to increases in personal services and material and services for training and non-capital materials to become the primary ambulance service for the City. Salem Convention Center operating income decreased by \$0.4 million. Even though revenue was higher, costs to provide services increased at a faster pace.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025



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 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

Governmental Funds. As of June 30, 2025, the City's governmental funds reported combined ending fund balances of \$283.5 million, a decrease of \$16.2 million or 5.7%, from last year. The unassigned General fund balance of \$29.3 million or 10.4% of the total governmental fund balance, is available for spending at the City's discretion. The remainder of the governmental funds balance is constrained as follows: restricted to capital projects, debt service, or with other donor or legal restrictions is \$222.5 million or 78.5%. Committed fund balance is \$31.2 million or 11.0%. Assigned fund balance, representing encumbrances, is \$0.4 million or 0.1%, and nonspendable fund balance is less than \$0.1 million, for a small library endowment.

General Operating fund balance decreased by \$5.3 million, from \$35.1 million to \$29.8 million. Total revenues were \$3.4 million higher than last year, with property tax increasing \$2.7 million, sales, fees, licenses and permits increased by \$2.8 million and were offset by a decrease in Grants of \$1.8 million. Sales, fees, licenses and permits primarily increased due to higher city operations fee and the electric franchise fees. Grants declined due to a one-time US Federal emergency grant for Parks maintenance received in the prior year. Total expenditures increased \$9.8 million over the prior year, seen most significantly in public safety personnel due to cost of living increases and an increase liability insurance contribution to the Self-insurance fund. The General fund ending balance is 16.8% of FY 2025-26 budgeted fund revenues and complies with the ending fund balance/reserve policy minimum of 15% adopted by the Council.

Capital Improvements fund balance decreased \$16.9 million, from \$95.6 million to \$78.7 million. The decrease was primarily due to expenditure of Community Improvement bond proceeds that were issued in fiscal year 2022-23. Project areas include parks upgrades, fire equipment, affordable housing, Civic Center seismic upgrades, technology and cybersecurity upgrades, and street improvements.

The Tax Allocation Improvements fund increased by \$5.8 million, a net of short-term loan issuance of \$13.6 million, other revenues of \$6.1 million, and project expenditures of \$13.9 million. Construction expenditures overall were \$7.4 million less than last year. Riverfront expenditures remained same as the prior year primarily in streetscape projects, West Salem decreased by \$6.3 million due to declining expenditures related to Wallace Road / 2nd Street project, and McGilchrist project spending decreased \$1.4 million primarily on the McGilchrist / 22nd Street realignment project incurring less expenditures. The June 30, 2025, fund balance of \$73.6 million is restricted for urban renewal projects.

Community Renewal fund balance increased \$0.5 million due to Federal programs loan repayment revenue.

The General Debt fund balance increased by \$0.9 million. Property tax collections and interest on investment were slightly higher than debt service payments for the year.

Nonmajor governmental funds in the aggregate decreased by \$1.2 million. This was primarily due to the following: Community Enhancement fund decreased by \$1.7 million, this was mostly due to grants decreasing by \$1.8 million from the prior year. Cultural/tourism fund was lower by \$1.3 million, this was caused by additional transfers to other funds than the prior year. Tax allocation bond debt fund increased by \$1.9 million, this was caused by property tax receipts exceeding debt service payments and lower transfers to the Tax Allocation Improvements fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

Proprietary Funds. At June 30, 2025, the City's enterprise funds reported a combined net position of \$851.5 million (excluding internal service fund consolidation adjustment), an increase of \$27.0 million, primarily from the Utility fund.

The Utility fund net position increased \$18.7 million (excluding restatement), from \$805.7 million to \$824.4 million. The total net position is comprised of \$729.4 million of net investment in capital assets, \$74.0 million is restricted for capital projects, and \$20.3 million is unrestricted. The increase in net position is mainly due to operating income of \$8.2 million and \$9.2 million in capital contributions.

The Willamette Valley Communications Center fund (newly major this year) net position increased \$0.2 million (excluding restatement), based on a nearly flat operating income and \$0.2 million in interest income. Charges to member agencies are planned in advance and costs are controlled to maintain a relatively stable net position.

The Internal Service funds combined net position increased \$0.5 million. This was due to by an increase in the Equipment replacement reserve fund of \$2.7 million due to increased transfers in for new and replacement vehicles for the City. Self-insurance Risk liability increased by \$1.0 million due to significantly higher rates charged to City departments to maintain our self-insured fund. Self-insurance benefits fund decreased by \$2.6 million due to higher claims than the prior year. City services fund decreased by \$0.7 million due to higher personnel and supplementary insurance costs.

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 statement for more detailed information.

General Fund

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

- Move \$39,990 from contingency to the Community Services Administration division materials and services to fund a Community Services fee study.
- Move \$410,380 from contingency to the Human Resources, Information Technology and the Finance Departments personal services to fund positions for the Enterprise Resource Planning (ERP) software implementation.
- Move \$10,000 from contingency to materials and services to fund community engagement research regarding funding of City services.
- Increase \$102,950 from transfers in from the Emergency Services Fund into the Human Resources Department to fund a position overseeing personnel matters in the Emergency Services Fund. Correspondingly increase the Human Resources personal services budget by \$102,950.
- Move \$990,040 from contingency all the General Fund departments materials and services to pay for a liability insurance rate adjustment.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

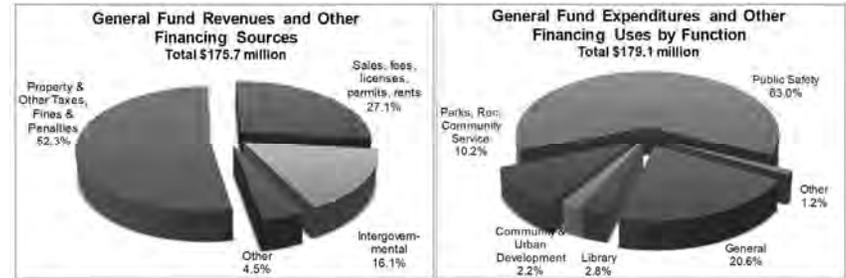
- Move \$79,260 from contingency to the transfers out category to go to the Downtown Parking Fund's transfer in and then materials and service category to pay for a liability insurance rate adjustment.
- Move \$679,080 from contingency to transfers-out to the transfers-in category in the City Services and Community Renewal funds' materials and services for unanticipated vehicle maintenance / controlled equipment and other special payments respectively.
- Move \$320 in budget authority of Non-Departmental from bad debt recovery revenue to the interfund transfers-in.
- Increase \$203,140 in State Grant revenue in the Police Department and corresponding increase \$16,760 in Police personnel services for overtime and \$186,380 in materials and services for combating organized retail theft and safe neighborhoods.
- Increase \$19,600 in Federal Grant revenue in the Police Department and corresponding increase in material and services category for training related to domestic violence prevention.
- Increase \$113,400 in Federal Grant revenue in the Police Department and correspondingly increase the materials and services category for items related to community trust building.
- Increase \$214,750 in Federal Grant revenue and corresponding increase in materials and services category for items related to the City energy master plan.

Differences between actual results and the final amended budget resulted in the General fund balance ending \$13.2 million greater than budgeted. This is primarily due to:

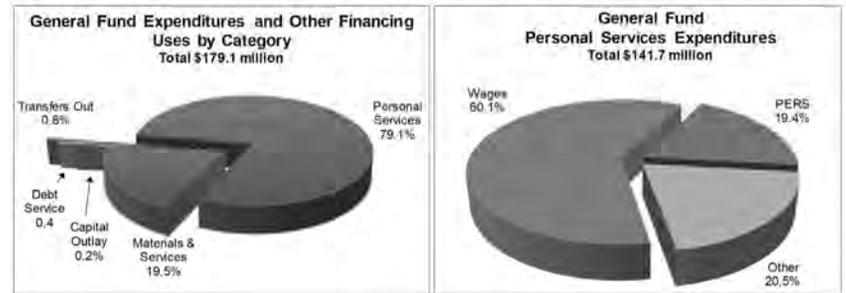
- Actual beginning fund balance \$2.3 million more than originally budgeted.
- Overall revenues were \$0.5 million greater than budgeted. This is mainly composed of the following. \$0.7 million less property tax revenue, \$1.7 million less intergovernmental revenue primarily in state shared revenues, \$2.1 million more land and building rent, \$0.9 million more sales, fees, licenses and permits revenue primarily due to the City Operations fee.
- General government expenditures \$5.5 million less than budgeted. This is mainly due to the following. \$2.8 million less than budgeted expenditure in Information Technology, including \$1.7 million in personnel due to unfilled positions and \$1.1 million in materials and services and equipment. Other central services spent \$2.7 million less than budgeted.
- \$2.0 million less than budgeted expenditures in the Community and Urban Development Department mainly due to personnel savings for vacant positions.
- \$1.6 million less than budgeted expenditures in Community Services primarily in personnel due to vacant positions.
- \$1.3 million less than budgeted expenditures in Public Safety, split evenly between Police and Fire departments. This is mainly reflected in employee benefit and software costs less than budgeted.

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 significant revenues include external user fees and inter-fund fees for services provided. General expenditures include all administrative, legal, and support services costs. Other expenditures include capital outlay, debt service, and transfers out.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025



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, 2025, the City had invested \$1.6 billion in capital assets, as summarized in the following table. This represents a net increase (including additions, dispositions, and depreciation) of \$18.5 million, or 1.2%, from the prior year. Governmental assets increased \$29.9 million, primarily due to work in progress bond projects such as Fire engines purchases and vehicles purchased and placed into service during the year and increased expenditures for the new ERP software implementation. Urban renewal work in progress projects, like McGilchrist street improvements, Marion parkade improvements and Streetscape improvements. The business-type decreased \$11.4 million, primarily in work-in-progress for improvements at the Geren Island water treatment facility expenditure decreases from the prior year and slowing expenditures of a new Public Works operations building at the City shops complex, and various other improvements to the water, wastewater and stormwater infrastructure. Additional information on capital assets can be found in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

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

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|----------------------------------|-------------------------|-----------------|--------------------------|-----------------|--------------------------|-------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Land, land improvements, and art | \$ 296.8 | \$ 292.3 | \$ 19.7 | \$ 19.7 | \$ 316.5 | \$ 312.0 |
| Buildings | 129.7 | 126.0 | 18.2 | 18.8 | 147.9 | 144.8 |
| Improvements | 42.7 | 44.6 | 2.2 | 2.3 | 44.9 | 46.9 |
| Equipment and machinery | 13.6 | 14.1 | 4.5 | 3.7 | 18.1 | 17.8 |
| Equipment and mach - ROU | 1.4 | - | - | - | 1.4 | - |
| Vehicles | 23.1 | 21.6 | - | - | 23.1 | 21.6 |
| Infrastructure | 140.6 | 148.7 | - | - | 140.6 | 148.7 |
| Utility systems | - | - | 620.3 | 618.2 | 620.3 | 618.2 |
| Intangible/lease/SBITA | 1.9 | 1.0 | 1.7 | 1.8 | 3.6 | 2.8 |
| Work-in-progress | 127.1 | 98.7 | 150.8 | 164.1 | 277.9 | 262.8 |
| Total | \$ 776.9 | \$ 747.0 | \$ 817.4 | \$ 828.6 | \$ 1,594.3 | \$ 1,575.6 |

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

Change in Capital Assets for the Fiscal Year Ended June 30, 2025
(in millions)

| | Governmental | Business-type | Total |
|---------------------------------------|-----------------|-----------------|-------------------|
| | Activities | Activities | |
| Beginning balance | \$ 747.0 | \$ 828.6 | \$ 1,575.6 |
| Additions | 56.9 | 12.4 | 69.3 |
| Retirement | (4.1) | (0.3) | (4.4) |
| Accumulated depreciation/amortization | (22.9) | (23.3) | (46.2) |
| Ending balance | <u>\$ 776.9</u> | <u>\$ 817.4</u> | <u>\$ 1,594.3</u> |

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

Debt Outstanding

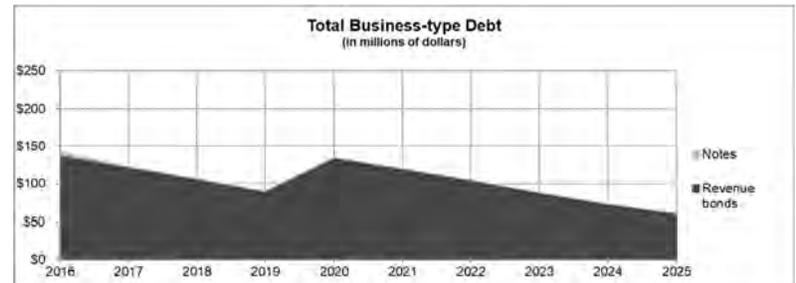
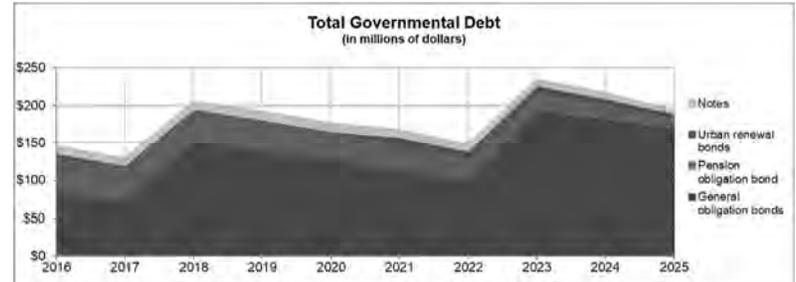
As of June 30, 2025, the City had a total of \$253.3 million in outstanding long-term debt, compared to \$290.6 million last year, a 12.8% decrease, as illustrated in the following table. Governmental and business type both decreased from scheduled debt service on existing bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

Outstanding Debt as of June 30,
(in millions)

| | Governmental | | Business-type | | Total | |
|-------------------------------|-----------------|-----------------|----------------|----------------|-----------------|-----------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Bonds: | | | | | | |
| General obligation | \$ 168.5 | \$ 182.0 | \$ - | \$ - | \$ 168.5 | \$ 182.0 |
| Revenue | - | - | 60.7 | 73.4 | 60.7 | 73.4 |
| Pension obligation | 15.8 | 21.1 | - | - | 15.8 | 21.1 |
| Urban Renewal | 6.0 | 7.0 | - | - | 6.0 | 7.0 |
| Notes | 2.3 | 6.7 | - | 0.4 | 2.3 | 7.1 |
| Total outstanding debt | \$ 192.6 | \$ 216.8 | \$ 60.7 | \$ 73.8 | \$ 253.3 | \$ 290.6 |

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 and other financial schedules.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

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, 2025 was 0.53% of RMV. The actual levy for GO debt was \$1,200 per \$1,000 of assessed valuation for 2024-25.

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, 2025

| | <u>Amount</u> | <u>Per Capita</u> | <u>Percent of RMV</u> |
|---------------------------------|-------------------|-----------------------|---------------------------|
| Population (2025) | 179,977 | | |
| 2024-25 Measure 5 RMV | \$ 29,594,561,737 | \$ 164,435 | - |
| Total bonded debt outstanding | 235,077,000 * | 1,306 | 0.79% |
| Net direct GO debt | 157,085,000 * | 873 | 0.53% |
| Net overlapping debt | 538,910,901 | 2,994 | 1.82% |
| Net direct and overlapping debt | 695,995,901 | 3,867 | 2.35% |

*Excludes issuance premium

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Fiscal year 2025-26 Adopted Budget – The annual budget for fiscal year 2025-26 for all funds anticipates a personal services increase of 14.1%, materials and services increase of 8.7%, capital outlay decrease of 7.8%, debt service decrease of 0.12%, transfers decrease of 43.8%, and contingencies increase of 101.1%.

The personal services increase includes the reduction of 5.0 full time equivalent positions overall. There are planned reductions for the General fund with the movement of 96.10 FTE from the General fund to the new Local Option Levy Fund. There will be 3 new positions are added to the Library as part of the new Local Option Levy Fund bringing the fund total to 99.10 FTE. In addition to the movement of 96.10 FTE out of the General fund, there is also a net reduction of 9.0 FTE in the General fund due to organizational changes or eliminations. There is an elimination of 1.0 FTE from the Building and safety fund and net 2.0 FTE to the City Services fund. There are annual increases to salaries per collective bargaining agreements, market adjustments, increase in PERS contributions and an increase in health benefit costs.

The budget anticipates a 31.5%, approximately \$59.1 million increase in fees for service/other services for all funds. Current year property taxes are anticipated to increase by 17%. This includes annual growth in value of existing properties as well as new properties added to the tax roll. State/Federal grants to increase by 36.0% or \$13.8 million for all funds due to grants from the Federal Highway administration and Federal Aviation administration.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2025

Utility Fund – The Council adopted a financial policy for the Utility fund to guide 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 rate increases while continuing to fund debt service, operations, capital investments identified in the Capital Improvement Program, and reserves for operations and debt. In November 2024, the Council approved increases for City provided utilities that included 4.5% for water, 4.5% for wastewater, and 4.5% for stormwater in January 2025 and January 2026. The increases would allow the City to have an Emergency Utility Assistance Program authorizing up to \$400,000 annually starting in January 2025.

Underlying Debt Rating – The City has maintained a conservative and strategic methodology to the issuance of all debt. Close relationship with its financial advisor in conjunction with the City's debt placement policies have resulted in strong credit ratings. The following table indicates current bond ratings.

| <u>Rating Agency</u> | <u>General Obligation</u> | <u>Utility Revenue</u> |
|----------------------|---------------------------|------------------------|
| Moody's | Aa2 | Aa2 |

GO bond ratings were last affirmed by Moody's in January 2023. Utility bonds were rated Aa2 in October 2024. Moody's comments regarding the City's strong GO bond ratings included the City's:

- Strong local economy
- Good management team, prudent fiscal practices and multiyear planning
- Expectation that the City will continue to budget conservatively resulting in maintenance of healthy reserves and liquidity

Below average resident income level, elevated leverage relative to Aa-rated peers nationwide, and rapidly growing population to increase demand for services are factors that kept the GO rating from being higher.

Utility bonds were last reviewed by Moody's in October 2024 resulting in a strong rating and comments including:

- Stable customer base that includes the state capital.
- Steady and consistent rate increases demonstrate strong governance.

Moderate socioeconomic profile is a factor that kept the utility revenue rating from being higher.

FINANCIAL CONTACT

The City designs its financial statements to present users (residents, 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 Finance Department at 555 Liberty Street SE, Room 230, Salem, Oregon 97301.



Basic Financial Statements



City of Salem, Oregon
Statement of Net Position
June 30, 2025

| | Primary Government | | | Component |
|---|-----------------------|-----------------------|-------------------------|--|
| | Governmental | Business-type | Total | Unit |
| | Activities | Activities | | Salem Housing Authority FYE 9/30/24 |
| Assets | | | | |
| Current assets | | | | |
| Cash and investments | \$ 323,862,653 | \$ 55,988,243 | \$ 379,850,896 | \$ 14,155,759 |
| Accounts receivable, net | 48,579,769 | 19,250,217 | 67,829,986 | 12,047,117 |
| Leases receivable | 213,610 | 7,976 | 221,586 | 22,108 |
| Due from other governmental agencies | 212,989 | - | 212,989 | - |
| Internal balances | 81,884 | (81,884) | - | - |
| Inventories and prepayments | 1,919,045 | 1,273,457 | 3,192,502 | 147,392 |
| Total current assets | 374,869,950 | 76,438,009 | 451,307,959 | 26,372,376 |
| Noncurrent assets | | | | |
| Restricted cash and investments | - | 76,757,468 | 76,757,468 | 3,327,805 |
| Leases receivable | 758,260 | 77,940 | 836,200 | - |
| Notes receivable | - | 590,920 | 590,920 | 30,443,082 |
| Assessments receivable | 5,784,977 | 1,285,773 | 7,070,750 | - |
| Net OPEB asset | 2,236,490 | 959,611 | 3,196,101 | 78,870 |
| Capital assets | | | | |
| Land and construction in progress | 423,891,253 | 170,463,902 | 594,355,155 | 2,087,255 |
| Other capital assets, net | 352,999,278 | 646,897,405 | 999,895,683 | 9,623,759 |
| Total noncurrent assets | 785,669,258 | 897,033,019 | 1,682,702,277 | 45,560,771 |
| Total assets | 1,160,539,208 | 973,471,028 | 2,134,010,236 | 71,933,147 |
| Deferred Outflows of Resources | | | | |
| Deferred charge on refunding | - | 1,045,390 | 1,045,390 | - |
| OPEB related | 2,526,304 | 1,083,961 | 3,610,265 | 23,644 |
| Pension related | 68,518,664 | 24,574,132 | 93,092,796 | 1,441,914 |
| Total deferred outflows of resources | 71,044,968 | 26,703,483 | 97,748,451 | 1,465,558 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | 24,712,628 | 5,043,037 | 29,755,665 | 1,029,510 |
| SBITA payable | 176,297 | 332,382 | 508,679 | - |
| Leases payable | 1,110,069 | 183,310 | 1,293,379 | - |
| Interest payable | 724,758 | 37,432 | 762,190 | 636 |
| Due to other agencies | 38,084 | - | 38,084 | - |
| Claims and judgments due within one year | 2,235,000 | - | 2,235,000 | - |
| Long-term debt due within one year | 20,730,407 | 10,940,000 | 31,670,407 | 48,079 |
| Compensated absences due within one year | 4,248,561 | 1,693,338 | 5,941,899 | 70,110 |
| Total current liabilities | 53,975,804 | 18,229,499 | 72,205,303 | 1,148,335 |
| Noncurrent liabilities | | | | |
| Security deposit payable | 15,571 | 224,585 | 240,156 | 83,163 |
| Unearned revenue | - | - | - | 302,018 |
| SBITA payable | 109,011 | 346,209 | 455,220 | - |
| Leases payable | 1,750,350 | 849,145 | 2,599,495 | - |
| Developer reimbursement | 5,784,977 | 1,229,793 | 7,014,770 | - |
| Long-term debt | 171,856,588 | 49,799,944 | 221,656,532 | 3,893,270 |
| Total OPEB liability | 13,075,813 | 5,610,436 | 18,686,249 | 194,840 |
| Net pension liability | 170,075,880 | 61,416,281 | 231,492,161 | 5,672,206 |
| Claims and judgments payable | 10,106,000 | - | 10,106,000 | - |
| Compensated absences payable | 20,348,366 | 6,452,847 | 26,801,213 | 210,333 |
| Total noncurrent liabilities | 393,122,556 | 125,929,240 | 519,051,796 | 10,355,630 |
| Total liabilities | 447,098,360 | 144,158,739 | 591,257,099 | 11,504,165 |
| Deferred Inflows of Resources | | | | |
| Deferred charge on refunding | 155,089 | - | 155,089 | - |
| Deferred inflows related to leases | 2,852,561 | 81,830 | 2,934,391 | 7,941 |
| Deferred inflows related to OPEB | 4,067,254 | 1,745,135 | 5,812,389 | 71,635 |
| Deferred inflows related to pensions | 17,431,437 | 6,521,703 | 23,953,140 | 481,404 |
| Total deferred outflows of resources | 24,506,341 | 8,348,668 | 32,855,009 | 560,980 |
| Net Position | | | | |
| Net investment in capital assets | 644,883,984 | 755,955,706 | 1,400,839,690 | 7,769,665 |
| Restricted for: | | | | |
| Capital projects | 144,139,105 | 73,972,581 | 218,111,686 | - |
| Debt service | 10,174,313 | - | 10,174,313 | - |
| Community enhancement | 22,894,973 | - | 22,894,973 | 2,655,940 |
| Community renewal | 20,140,014 | - | 20,140,014 | - |
| Net OPEB asset | 2,236,490 | 959,611 | 3,196,101 | 78,870 |
| Permanent-expendable | 42,656 | - | 42,656 | - |
| Permanent-nonexpendable | 11,000 | - | 11,000 | - |
| Unrestricted | (84,543,080) | 16,779,206 | (67,763,854) | 50,829,085 |
| Total net position | \$ 759,979,475 | \$ 847,667,104 | \$ 1,607,646,579 | \$ 61,333,560 |

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, 2025

City of Salem, Oregon
Statement of Activities
For the fiscal year ended June 30, 2025

| Functions/programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|--|-----------------------|-----------------------|--------------------------------|------------------------------|---|--------------------------|-------------------------|--|
| | Expenses | Charges for Services | Operating Grants/Contributions | Capital Grants/Contributions | Governmental Activities | Business-type Activities | Total | Salem Housing Authority FYE 9/30/24 |
| Governmental activities | | | | | | | | |
| General government | \$ 33,862,605 | \$ 17,236,476 | \$ 71,644 | \$ 3,000 | \$ (16,551,485) | \$ - | \$ (16,551,485) | |
| Public safety | 124,681,272 | 2,741,303 | 1,258,928 | - | (120,681,041) | - | (120,681,041) | |
| Community development | 39,132,018 | 18,272,172 | 3,950,414 | 3,253,100 | (13,656,332) | - | (13,656,332) | |
| Community services | 17,944,411 | 3,111,347 | 390,791 | 4,420,514 | (10,021,759) | - | (10,021,759) | |
| Transportation | 38,957,379 | 6,194,420 | 15,046,574 | 11,993,571 | (5,722,814) | - | (5,722,814) | |
| Library services | 6,038,347 | 918,137 | 33,162 | - | (5,087,048) | - | (5,087,048) | |
| Interest on debt | 8,796,006 | 6,433,640 | - | - | (2,362,366) | - | (2,362,366) | |
| Total governmental activities | 269,412,038 | 54,907,495 | 20,751,513 | 19,670,185 | (174,082,845) | - | (174,082,845) | |
| Business-type activities | | | | | | | | |
| Utilities | 127,186,224 | 130,161,260 | - | 9,165,292 | - | 12,140,328 | 12,140,328 | |
| Emergency medical services | 7,304,533 | 8,101,349 | - | - | - | 796,816 | 796,816 | |
| WVPS communications center | 15,237,321 | 15,324,212 | - | - | - | 86,891 | 86,891 | |
| Police regional records system | 503,823 | 692,144 | - | - | - | 188,321 | 188,321 | |
| Salem Convention Center | 6,617,743 | 6,842,701 | - | - | - | 224,958 | 224,958 | |
| Total business-type activities | 156,849,644 | 161,121,666 | - | 9,165,292 | - | 13,437,314 | 13,437,314 | |
| Total | \$ 426,261,682 | \$ 216,029,161 | \$ 20,751,513 | \$ 28,835,477 | (174,082,845) | 13,437,314 | (160,645,531) | |
| Component unit | | | | | | | | |
| Salem Housing Authority | \$ 45,063,204 | \$ 2,013,044 | \$ 38,704,703 | \$ 179,278 | | | | \$ (4,166,179) |
| General revenues | | | | | | | | |
| Property tax | | | | | 128,088,830 | - | 128,088,830 | - |
| Transient occupancy tax | | | | | 5,298,982 | - | 5,298,982 | - |
| Other taxes | | | | | 1,374,729 | - | 1,374,729 | - |
| Shared state revenue | | | | | 6,802,859 | - | 6,802,859 | - |
| Franchise fees based on gross receipts | | | | | 22,664,483 | - | 22,664,483 | - |
| City operations fee - unrestricted revenue | | | | | 14,612,375 | - | 14,612,375 | - |
| Payment in lieu of taxes | | | | | 125,169 | - | 125,169 | - |
| Investment earnings | | | | | 13,166,337 | 4,559,575 | 17,725,912 | 1,421,539 |
| Gain on sale of assets | | | | | 2,889,345 | - | 2,889,345 | - |
| Miscellaneous | | | | | 1,493,663 | 1,230,278 | 2,723,941 | 4,065,661 |
| Transfers | | | | | 1,880,100 | (1,880,100) | - | - |
| Total general revenues and transfers | | | | | 198,396,872 | 3,909,753 | 202,306,625 | 5,487,200 |
| Change in net position | | | | | 24,314,027 | 17,347,067 | 41,661,094 | 1,321,021 |
| Net position - beginning, as previously presented | | | | | 746,105,594 | 833,642,967 | 1,579,748,561 | 60,012,539 |
| Restatement | | | | | (10,440,146) | (3,322,930) | (13,763,076) | - |
| Net position - beginning, as restated | | | | | 735,665,448 | 830,320,037 | 1,565,985,485 | 60,012,539 |
| Net position - end of year | | | | | \$ 759,979,475 | \$ 847,667,104 | \$ 1,607,646,579 | \$ 61,333,560 |

Continued

Concluded

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

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



FUND FINANCIAL STATEMENTS

Major Governmental Funds

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

The columns presented in these statements consist of:

General Operating Fund

This fund combines the General fund and the Public Art fund for GAAP reporting purposes, as the Public Art fund does not qualify as a special revenue fund under GAAP. The General 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 public safety, community services, general government, community development, and library services. The Public Art 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.

Capital Improvement Fund

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

Tax Allocation Improvement Fund

This fund accounts for Urban Renewal Area construction improvement projects. Financing is provided by debt issuance, grants, and interest income.

Community Renewal Fund

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

General Debt

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

Other Governmental Funds

The aggregate of nonmajor funds consists of transportation services, streetlights, airport, downtown parking, cultural/tourism, tourism promotion area, parking leasehold, building and safety, traffic safety, community enhancement, permanent, tax allocation debt, extra capacity facilities, and development districts.

**City of Salem, Oregon
Balance Sheet
Governmental Funds
June 30, 2025**

| | General Operating Fund | Capital Improvements | Tax Allocation Improvements |
|--|------------------------------|-------------------------|--------------------------------|
| Assets | | | |
| Cash and investments | \$ 31,727,667 | \$ 85,500,906 | \$ 72,231,635 |
| Accounts receivable, net | 13,081,772 | 718,975 | 5,216,461 |
| Leases receivable | 335,386 | - | 748 |
| Due from other funds | - | - | - |
| Due from other agencies | 212,989 | - | - |
| Advances to other funds | 12,208 | - | - |
| Assessments receivable | - | - | - |
| Total assets | <u>\$ 45,370,022</u> | <u>\$ 86,219,881</u> | <u>\$ 77,448,844</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ 9,775,865 | \$ 3,468,525 | \$ 1,807,232 |
| Due to other funds | - | - | - |
| Due to other agencies | 38,084 | - | - |
| Advances from other funds | - | 4,001,952 | - |
| Security deposit payable | 14,526 | - | - |
| Unearned revenues | - | - | - |
| Developer reimbursement payable | - | - | - |
| Total liabilities | <u>9,828,475</u> | <u>7,470,477</u> | <u>1,807,232</u> |
| Deferred inflows of resources | | | |
| Related to leases | 2,245,612 | - | 712 |
| Unavailable revenue | 3,480,712 | - | 2,057,459 |
| Total deferred inflows of resources | <u>5,726,324</u> | <u>-</u> | <u>2,058,171</u> |
| Fund balances | | | |
| Nonspendable | - | - | - |
| Restricted | - | 78,749,404 | 73,583,441 |
| Committed | 91,817 | - | - |
| Assigned | 377,140 | - | - |
| Unassigned | 29,346,266 | - | - |
| Total fund balances | <u>29,815,223</u> | <u>78,749,404</u> | <u>73,583,441</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 45,370,022</u> | <u>\$ 86,219,881</u> | <u>\$ 77,448,844</u> |

Continued

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

**City of Salem, Oregon
Balance Sheet
Governmental Funds
June 30, 2025**

| | Community Renewal | General Debt | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Cash and investments | \$ 371,534 | \$ 4,232,624 | \$ 92,022,811 | \$ 286,087,177 |
| Accounts receivable, net | 19,795,708 | 718,114 | 9,040,980 | 48,572,010 |
| Leases receivable | - | - | 533,484 | 869,618 |
| Due from other funds | - | - | 5,097,880 | 5,097,880 |
| Due from other agencies | - | - | - | 212,989 |
| Advances to other funds | - | - | - | 12,208 |
| Assessments receivable | - | - | 5,784,977 | 5,784,977 |
| Total assets | <u>\$ 20,167,242</u> | <u>\$ 4,950,738</u> | <u>\$ 112,480,132</u> | <u>\$ 346,636,859</u> |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 27,228 | \$ - | \$ 8,285,983 | \$ 23,364,833 |
| Due to other funds | - | - | 12,208 | 12,208 |
| Due to other agencies | - | - | - | 38,084 |
| Advances from other funds | - | - | - | 4,001,952 |
| Security deposit payable | - | - | 1,045 | 15,571 |
| Unearned revenues | - | - | - | - |
| Developer reimbursement payable | - | - | 5,784,977 | 5,784,977 |
| Total liabilities | <u>27,228</u> | <u>-</u> | <u>14,084,213</u> | <u>33,217,625</u> |
| Deferred inflows of resources | | | | |
| Related to leases | - | - | 516,064 | 2,762,388 |
| Unavailable revenue | 19,576,801 | 519,423 | 1,554,684 | 27,189,079 |
| Total deferred inflows of resources | <u>19,576,801</u> | <u>519,423</u> | <u>2,070,748</u> | <u>29,951,467</u> |
| Fund balances | | | | |
| Nonspendable | - | - | 11,000 | 11,000 |
| Restricted | 563,213 | 4,431,315 | 65,168,395 | 222,495,768 |
| Committed | - | - | 31,145,776 | 31,237,593 |
| Assigned | - | - | - | 377,140 |
| Unassigned | - | - | - | 29,346,266 |
| Total fund balances | <u>563,213</u> | <u>4,431,315</u> | <u>96,325,171</u> | <u>283,467,767</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 20,167,242</u> | <u>\$ 4,950,738</u> | <u>\$ 112,480,132</u> | <u>\$ 346,636,859</u> |

Concluded

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

City of Salem, Oregon
Reconciliation of the Balance Sheet
of Governmental Funds to the Statement of Net Position
June 30, 2025

| | |
|---|------------------------------|
| Total fund balances | \$ 283,467,767 |
| 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 are therefore not reported in the funds (net of accumulated depreciation). | 776,889,531 |
| Other assets are not available to pay for current period expenditures and are therefore deferred in the funds: | |
| Notes receivable - earned but unavailable | 23,775,651 |
| Property taxes - earned but unavailable | 3,413,428 |
| Net OPEB asset | 2,236,490 |
| Deferred outflows related to OPEB | 2,526,304 |
| Deferred outflows related to pensions | 68,518,664 |
| 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. | 25,011,520 |
| Accrued interest payable | (724,758) |
| Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds. | |
| Long-term SBITA liabilities | (285,308) |
| Long-term lease liabilities | (2,860,419) |
| Long-term debt including bonds payable, bond premiums, and notes payable | (192,586,995) |
| Compensated absences payable | (24,596,927) |
| Net OPEB liability | (13,075,813) |
| Net pension liability | (170,075,880) |
| Deferred charge on refunding | (155,089) |
| Deferred inflows related to OPEB | (4,067,254) |
| Deferred inflows related to pensions | (17,431,437) |
| Net position of governmental activities | <u>\$ 759,979,475</u> |



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

City of Salem, Oregon
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2025

| | General Operating Fund | Capital Improvements | Tax Allocation Improvements |
|--|------------------------------|-------------------------|--------------------------------|
| Revenues | | | |
| Property taxes | \$ 87,126,016 | \$ - | \$ - |
| Other taxes | 1,374,729 | - | - |
| Sales, fees, licenses, and permits | 44,398,815 | 131,084 | - |
| Special assessments | 13,748 | - | - |
| Rents | 1,322,304 | 14,746 | 17,841 |
| Grants | 678,925 | 2,050,003 | 3,161,271 |
| Intergovernmental | 15,261,302 | 300,000 | 524,590 |
| Fines and penalties | 3,388,840 | - | - |
| Interest on investments | 1,558,919 | 4,048,557 | 2,357,085 |
| Loan payments received | - | - | 11,587 |
| Other | 655,961 | 20,027 | - |
| Total revenues | <u>155,779,559</u> | <u>6,564,417</u> | <u>6,072,374</u> |
| Expenditures | | | |
| Current | | | |
| General government | 24,674,705 | - | - |
| Community development | 7,592,384 | - | - |
| Community service | 13,216,414 | - | - |
| Public safety | 112,811,849 | - | - |
| Transportation | - | - | - |
| Library | 5,066,512 | - | - |
| Capital outlay | 2,452,502 | 30,724,396 | 13,884,234 |
| Debt service | | | |
| Principal retirement | 978,350 | 52,009 | - |
| Interest and fiscal charges | 249,483 | 269 | - |
| Total expenditures | <u>167,042,199</u> | <u>30,776,674</u> | <u>13,884,234</u> |
| Excess (deficiency) of revenues over expenditures | (11,262,640) | (24,212,257) | (7,811,860) |
| Other financing sources (uses) | | | |
| SBITA financing | 290,017 | - | - |
| Lease financing | 1,952,279 | 1,165,502 | - |
| Sale of property | - | 2,760,000 | - |
| Transfers in | 5,702,868 | 3,415,080 | 13,613,655 |
| Transfers out | (2,001,982) | - | (4,090) |
| Total other financing sources (uses) | <u>5,943,182</u> | <u>7,340,582</u> | <u>13,609,565</u> |
| Net change in fund balance | (5,319,458) | (16,871,675) | 5,797,705 |
| Fund balances - beginning of year | <u>35,134,681</u> | <u>95,621,079</u> | <u>67,785,736</u> |
| Fund balances - end of year | <u>\$ 29,815,223</u> | <u>\$ 78,749,404</u> | <u>\$ 73,583,441</u> |

Continued

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

City of Salem, Oregon
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2025

| | Community Renewal | General Debt | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|--------------------------------|--------------------------------|
| | \$ - | \$ 19,773,528 | \$ 21,041,042 | \$ 127,940,586 |
| | - | - | 5,298,982 | 6,673,711 |
| | - | - | 15,088,640 | 59,618,539 |
| | - | - | 1,563,347 | 1,577,095 |
| | - | - | 2,489,081 | 3,843,972 |
| | 3,237,210 | - | 5,131,808 | 14,259,217 |
| | - | 6,433,640 | 18,547,749 | 41,067,281 |
| | - | - | - | 3,388,840 |
| | - | 421,807 | 3,507,779 | 11,894,147 |
| | 337,302 | - | 53,070 | 401,959 |
| | - | - | 1,291,662 | 1,967,650 |
| | <u>3,574,512</u> | <u>26,628,975</u> | <u>74,013,160</u> | <u>272,632,997</u> |
| | - | - | 28 | 24,674,733 |
| | 2,637,034 | - | 15,614,355 | 25,843,773 |
| | - | - | 2,172,018 | 15,388,432 |
| | - | - | 409,405 | 113,221,254 |
| | - | - | 19,563,315 | 19,563,315 |
| | - | - | 214,705 | 5,281,217 |
| | 733,035 | - | 11,673,821 | 59,467,988 |
| | - | 17,590,000 | 5,348,945 | 23,969,304 |
| | - | 8,162,266 | 523,748 | 8,935,766 |
| | <u>3,370,069</u> | <u>25,752,266</u> | <u>55,520,340</u> | <u>296,345,782</u> |
| | 204,443 | 876,709 | 18,492,820 | (23,712,785) |
| | - | - | - | 290,017 |
| | - | - | - | 3,117,781 |
| | - | - | - | 2,760,000 |
| | 289,074 | - | 1,743,835 | 24,764,512 |
| | - | - | (21,432,111) | (23,438,183) |
| | <u>289,074</u> | <u>-</u> | <u>(19,688,276)</u> | <u>7,494,127</u> |
| | 493,517 | 876,709 | (1,195,456) | (16,218,658) |
| | <u>69,696</u> | <u>3,554,606</u> | <u>97,520,627</u> | <u>299,686,425</u> |
| | <u>\$ 563,213</u> | <u>\$ 4,431,315</u> | <u>\$ 96,325,171</u> | <u>\$ 283,467,767</u> |

Concluded

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

City of Salem, Oregon
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the fiscal year ended June 30, 2025

| | |
|---|-----------------------------|
| Net change in fund balances-total governmental funds | \$ (16,218,658) |
| 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. | |
| Acquisition of capital assets | 42,216,890 |
| Depreciation and amortization | (22,377,990) |
| Various other transactions involving capital assets increase or decrease net position. | |
| Developer donated infrastructure and other donated assets | 3,256,214 |
| Book value of sold or disposed assets | (324,771) |
| 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 | 2,938,329 |
| Change in deferred inflows for general revenue | 148,245 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the insurance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred or amortized in the Statement of Activities. | |
| Principal payments on long term debt | 23,969,303 |
| Amortize bond premium | 1,314,237 |
| Net expense related to deferred charge on refunding | 136,072 |
| 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. | |
| | 139,760 |
| Other post-employment benefits earned by current employees do not require the use of current financial resources and are not reported as expenditures in the governmental funds. | |
| Net expense related to pension activity | (8,974,018) |
| Net expense related to OPEB activity | (481,873) |
| 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. | |
| | (13,614,021) |
| 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. | |
| | 1,746,162 |
| Restatement for expenses not reported in the Statement of Activities in the prior year and not reported in the fund financial statements per modified accrual accounting. | |
| | 10,440,146 |
| Change in net position of governmental activities | <u>\$ 24,314,027</u> |

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



**City of Salem, Oregon
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025**

| | Budgeted Amounts | | Actual | Variance |
|---|--------------------|--------------------|-------------------------------|--------------------------------------|
| | Original | Final | Amounts Budgetary Basis | with Final Budget ¹ |
| Revenues | | | | |
| Property taxes | \$ 87,826,740 | \$ 87,826,740 | \$ 87,126,016 | \$ 700,724 |
| Other taxes | 1,501,900 | 1,501,900 | 1,374,729 | 127,171 |
| Sales, fees, licenses, and permits | 43,518,200 | 43,518,200 | 44,398,815 | (880,615) |
| Special assessments | 20,000 | 20,000 | 13,748 | 6,252 |
| Rents | 1,160,610 | 1,160,610 | 3,261,775 | (2,101,165) |
| Grants | 440,900 | 991,790 | 678,925 | 312,865 |
| Intergovernmental | 29,266,760 | 29,266,760 | 27,546,574 | 1,720,186 |
| Fines and penalties | 3,938,700 | 3,938,700 | 3,388,840 | 549,860 |
| Interest on investments | 1,090,000 | 1,090,000 | 1,543,719 | (453,719) |
| Other | 163,500 | 163,180 | 655,961 | (492,781) |
| Total revenues | 168,927,310 | 169,477,880 | 169,989,102 | (511,222) |
| Expenditures | | | | |
| Operations | | | | |
| City manager's office | 1,680,930 | 1,683,660 | 1,281,213 | 402,447 |
| Finance department | 4,322,320 | 4,434,640 | 4,100,291 | 334,349 |
| Enterprise services department: | | | | |
| Customer service center | 946,890 | 950,240 | 740,485 | 209,755 |
| Facilities services | 5,547,560 | 5,562,460 | 5,397,955 | 164,505 |
| Human resources | 2,837,930 | 3,123,960 | 2,835,174 | 288,786 |
| Information technology | 15,648,210 | 15,816,670 | 12,993,121 | 2,823,549 |
| Legal department | 3,157,120 | 3,162,520 | 2,948,843 | 213,677 |
| Mayor and council | 442,100 | 444,740 | 435,591 | 9,149 |
| Municipal court | 2,767,700 | 2,778,980 | 2,535,893 | 243,087 |
| Non-departmental | 4,216,310 | 4,444,520 | 3,607,391 | 837,129 |
| Total general government | 41,567,070 | 42,402,390 | 36,875,957 | 5,526,433 |
| Community and urban development department: | | | | |
| Community development | 6,757,980 | 6,839,650 | 5,891,012 | 948,638 |
| Urban development | 4,048,290 | 4,054,970 | 3,031,388 | 1,023,582 |
| Total community development | 10,806,270 | 10,894,620 | 8,922,400 | 1,972,220 |
| | | | | Continued |

1 () indicates revenue/expenditures in excess of budget

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

**City of Salem, Oregon
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025**

| | Budgeted Amounts | | Actual | Variance |
|---|----------------------|----------------------|-------------------------------|--------------------------------------|
| | Original | Final | Amounts Budgetary Basis | with Final Budget ¹ |
| Community Services department: | | | | |
| Community services | \$ 1,387,430 | \$ 1,429,240 | \$ 1,328,477 | \$ 100,763 |
| Library | 5,738,030 | 5,795,710 | 5,066,512 | 729,198 |
| Parks and recreation services | 12,547,840 | 12,700,160 | 11,891,938 | 808,222 |
| Total community services | 19,673,300 | 19,925,110 | 18,286,927 | 1,638,183 |
| Police department | 61,837,290 | 62,659,600 | 62,011,274 | 648,326 |
| Fire department | 51,370,910 | 51,477,370 | 50,800,737 | 676,633 |
| Total public safety | 113,208,200 | 114,136,970 | 112,812,011 | 1,324,959 |
| Debt service | 668,140 | 668,140 | 664,734 | 3,406 |
| Contingency | 3,000,000 | 791,250 | - | 791,250 |
| Total expenditures | 188,922,980 | 188,818,480 | 177,562,029 | 11,256,451 |
| Excess (deficiency) of revenues over expenditures | (19,995,670) | (19,340,600) | (7,572,927) | (11,767,673) |
| Other financing sources (uses) | | | | |
| Transfers in | 7,365,790 | 7,469,060 | 5,677,868 | 1,791,192 |
| Transfers out | (1,637,330) | (2,395,670) | (1,504,154) | (891,516) |
| Total other financing sources (uses) | 5,728,460 | 5,073,390 | 4,173,714 | 899,676 |
| Net change in fund balance | (14,267,210) | (14,267,210) | (3,399,213) | (10,867,997) |
| Fund balance - beginning of year | 32,721,140 | 32,721,140 | 35,031,832 | (2,310,692) |
| Fund balance - end of year | \$ 18,453,930 | \$ 18,453,930 | 31,632,619 | \$ (13,178,689) |
| Reconciliation to generally accepted accounting principles: | | | | |
| Adjustments for indirect cost allocation | | | | |
| Revenues | | | (12,285,270) | |
| Expenditures: | | | | |
| General government | | | 12,285,270 | |
| Accrued interest receivable on leases | | | 1,013 | |
| Long-term lease receivables | | | 335,386 | |
| Deferred inflows related to leases | | | (2,245,612) | |
| Fund balance - General Fund - end of year (modified accrual) | | | 29,723,406 | |
| Separately budgeted fund - Public Art Fund - end of year (modified accrual) | | | 91,817 | |
| Fund balance - General Operating Fund - end of year (modified accrual) | | | \$ 29,815,223 | |

1 () indicates revenue/expenditures in excess of budget

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

Concluded

**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, 2025**

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|-------------------|-------------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Grants | \$ 7,684,430 | \$ 7,684,430 | \$ 3,237,210 | \$ 4,447,220 |
| Loan payments received | 400,000 | 400,000 | 337,302 | 62,698 |
| Total revenues | <u>8,084,430</u> | <u>8,084,430</u> | <u>3,574,512</u> | <u>4,509,918</u> |
| Expenditures | | | | |
| Operations | <u>8,363,790</u> | <u>8,652,870</u> | <u>3,370,069</u> | <u>5,282,801</u> |
| Excess (deficiency) of revenues over expenditures | (279,360) | (568,440) | 204,443 | (772,883) |
| Other financing sources (uses) | | | | |
| Transfers in | <u>-</u> | <u>289,080</u> | <u>289,074</u> | <u>6</u> |
| Net change in fund balance | (279,360) | (279,360) | 493,517 | (772,877) |
| Fund balance - beginning of year | <u>417,580</u> | <u>417,580</u> | <u>69,696</u> | <u>347,884</u> |
| Fund balance - end of year | <u>\$ 138,220</u> | <u>\$ 138,220</u> | <u>\$ 563,213</u> | <u>\$ (424,993)</u> |

1 () indicates revenue/expenditures in excess of budget

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

FUND FINANCIAL STATEMENTS

Major Proprietary Funds

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

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

The columns presented in these statements consist of:

Utility Fund

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

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.

Other Proprietary Funds

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

Governmental Activities Internal Service Funds

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

City of Salem, Oregon
Proprietary Funds
Statement of Net Position
June 30, 2025

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities Internal Service Funds |
|---|---|----------------------------------|----------------|---------------|---|
| | Utility Fund | WVPS Communications Center | Other Funds | Totals | |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and investments | \$ 47,212,757 | \$ 4,276,149 | \$ 4,499,337 | \$ 55,988,243 | \$ 37,775,476 |
| Accounts receivable, net | 17,027,944 | 203,907 | 2,018,366 | 19,250,217 | 7,759 |
| Leases receivable | 7,976 | - | - | 7,976 | 71,369 |
| Inventories and prepayments | 1,205,080 | - | 68,377 | 1,273,457 | 1,919,045 |
| Advances to others funds | 3,731,046 | - | - | 3,731,046 | - |
| Total current assets | 69,184,803 | 4,480,056 | 6,586,080 | 80,250,939 | 39,773,649 |
| Noncurrent assets | | | | | |
| Restricted cash and investments | 73,711,126 | 3,046,342 | - | 76,757,468 | - |
| Leases receivable | 77,940 | - | - | 77,940 | 30,883 |
| Note receivable | 590,920 | - | - | 590,920 | - |
| Assessments receivable | 1,285,773 | - | - | 1,285,773 | - |
| Net OPEB asset | 777,571 | 176,839 | 5,201 | 959,611 | 96,220 |
| Capital assets: | | | | | |
| Land and other construction in progress | 166,128,511 | 2,625,693 | 1,709,698 | 170,463,902 | 5,107,965 |
| Other capital assets, net | 623,283,927 | 1,084,027 | 22,529,451 | 646,897,405 | 31,418,254 |
| Total noncurrent assets | 865,855,768 | 6,932,901 | 24,244,350 | 897,033,019 | 36,653,322 |
| Total assets | 935,040,571 | 11,412,957 | 30,830,430 | 977,283,958 | 76,426,971 |
| Deferred outflows of resources | | | | | |
| Deferred charge on refunding | 1,045,390 | - | - | 1,045,390 | - |
| Deferred outflows related to pensions | 19,051,298 | 5,247,037 | 275,797 | 24,574,132 | 1,868,427 |
| Deferred outflows related to OPEB-RHIA | 72,330 | 16,450 | 484 | 89,264 | 8,950 |
| Deferred outflows related to OPEB-City | 806,001 | 183,305 | 5,391 | 994,697 | 99,739 |
| Total deferred outflows of resources | 20,975,019 | 5,446,792 | 281,672 | 26,703,483 | 1,977,116 |

Continued

City of Salem, Oregon
Proprietary Funds
Statement of Net Position
June 30, 2025

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities Internal Service Funds |
|--|---|----------------------------------|----------------|--------------|---|
| | Utility Fund | WVPS Communications Center | Other Funds | Totals | |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 3,899,257 | 528,174 | \$ 615,606 | \$ 5,043,037 | \$ 1,329,313 |
| SBITA payable-due within one year | 148,810 | 4,941 | 178,631 | 332,382 | - |
| Leases payable-due within one year | - | 183,310 | - | 183,310 | 59,837 |
| Interest payable | 10,083 | 11,016 | 16,333 | 37,432 | 1,858 |
| Due to other funds | - | - | - | - | 4,826,967 |
| Claims and judgments payable-due within one year | - | - | - | - | 2,235,000 |
| Long term debt-due within one year | 10,940,000 | - | - | 10,940,000 | - |
| Compensated absences-due within one year | 1,446,271 | 233,090 | 13,977 | 1,693,338 | 133,479 |
| Total current liabilities | 16,444,421 | 960,531 | 824,547 | 18,229,499 | 8,586,454 |
| Noncurrent liabilities | | | | | |
| Security deposit payable | 36,547 | - | 188,038 | 224,585 | - |
| SBITA payable | 155,999 | 5,095 | 185,115 | 346,209 | - |
| Leases payable | - | 849,145 | - | 849,145 | 159,755 |
| Developer reimbursement payable | 1,229,793 | - | - | 1,229,793 | - |
| Long-term debt | 49,799,944 | - | - | 49,799,944 | - |
| Total OPEB liability | 4,546,126 | 1,033,901 | 30,409 | 5,610,436 | 562,565 |
| Net pension liability | 47,510,271 | 13,206,411 | 699,599 | 61,416,281 | 4,771,743 |
| Claims and judgments payable | - | - | - | - | 10,106,000 |
| Compensated absences | 5,206,051 | 1,089,977 | 156,819 | 6,452,847 | 504,753 |
| Total noncurrent liabilities | 108,484,731 | 16,184,529 | 1,259,980 | 125,929,240 | 16,104,816 |
| Total liabilities | 124,929,152 | 17,145,060 | 2,084,527 | 144,158,739 | 24,691,270 |
| Deferred inflows of resources: | | | | | |
| Deferred inflows related to leases | 81,830 | - | - | 81,830 | 90,173 |
| Deferred inflows related to pensions | 5,165,281 | 1,294,397 | 62,025 | 6,521,703 | 341,474 |
| Deferred inflows related to OPEB-City | 1,384,564 | 314,884 | 9,261 | 1,708,709 | 171,334 |
| Deferred inflows related to OPEB-RHIA | 29,516 | 6,713 | 197 | 36,426 | 3,652 |
| Total deferred inflows of resources | 6,661,191 | 1,615,994 | 71,483 | 8,348,668 | 606,633 |
| Net position | | | | | |
| Net investment in capital assets | 729,413,074 | 2,667,229 | 23,875,403 | 755,955,706 | 36,306,628 |
| Restricted for: | | | | | |
| Capital projects | 73,972,581 | - | - | 73,972,581 | (18,482) |
| Net OPEB asset | 777,571 | 176,839 | 5,201 | 959,611 | 96,220 |
| Unrestricted | 20,262,021 | (4,745,373) | 5,075,488 | 20,592,136 | 16,721,818 |
| Total net position | \$ 824,425,247 | \$ (1,901,305) | \$ 28,956,092 | 851,480,034 | \$ 53,106,184 |

Adjustment to reflect the consolidation of internal service fund
activities related to enterprise funds

(3,812,930)
\$ 847,667,104

Concluded

City of Salem, Oregon
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the fiscal year ended June 30, 2025

| | <u>Business-type Activities - Enterprise Funds</u> | | | | Governmental |
|---|--|----------------------------------|----------------------|----------------------|--|
| | Utility Fund | WVPS Communications Center | Other Funds | Totals | Activities Internal Service Funds |
| Operating revenues | | | | | |
| Sales, fees, licenses, and permits | \$ 123,796,076 | \$ 34,793 | \$ 12,282,695 | \$ 136,113,564 | \$ 56,414 |
| Assessments | 42,413 | - | - | 42,413 | - |
| Rents | 12,996 | - | 2,088,593 | 2,101,589 | 3,154,697 |
| Grants | 168,693 | 559 | - | 169,252 | - |
| Internal and intergovernmental | 5,842,249 | 15,187,091 | 395,367 | 21,424,707 | 57,656,005 |
| Member agencies | - | - | 297,564 | 297,564 | - |
| Fines and penalties | - | - | 14,100 | 14,100 | - |
| Other | 298,833 | 101,769 | 27,016 | 427,618 | 2,299,466 |
| Total operating revenues | <u>130,161,260</u> | <u>15,324,212</u> | <u>15,105,335</u> | <u>160,590,807</u> | <u>63,166,582</u> |
| Operating expenses | | | | | |
| Personal services | 49,837,364 | 12,752,415 | 1,327,192 | 63,916,971 | 5,555,902 |
| Materials and services | 50,313,042 | 2,244,534 | 11,328,664 | 63,886,240 | 54,793,402 |
| Depreciation and amortization | 21,747,154 | 240,372 | 1,291,075 | 23,278,601 | 4,751,257 |
| Total operating expenses | <u>121,897,560</u> | <u>15,237,321</u> | <u>13,946,931</u> | <u>151,081,812</u> | <u>65,100,561</u> |
| Operating income (loss) | <u>8,263,700</u> | <u>86,891</u> | <u>1,158,404</u> | <u>9,508,995</u> | <u>(1,933,979)</u> |
| Non-operating revenues (expenses) | | | | | |
| Interest on investments | 4,216,640 | 208,859 | 134,076 | 4,559,575 | 1,272,543 |
| Other revenue (expenses) | 990,110 | - | 50,941 | 1,041,051 | 129,345 |
| Interest on debt | (3,368,516) | (43,669) | (79,134) | (3,491,319) | - |
| Total non-operating revenues | <u>1,838,234</u> | <u>165,190</u> | <u>105,883</u> | <u>2,109,307</u> | <u>1,401,888</u> |
| Net income (loss) before capital contributions and transfers | 10,101,934 | 252,081 | 1,264,287 | 11,618,302 | (532,091) |
| Capital contributions | 9,165,292 | - | - | 9,165,292 | 260,996 |
| Transfers in | 185,435 | - | 492,946 | 678,381 | 1,584,871 |
| Transfers out | (793,244) | - | (2,003,391) | (2,796,635) | (792,946) |
| Change in net position | 18,659,417 | 252,081 | (246,158) | 18,665,340 | 520,830 |
| Net position - beginning, as previously presented | 808,520,781 | - | 27,616,843 | 836,137,624 | 52,838,779 |
| Change within financial reporting entity (nonmajor to major fund) | | (1,638,716) | 1,638,716 | | |
| Restatement for GASB 101 implementation | (2,754,951) | (514,670) | (53,309) | (3,322,930) | (253,425) |
| Net position - beginning, as restated | 805,765,830 | (2,153,386) | 29,202,250 | 832,814,694 | 52,585,354 |
| Total net position - end of year | <u>\$ 824,425,247</u> | <u>\$ (1,901,305)</u> | <u>\$ 28,956,092</u> | <u>851,480,034</u> | <u>\$ 53,106,184</u> |
| Adjustment to reflect the consolidation of internal service funds related to enterprise funds | | | | (1,243,815) | |
| Restatement for GASB 101 implementation, internal service funds related to enterprise funds | | | | (74,458) | |
| Change in net position of business-type activities | | | | <u>\$ 17,347,067</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, 2025

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities | |
|--|---|----------------------------------|---------------------|-----------------------|----------------------------|---------------------------|
| | Utility Fund | WVPS Communications Center | | Other Funds | Totals | Internal Service Funds |
| | | | | | | |
| Cash Flow from Operating Activities: | | | | | | |
| Receipts from customers | \$ 120,045,172 | \$ 163,262 | \$ 9,310,119 | \$ 129,518,553 | \$ 5,571,685 | |
| Receipts from interfund services provided | 5,780,783 | 2,901 | 787 | 5,784,471 | 57,656,005 | |
| Member agencies | - | 15,184,748 | 648,666 | 15,833,414 | - | |
| Payments to suppliers | (49,500,980) | (1,729,684) | (6,493,533) | (57,724,197) | (56,103,536) | |
| Payments to employees | (44,963,730) | (12,067,747) | (1,239,751) | (58,271,228) | (5,134,770) | |
| Other receipts (payments) | (3,474,954) | - | - | (3,474,954) | - | |
| Net cash provided (used) by operating activities | 27,886,291 | 1,553,480 | 2,226,288 | 31,666,059 | 1,989,384 | |
| Cash Flows from Noncapital Financing Activities: | | | | | | |
| Transfers received | 5,400 | - | - | 5,400 | 5,692,595 | |
| Transfers paid | (613,209) | - | (2,003,392) | (2,616,601) | (792,945) | |
| Net cash provided (used) by noncapital financing activities | (607,809) | - | (2,003,392) | (2,611,201) | 4,899,650 | |
| Cash Flows from Capital and Related Financing Activities: | | | | | | |
| Capital contributions | 5,614,053 | - | - | 5,614,053 | - | |
| Acquisition and construction of capital assets | (6,070,270) | (83,318) | (162,739) | (6,316,327) | (7,573,399) | |
| Principal paid on leases | - | (172,694) | - | (172,694) | (57,558) | |
| Interest paid on leases | - | (40,329) | (53,071) | (93,400) | (6,746) | |
| Principal paid on SBITA | (164,633) | 10,035 | (172,374) | (326,972) | (192,478) | |
| Interest paid on SBITA | (12,144) | - | (19,461) | (31,605) | (6,987) | |
| Principal paid on debt | (11,880,602) | - | - | (11,880,602) | - | |
| Interest paid on debt | (2,896,487) | - | - | (2,896,487) | - | |
| Sale of property | - | - | - | - | 333,825 | |
| Net cash provided (used) by capital related financing activities | (15,410,083) | (286,306) | (407,645) | (16,104,034) | (7,503,343) | |
| Cash Flows from Investing Activities: | | | | | | |
| Interest on investments | 4,212,809 | 208,859 | 134,076 | 4,555,744 | 1,272,544 | |
| Net increase (decrease) in cash and cash equivalents | 16,081,208 | 1,476,033 | (50,673) | 17,506,568 | 658,235 | |
| Cash and cash equivalents - beginning of year | 104,842,675 | 5,846,458 | 4,550,010 | 115,239,143 | 37,117,241 | |
| Cash and cash equivalents - end of year | \$ 120,923,883 | \$ 7,322,491 | \$ 4,499,337 | \$ 132,745,711 | \$ 37,775,476 | |

Continued

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, 2025

| | Business-type Activities - Enterprise Funds | | | | Governmental Activities | |
|--|---|----------------------------------|--------------|----------------|----------------------------|---------------------------|
| | Utility Fund | WVPS Communications Center | | Other Funds | Totals | Internal Service Funds |
| | | | | | | |
| Reconciliation of Operating Net Cash Provided by (Used for) Operating Activities | | | | | | |
| Operating income (loss) | \$ 8,263,700 | 86,891 | \$ 1,158,403 | \$ 9,508,994 | \$ (1,933,979) | |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | | |
| Depreciation and amortization | 21,747,154 | 240,372 | 1,291,075 | 23,278,601 | 4,751,257 | |
| Other income (expense) | (3,632,037) | - | 50,941 | (3,581,096) | - | |
| Changes in assets, deferred outflows, liabilities, and deferred inflows: | | | | | | |
| Accounts receivable | (4,128,142) | 26,698 | (560,409) | (4,661,853) | 107,990 | |
| Inventories and prepayments | 114,931 | - | (5,446) | 109,485 | (204,476) | |
| Deferred outflows related to pensions | (2,871,028) | (772,783) | (48,356) | (3,692,167) | (328,637) | |
| Deferred OPEB outflows-RHIA | (69,832) | (15,828) | (467) | (86,127) | (8,644) | |
| Deferred OPEB outflows-City | 100,933 | 42,675 | 635 | 144,243 | 11,744 | |
| Accounts payable and accrued liabilities | 2,287,475 | 514,852 | 204,282 | 3,006,609 | 322,843 | |
| Compensated absences payable | 780,848 | 123,930 | 47,445 | 952,223 | 40,438 | |
| Deferred inflow-leases | 11,943 | - | - | 11,943 | (63,651) | |
| Claims reserve | - | - | - | - | (1,315,000) | |
| Net pension liability | 3,975,229 | 1,069,996 | 66,953 | 5,112,178 | 455,031 | |
| Net OPEB asset | 28,859 | 24,099 | 157 | 53,115 | 2,909 | |
| OPEB liability | (413,406) | (201,863) | (2,545) | (617,814) | (47,078) | |
| Deferred inflows related to pensions | 1,209,074 | 325,441 | 20,365 | 1,554,880 | 138,399 | |
| Deferred OPEB inflows-City | 501,437 | 94,836 | 3,393 | 599,666 | 62,777 | |
| Deferred OPEB inflow-RHIA | (20,847) | (5,836) | (138) | (26,821) | (2,539) | |
| Net cash provided (used) by operating activities | \$ 27,886,291 | \$ 1,553,480 | \$ 2,226,288 | \$ 31,666,059 | \$ 1,989,384 | |
| Non-cash investing, capital, and financing activities | | | | | | |
| Contributions of capital assets | \$ 3,115,538 | \$ - | \$ 492,945 | \$ 3,608,483 | \$ 3,558,139 | |
| Contribution of capital assets from governmental funds | 238,067 | - | - | 238,067 | 282,078 | |
| | | | | | Concluded | |

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

FUND FINANCIAL STATEMENTS

Fiduciary Funds

All fiduciary funds reported are considered to be Custodial funds.

Custodial Funds

Custodial funds account for resources received and held by the City in a purely custodial capacity. These include court assessments, federal forfeitures, state forfeitures, city civil forfeitures, building permit surcharges held on behalf of other government agencies, money received as restitution for victims of crimes, fees collected and reimbursed to developers, and donations to assist low-income residents with City utility bills.



City of Salem, Oregon
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

| | Custodial |
|-----------------------------------|------------------|
| Assets | |
| Cash and investments | \$ 1,444,496 |
| Accounts receivable, net | 92 |
| Total assets | 1,444,588 |
| Liabilities | |
| Due to other governments | 111,944 |
| Net Position | |
| Restricted for: | |
| Other governments and individuals | 1,328,264 |
| Specific programs | 4,380 |
| Total fiduciary net position | \$ 1,332,644 |

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

City of Salem, Oregon
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the fiscal year ended June 30, 2025

| | Custodial |
|---|------------------|
| Additions | |
| Fees and assessments collected for other governments | \$ 1,590,006 |
| Program revenues: | |
| Outside parties | 6,919 |
| Governmental funds | 300,000 |
| Restitution collections | 34,799 |
| Investment earnings | 38,337 |
| Police seizures | 58,950 |
| Total additions | 2,029,011 |
| Deductions | |
| Fees and assessments distributed to other governments | 1,324,946 |
| Administrative expense | 271,170 |
| Restitution payments | 34,984 |
| Expenditures - Community Service and Development | 458,962 |
| Seized assets distributions: | |
| Payments to other governments | 46,333 |
| Returned to individuals | 15,313 |
| Total deductions | 2,151,708 |
| Change in fiduciary net position | (122,697) |
| Total fiduciary net position - beginning of year | 1,455,341 |
| Total fiduciary net position - end of year | \$ 1,332,644 |

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

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

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City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

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City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

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City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

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.

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 reported 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 Department, 555 Liberty Street SE, Room 230, Salem, Oregon, or <https://www.cityofsalem.net/government/budget-finance/financial-reports>.

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 legal, human resource, procurement, payroll, and other administrative 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, 2024. 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 under the requirements of GASB Statement 61. It does not share common management with the City and does not meet the financial burden or benefit 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 <https://www.salemhousingor.com/>.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

A. Government-wide and fund financial statements

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

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 direct costs and program revenues reported for the various functions concerned.

Indirect expenses include general government, support services, and administration costs. These expenses are allocated based on a full-cost allocation approach, thereby allocating indirect expenses to 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.

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

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

The government-wide, proprietary fund, and fiduciary financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of payment. 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 have been met. The fiduciary fund statements include only custodial funds. Custodial funds account for resources received and held by the City in a purely custodial capacity.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

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 in the current period or soon enough thereafter to pay liabilities of the current period, which the City considers to be 60 days after the end of the fiscal year. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service, compensated absences, and claims and judgments expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues in 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 Operating fund* contains the General Fund, which is the City's primary operating fund, as well as the Public Art fund, which must be combined with the General fund for GAAP reporting because it does not qualify as a special revenue fund type. 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, state shared revenue, and administrative service charges received from other funds.

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

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

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

The *General Debt fund* accounts for tax receipts and debt service expenditures related to general obligation bonds, as well as internal charges and debt service for the pension obligation bond.

The City reports two major proprietary funds:

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

The *Willamette Valley Communications Center fund* accounts for the operations, maintenance, and capital costs of Salem's 911 dispatch center, and is funded by charges to member agencies.

Additionally, the City reports the following fund types:

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

Fiduciary funds reported by the City are all considered to be custodial funds. Custodial funds account for resources received and held by the City in a purely custodial capacity. These include court assessments, federal forfeitures, state forfeitures, city civil forfeitures, building permit

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

surcharges held on behalf of other government agencies, money received as restitution for victims of crimes, fees collected and reimbursed to developers, and donations to assist low-income residents with City utility 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.

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

1. Deposits and investments

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

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

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

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

2. Receivables and payables

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

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

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 \$485,920 for fiscal year 2024-25 as a result of compression.

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

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

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

3. Restricted assets

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

4. Inventories and prepaid items

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

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

5. Capital assets

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

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

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:

| Assets | Years |
|-----------------------------------|-------|
| 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 |
| Intangible lease right of use | 2-10 |
| Intangible SBITA | 2-7 |

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. Deferred outflows of resources represent a consumption of net assets that applies to future periods. Deferred inflows of resources represent an acquisition of net assets that applies to future periods.

7. Compensated absences

City employees can 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.

City employees can 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. Accrued sick lapses upon termination. However, a liability for estimated value of sick leave that is more likely than not to be used as time off by employees is included in the liability for compensated absences using the FIFO method.

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

8. Long-term obligations

In the government-wide and proprietary fund Statements of Net Position, long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

premiums and discounts, and deferred charges related to refunding are deferred and amortized over the life of the bonds.

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

9. Fund balance

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

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

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

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
Fiscal Year Ended June 30, 2025

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

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

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

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget policies and budgetary control

Oregon Local Budget Law (in ORS 294) requires that annual budgets be adopted for all funds except certain fiduciary funds. The modified accrual basis of accounting is used for all budgets. Annual appropriations lapse at 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 the following supplemental budget appropriations or appropriation transfers in fiscal year 2024-25:

- Transfer of \$39,990 from General Fund non-departmental contingency to the materials and services category of the Community Services Department to pay for a Community Services fee study.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

- Transfer of \$410,380 from General Fund non-departmental contingency to the personnel services category in the Human Resources, Finance and Information Technology departments related to the Enterprise Resource Planning software implementation.
- Transfer of \$10,000 from General Fund non-departmental contingency to the materials and services category for the funding of community engagement services.
- Transfer of \$102,950 from the materials and services category in the Emergency Services Fund to the transfers out category.
- Transfer of \$102,950 into the transfers in category of the General Fund's Human Resource Department. Corresponding increase of \$102,950 in the personnel services category of the General Fund's Human Resources Department.
- Transfer of \$6,000,000 from the capital category of the Equipment Replacement Reserve Fund to the transfers category. Increase the transfers in category by \$6,000,000 in the Equipment Replacement Reserve Fund.
- Transfer of \$6,000,000 into the transfers category of the Building and Safety Fund. Increase the transfers out category of the Building and Safety Fund.
- Transfer of \$990,040 from General Fund non-departmental contingency to the materials and services category in the City Manager, Community Planning and Development Community Services, Fire, Finance, Police, and Non-Departmental Departments for liability rate adjustment.
- Transfer of \$79,260 from the General Fund non-departmental contingency to the transfers out category. Corresponding increase of \$79,260 to the transfers in category of the Downtown Parking Fund and increase in the materials and services category of the Downtown Parking Fund for liability rate adjustment.
- Transfer of \$198,690 in Transportation Services Fund contingency to the materials and services category for liability rate adjustment.
- Transfer of \$17,890 in the Streetlight Fund contingency to the materials and services category for liability rate adjustment.
- Transfer of \$12,510 in the Airport Fund contingency to the materials and services category for liability rate adjustment.
- Transfer of \$7,010 from the transfers out category of the Parking Leasehold Fund to the materials and services category for liability rate adjustment.
- Transfer of \$13,410 from the Building and Safety contingency to the materials and services category for liability rate adjustment.
- Transfer of \$600,500 for the Water and Sewer contingency to the materials and services category for liability rate adjustment.
- Transfer of \$2,790 for the Emergency Services contingency to the materials and services category for liability rate adjustment.
- Transfer of \$21,840 for the Willamette Valley Communications Fund contingency to the materials and services category for the liability.
- Transfer of \$679,080 for the General Fund non-departmental contingency to the transfers out category for appropriate budget authority. Transfer \$350,000 to the transfers in category of the City Services Fund (Fleet Services), and corresponding increase to materials and services category of the City Services Fund (Fleet Services). Transfer of \$40,000 to the transfers in category of the City Services Fund (IT Telecommunication Services), and corresponding increase to materials and services category of the City Services Fund (IT Telecommunications Services). Transfer of \$289,080 to the transfers in category of the Community Renewal Fund and corresponding increase to the materials and services category of the Community Renewal Fund.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

- Supplemental budget of \$336,140 for Police Department in General Fund to increase expenditure authority in personnel services (\$16,760) and materials (\$319,380) with matching revenue due to unanticipated grant activity.
- Supplemental budget of \$214,750 for the Non-Departmental division of the General Fund to increase grant revenue and materials and services expenses for the Energy Master Planning activity.
- Supplemental budget of \$80,000 in the Equipment Replacement Reserve Fund for Police for donation revenue and capital fleet replacement expense for a new bomb truck.
- Supplemental budget of \$360,000 in the Emergency Services Fund for the transfer of budget authority from materials and services category and the creation of the debt services category in the Emergency Services Fund.
- Supplemental budget of \$516,830 in the Airport Fund in grant revenue and corresponding increase the material and services category for payments related to commercial air service.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

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

Restricted cash and investments are obligated to construction projects. Cash and investments as of June 30, 2025 consisted of the following:

| | <u>Book Value</u> |
|--------------------------------------|-----------------------|
| Cash on hand | \$ 11,366 |
| Deposits with financial institutions | 52,346,735 |
| Investments | <u>405,694,759</u> |
| Total cash and investments | <u>\$ 458,052,860</u> |

1. Deposits

As of June 30, 2025, City bank deposits had a book balance of \$52,346,735 and a bank balance of \$54,426,000. 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, 2025, \$250,000 of City deposits was insured by the FDIC. All City deposits are in qualified depository banks in compliance with ORS.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

2. Investments

As of June 30, 2025, the City held the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Avg. Maturity in Months</u> | <u>% of Investment Portfolio</u> |
|----------------------------------|-----------------------|---|--|
| Corporate bonds | 54,176,591 | 21.03 | 13.26% |
| Local Government Investment Pool | 116,842,257 | 0.03 | 28.59% |
| U.S. Agency securities | 9,363,313 | 2.79 | 2.29% |
| <u>U.S. Treasury securities</u> | <u>228,327,110</u> | <u>17.22</u> | <u>55.86%</u> |
| Total | <u>\$ 408,709,271</u> | <u>12.48</u> | <u>100.00%</u> |

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

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

| <u>Investment type</u> | <u>Maximum % of portfolio</u> | <u>Maximum time to maturity</u> |
|----------------------------------|-----------------------------------|-------------------------------------|
| Bankers' acceptances | 20% | 6 months |
| Certificates of deposit | 25% | 2 years |
| Commercial paper | } 35% | 9 months |
| Corporate bonds | | 5 years |
| Local Government Investment Pool | 100% * | N/A |
| Municipal bonds | 10% | 5 years |
| Repurchase agreements | 10% | 3 months |
| U.S. Agency securities | 100% | 5 years |
| U.S. Instrumentality securities | 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 policy does not require automatic rebalancing. Future purchases will be made with respect to the composition at that time.

ORS 294.810 limits the amount that may be placed in the LGIP. The limit as of June 30, 2025 is \$61,749,000 per customer number. The limit is updated each September based on the U.S. City Average Consumer Price Index. The limit can be temporarily exceeded for ten business days if the excess is due to funds deposited on a pass-through basis. At June 30, 2025, the book value of the City's LGIP deposits totaled \$61,159,577 of City funds and \$55,112,946 of Agency funds. The LGIP is a part of the Oregon Short Term Fund (OSTF). This fund is not registered with the U.S. Securities and Exchange Commission. Investment of OSTF funds is governed by ORS, the Oregon Investment Council, and the OSTF Board.

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, 2025, only one issuer composed more than 5% of the City's portfolio, U.S. Treasury with 55.9% of the City's total investments.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

As of June 30, 2025, 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: | | |
| AMAZON.COM INC | \$ 4,875,995 | AA |
| APPLE INC | 4,906,288 | AA+ |
| AUST & NZ BANKING GRP NY | 3,916,251 | AA- |
| AUTOMATIC DATA PROCESSNG | 2,356,011 | AA- |
| BANK OF AMERICA NA | 3,621,021 | A+ |
| BANK OF MONTREAL | 1,405,872 | A- |
| BLACKROCK FUNDING INC | 3,622,635 | AA- |
| CISCO SYSTEMS INC | 2,603,486 | AA- |
| CITIBANK NA | 2,650,732 | A+ |
| JOHNSON & JOHNSON | 2,474,888 | AAA |
| MICROSOFT CORP | 5,511,927 | AAA |
| NIKE INC | 2,463,684 | A+ |
| TEXAS INSTRUMENTS INC | 2,568,205 | A+ |
| TORONTO-DOMINION BANK | 2,431,586 | A- |
| UBS AG LONDON | 1,397,684 | A+ |
| VISA INC | 2,423,520 | AA- |
| WALMART INC | 4,946,806 | AA |
| Local Government Investment Pool | 116,842,257 | Unrated |
| U.S. Agency securities: | | |
| Federal National Mortgage Assn | 2,646,337 | AA+ |
| Federal National Mortgage Corp | 6,716,977 | AA+ |
| U.S. Treasury: | | |
| U.S. Treasury bonds | 180,807,019 | AA+ |
| U.S. Treasury bills | 47,520,091 | A-1+ |
| Total | <u>\$ 408,709,271</u> | |

The City's policy, which follows 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, or other nationally recognized 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 continue holding the security or sell it. The City's policy does not require automatic sale of securities that fall below the credit requirement for purchase.

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

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

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

B. Receivables

Receivables as of June 30, 2025 for governmental funds, net of allowance for uncollectible accounts, are as follows:

| | General Operating Fund | Capital Improvements | Tax Allocation Improvements | Community Renewal | General Debt | Other Governmental Funds | Total |
|-----------------|------------------------------|-------------------------|--------------------------------|----------------------|-------------------|--------------------------------|----------------------|
| Accounts | \$ 7,989,839 | \$ 450,791 | 3,158,947 | 218,907 | - | 7,268,485 | \$ 19,086,969 |
| Property Taxes | 3,232,611 | - | - | - | 718,114 | 759,312 | 4,710,037 |
| Interest | 1,850,031 | 268,184 | 122 | 287,875 | - | 44,715 | 2,450,927 |
| Assessments | 9,291 | - | - | - | - | 968,468 | 977,759 |
| Loans and notes | - | - | 2,057,392 | 19,288,926 | - | - | 21,346,318 |
| Total | <u>\$ 13,081,772</u> | <u>\$ 718,975</u> | <u>\$ 5,216,461</u> | <u>\$ 19,795,708</u> | <u>\$ 718,114</u> | <u>\$ 9,040,980</u> | <u>\$ 48,572,010</u> |

Approximately \$21.1 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, 2025 are as follows:

- The City's permanent property tax rate for General fund operations is \$5.8315 per \$1,000 assessed value as limited by the Oregon Constitution.
 - The Urban Renewal Agency of the City of Salem will tax as follows:
 - Riverfront/Downtown and North Gateway plan areas will use 100 percent of their authority under option one of ORS 457.435(2)(a) for the retirement of debt obligations.
 - West Salem plan area will use 100 percent of its authority under the standard rate plan of ORS 457.445(2) for the retirement of debt obligations.
 - Mill Creek and South Waterfront plan areas will use 100 percent of their authority under the reduced rate plan of ORS 457.445(6) for the retirement of debt obligations.
 - Jory Apartments plan area will use 100 percent of its authority under the permanent rate plan of ORS 445(7) for the retirement of debt obligations.
 - The McGilchrist area will stop collecting tax increment.
- In addition, the City will levy \$20,607,800 for retirement of general obligation long-term debt due in fiscal year 2025-26.

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, 2025, the various components of deferred inflows of financial resources reported in the governmental funds are as follows:

| | <u>Deferred Inflows</u> |
|--|-------------------------|
| Assessments | \$ 1,146,898 |
| Community Development Block Grant/HOME loans | 19,563,540 |
| Property taxes (General fund) | 2,347,075 |
| Property taxes (Debt service funds) | 1,066,353 |
| System development charges | 1,007,754 |
| Urban renewal loans | 2,057,459 |
| Total unavailable revenue | <u>\$ 27,189,079</u> |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

Receivables as of June 30, 2025 for proprietary funds, net of allowance for uncollectible accounts, are as follows:

| | Utility | WVPS Comm. Center | Other Funds | Total Enterprise | Internal Service |
|--|----------------------|-------------------|---------------------|----------------------|------------------|
| Accounts | \$ 16,700,499 | \$ 203,907 | \$ 3,821,803 | \$ 20,726,209 | \$ 6,260 |
| Assessments | 732,118 | - | - | 732,118 | - |
| Interest | 86,421 | - | - | 86,421 | 1,499 |
| Less: Allowance for uncollectible accounts | (491,094) | - | (1,803,437) | (2,294,531) | - |
| Total | \$ 17,027,944 | \$ 203,907 | \$ 2,018,366 | \$ 19,250,217 | \$ 7,759 |

C. Capital assets

1. Capital asset activity for governmental activities for the year ended June 30, 2025 is as follows:

| Governmental activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|----------------------|------------------------|-----------------------|
| Land, land improvements, and art | \$ 292,265,423 | \$ 4,520,059 | \$ - | \$ 296,785,482 |
| Construction work-in-progress | 98,687,522 | 44,121,468 | (15,703,219) | 127,105,771 |
| Total non-depreciable | 390,952,945 | 48,641,527 | (15,703,219) | 423,891,253 |
| Buildings and building improvements | 169,242,850 | 7,069,928 | - | 176,312,778 |
| Other improvements | 85,411,904 | 980,145 | - | 86,392,049 |
| Motor pool | 46,497,087 | 4,957,020 | (1,424,664) | 50,029,443 |
| Equipment and machinery | 52,341,125 | 1,753,088 | (1,734,082) | 52,360,131 |
| Equipment and machinery/lease ROU | - | 1,952,279 | - | 1,952,279 |
| Infrastructure | 508,187,837 | 5,758,638 | - | 513,946,475 |
| Intangible lease/right of use | 981,072 | 1,165,502 | - | 2,146,574 |
| Intangible SBITA/right of use | 1,371,425 | 290,016 | (892,369) | 769,072 |
| Total depreciable/amortizable | 864,033,300 | 23,926,616 | (4,051,115) | 883,908,801 |
| Less accumulated depreciation/amortization | | | | |
| Buildings and building improvements | (43,215,970) | (3,343,614) | - | (46,559,584) |
| Other improvements | (40,824,520) | (2,873,611) | - | (43,698,131) |
| Motor pool | (24,935,397) | (3,329,275) | 1,288,547 | (26,976,125) |
| Equipment and machinery | (38,225,053) | (2,167,951) | 1,647,378 | (38,745,626) |
| Equipment and machinery/lease ROU | - | (543,003) | - | (543,003) |
| Infrastructure | (359,491,975) | (13,871,001) | - | (373,362,976) |
| Intangible lease/right of use | (438,095) | (213,178) | - | (651,273) |
| Intangible SBITA/right of use | (863,685) | (402,489) | 892,369 | (373,805) |
| Total accumulated depreciation/amortization | (507,994,692) | (26,744,122) | 3,828,294 | (530,910,523) |
| Governmental activities capital assets, net | \$ 746,991,553 | \$ 45,824,021 | \$ (15,926,040) | \$ 776,889,531 |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

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

| | |
|--|----------------------|
| General government | \$ 1,045,891 |
| Public safety | 3,173,593 |
| Community development | 1,374,206 |
| Community services | 922,328 |
| Transportation | 14,779,796 |
| Library services | 697,051 |
| Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets | 4,751,257 |
| Total depreciation/amortization expense for governmental activities | \$ 26,744,122 |

3. Capital asset activity for business-type activities for the year ended June 30, 2025 is as follows:

| Business-type activities | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|---------------------|------------------------|-----------------------|
| Land, land improvements, and art | \$ 19,669,036 | \$ 5,500 | \$ - | \$ 19,674,536 |
| Construction work-in-progress | 164,086,577 | 6,571,040 | (19,868,251) | 150,789,366 |
| Total non-depreciable | 183,755,613 | 6,576,540 | (19,868,251) | 170,463,902 |
| Buildings and building improvements | 34,226,789 | 7,020 | - | 34,233,809 |
| Equipment and machinery | 12,424,549 | 1,540,050 | - | 13,964,599 |
| Water and sewer system | 1,060,567,869 | 23,443,266 | (39,630) | 1,083,971,505 |
| Intangible lease/right of use | 1,668,960 | - | - | 1,668,960 |
| Intangible SBITA/right of use | 1,354,279 | 341,442 | (277,803) | 1,417,918 |
| Total depreciable/amortizable | 1,110,242,446 | 25,331,778 | (317,433) | 1,135,256,791 |
| Accumulated depreciation/amortization | | | | |
| Buildings and building improvements | (13,061,830) | (800,884) | - | (13,862,714) |
| Equipment and machinery | (8,759,895) | (672,736) | - | (9,432,631) |
| Water and sewer system | (442,390,271) | (21,296,358) | 39,631 | (463,646,998) |
| Intangible lease/right of use | (556,320) | (185,440) | - | (741,760) |
| Intangible SBITA/right of use | (629,904) | (323,183) | 277,804 | (675,283) |
| Total accumulated depreciation/amortization | (465,398,220) | (23,278,601) | 317,435 | (488,359,386) |
| Business-type activities capital assets, net | \$ 828,599,839 | \$ 8,629,717 | \$ (19,868,249) | \$ 817,361,307 |

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

| | |
|---|----------------------|
| Utilities | \$ 21,747,154 |
| Emergency medical services | 158,680 |
| WVPS communications center | 240,372 |
| Police regional records system | 229,594 |
| Salem Convention Center | 902,801 |
| Total depreciation/amortization expense for business-type activities | \$ 23,278,601 |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

5. Capital asset activity for discretely presented component unit – Housing Authority of the City of Salem for its fiscal year ended September 30, 2024 is as follows:

| <u>Business-type activities</u> | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|-----------------------------------|--------------------------|---------------------|--------------------|-----------------------|
| Land | \$ 1,502,416 | \$ - | \$ - | \$ 1,502,416 |
| Construction work-in-progress | 320,320 | 286,828 | (22,309) | 584,839 |
| Total non-depreciable | <u>1,822,736</u> | <u>286,828</u> | <u>(22,309)</u> | <u>2,087,255</u> |
| Buildings and structures | 21,040,799 | 156,866 | - | 21,197,665 |
| Equipment | 1,802,939 | 53,488 | (30,087) | 1,826,340 |
| Total depreciable | <u>22,843,738</u> | <u>210,354</u> | <u>(30,087)</u> | <u>23,024,005</u> |
| Accumulated depreciation | | | | |
| Buildings, structures & equipment | <u>(12,742,122)</u> | <u>(688,209)</u> | <u>30,085</u> | <u>(13,400,246)</u> |
| Business-type activities, net | <u>\$ 11,924,352</u> | <u>\$ (191,027)</u> | <u>\$ (22,311)</u> | <u>\$ 11,711,014</u> |

D. Deferred outflows of resources and deferred inflows of resources

In governmental activities, refunding of general obligation bonds in fiscal year 2017-18 resulted in a difference between the reacquisition price and the net carrying value of old debt that was deferred and will be amortized over the life of the bonds. The balance on June 30, 2025 is \$155,089 and is reported as a deferred inflow of resources.

In business-type activities, refunding of revenue bonds in fiscal years 2012-13 and 2017-18 resulted in differences between the reacquisition price and the net carrying value of old debt that was deferred and will be amortized over the life of the bonds. The balance on June 30, 2025 is \$1,045,390 and is reported as a deferred outflow of resources.

Deferred inflows of resources related to lease agreements reported under GASB Statement 87 are as follows: \$2,852,561 in governmental activities and \$81,830 in business-type activities.

Deferred outflows and inflows of resources related to pensions and OPEB are reported in both business-type and governmental activities. Balances on June 30, 2025 are as follows. Governmental deferred outflows are \$68,518,664 for pensions and \$2,526,304 for OPEB, and deferred inflows are \$17,431,437 for pensions and \$4,067,254 for OPEB. Business-type deferred outflows are \$24,574,132 for pensions and \$1,083,961 for OPEB, and deferred inflows are \$6,521,703 for pensions and \$1,745,135 for OPEB. More information can be found in note IV. C., Defined benefit pension plan (PERS). More information on OPEB related amounts can be found in note IV. E., Postemployment benefits other than pensions (OPEB).

E. Interfund receivables, payables, advances, and transfers

1. Advances

An interfund loan of \$2,000,000 was made from the Utility fund to the Streetlight fund with proceeds credited to the Capital Improvements fund during fiscal year 2016-17 for new and replacement streetlights. This is a ten-year loan with a variable interest rate equal to the City's investment portfolio rate of return plus 0.50%. The balance as of June 30, 2025 is \$418,682.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

An interfund loan of \$3,463,000 was made from the Utility fund to the General fund with proceeds credited to the Capital Improvements fund during fiscal year 2020-21 for Civic Center upgrades. This is a ten-year loan with a variable interest rate equal to the City's investment portfolio rate of return plus 0.50%. The balance as of June 30, 2025 is \$1,805,663.

An interfund loan of \$1,839,000 was made from the Utility fund to the Airport fund with proceeds credited to the Capital Improvements fund during fiscal year 2023-24 for parking improvements at the Airport in support of commercial air service. This is a ten-year loan with a variable interest rate equal to the City's investment portfolio rate of return plus 0.50%. The balance as of June 30, 2025 is \$1,506,701.

An interfund loan of up to \$6,000,000 from the Building and Safety fund to the Emergency Medical Services (ambulance) fund was authorized during fiscal year 2024-25. Draws were made during 2024-25 totaling \$5,388,500. Proceeds were credited to the Equipment Replacement Reserve fund for purchase of new ambulances and related capital outlays associated with the City fully taking over ambulance service. Each draw will be a separate ten-year loan based on draw date with a variable interest rate equal to the City's investment portfolio rate of return plus 0.50%. The balance as of June 30, 2025 is \$5,097,872.

2. Transfers

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

General fund transfers to the Capital Improvements Fund are for park improvement projects, municipal facility improvement projects, and information technology capital purchases. General Fund transfers to nonmajor governmental funds are for the Historic Toolbox Grant Program, the Senior Center facility maintenance reserve, and support for establishing commercial air service. Cultural Tourism Fund transfers to the General Fund are for historic and City landscape maintenance as well as to support parks, recreation and library operations. Cultural Tourism Fund transfer to the Capital Improvements Fund is for improvement projects. Cultural Tourism Fund transfer to the Public Art Fund is for art collection maintenance and acquisition. Community Enhancement Fund transfers to the General Fund are for police and parks unsheltered support. Transportation Services Fund transfers to Capital Improvements fund are for transportation improvement projects. Streetlight Services Fund transfers to Capital Improvements fund are for streetlight installation and replacement projects. Leasehold Fund transfers to the Equipment Replacement Reserve (ERR) internal service fund are for leasehold and parking structure improvement projects. Transfer from the Leasehold fund to the Downtown Parking fund occurred to support expenses associated with parkades in the downtown district. Building and Safety fund transfers to the ERR are for a software purchase. Tax Allocation Debt fund transfers to Tax Allocation Improvements fund are for capital and other projects. Utility Fund transfers to the Capital Improvement Fund are for a software purchase. Emergency Services Fund transfers to the General Fund are for ambulance service support by firefighter/medics. Salem Convention Center transfer to the Convention Center reserve in the Community Enhancement nonmajor governmental fund is for remittance of annual operating income per contract. Utility Fund transfers to internal service funds are for fleet purchases.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

| Transfers in | | | | | | | | | |
|---------------------------|------------------------|---------------------|----------------------------|-------------------|-----------------------|------------------|-------------------|--------------------|---------------------|
| Transfers out | General Operating Fund | Capital Improvement | Tax Allocation Improvement | Community Renewal | Nonmajor Governmental | Utility | Nonmajor Business | Internal Services | Total Transfers Out |
| General Operating | \$ - | \$ 894,373 | \$ - | \$ 289,074 | \$ 638,500 | \$ 180,035 | \$ - | \$ - | \$ 2,001,982 |
| Tax Alloc. Improvement | - | - | - | - | 4,090 | - | - | - | 4,090 |
| Nonmajor gov't | 4,923,359 | 2,146,707 | 13,613,655 | - | 242,990 | 5,400 | - | 500,000 | 21,432,111 |
| Utility | - | 74,000 | - | - | - | - | - | 719,244 | 793,244 |
| Nonmajor business | 779,509 | - | - | - | 858,255 | - | - | 365,627 | 2,003,391 |
| Internal services | - | 300,000 | - | - | - | - | 492,946 | - | 792,946 |
| Total transfers in | \$5,702,868 | \$3,415,080 | \$13,613,655 | \$ 289,074 | \$1,743,835 | \$185,435 | \$ 492,946 | \$1,584,871 | \$27,027,764 |

F. Subscription-Based Information Technology Arrangements

1. GASB Statement No. 96, Subscription-Based Information Technology Arrangements

For the year ended June 30, 2025, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

2. SBITA payable

In accordance with GASB Statement No. 96, SBITAs, the City records intangible right-to-use assets and subscription liabilities based on the present value of expected payments over the term of the respective subscription agreements. The expected payments are discounted using the interest rate charged on the subscription, if available, or are otherwise discounted using the City's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance.

The City has entered into certain subscription agreements that do not qualify for GASB Statement No. 96, SBITAs accounting and reporting treatment. These subscriptions are either short-term in nature or outside the scope of the standard. These subscription agreements have not been recognized and measured as part of the City's SBITA payable, and the receipts related to these agreements are recognized as expense as appropriate under standard GAAP expense recognition rules.

During the fiscal year ended June 30, 2025, the City held 12 subscriptions, which meet the SBITA criteria as defined by GASB Statement No. 96, SBITAs. The subscriptions support various technology needs including those of general government, internal services, public safety, community development, utilities, police regional records, and WVPS (911). The subscription terms cover various ranges with the latest expiring June 30, 2031. The interest rate ranges for all subscriptions is 2.76% to 3.63% and annual payments for the current year range from \$3,902 to \$210,000.

As of June 30, 2025, the total combined value of the subscription liability is \$963,899, and the total combined value of the short-term subscription liability is \$508,679. The combined value of the right to use asset, as of June 30, 2025 is \$2,186,991 with accumulated amortization of \$1,049,085.

The City did not recognize any outflows of resources for variable payments or other payments, such as termination penalties, not previously included in the measurement of the subscription liabilities as no such payments were required to be made by the City during the current year. Additionally, the City does not hold any commitments for SBITAs that have not yet commenced and there are no impairments or any loss associated with the intangible right-to-use assets and subscription liabilities.

SBITA payables currently outstanding as of June 30, 2025 are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|----------------------------------|-------------------|------------|--------------|----------------|
| Governmental Activities: | | | | |
| Software | \$ 452,263 | \$ 290,017 | \$ (456,972) | \$ 285,308 |
| Business-type activities: | | | | |
| Software | \$ 676,296 | \$ 341,442 | \$ (339,147) | \$ 678,591 |

Future annual SBITA commitments as of June 30, 2025 are as follows:

| Fiscal Year Ended June 30, | Governmental Activities | | Business-type Activities | |
|----------------------------|-------------------------|------------------|--------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2026 | \$ 176,297 | \$ 10,369 | \$ 332,382 | \$ 23,467 |
| 2027 | 88,462 | 3,446 | 346,209 | 11,976 |
| 2028 | 4,907 | 553 | - | - |
| 2029 | 5,057 | 403 | - | - |
| 2030 | 5,212 | 248 | - | - |
| 2031 | 5,373 | 88 | - | - |
| | \$ 285,308 | \$ 15,107 | \$ 678,591 | \$ 35,443 |

Intangible right-of-use (ROU) SBITA assets for the fiscal year ended June 30, 2025 are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|-------------------------------------|-------------------|---------------------|--------------|-------------------|
| Governmental Activities | | | | |
| Software | \$ 1,371,425 | \$ 290,016 | \$ (892,369) | \$ 769,072 |
| Accumulated amortization | | | | |
| Software | (863,685) | (402,489) | 892,369 | (373,805) |
| Governmental ROU SBITA assets, net | \$ 507,740 | \$ (112,473) | \$ - | \$ 395,267 |
| Business-type activities | | | | |
| Software | \$ 1,354,279 | \$ 341,442 | \$ (277,803) | \$ 1,417,918 |
| Accumulated amortization | | | | |
| Software | (629,904) | (323,182) | 277,803 | (675,283) |
| Business-type ROU SBITA assets, net | \$ 724,375 | \$ 18,260 | \$ - | \$ 742,635 |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

G. Leases

1. GASB Statement No. 87, Leases

For the year ended June 30, 2025, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, and a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. For additional information, refer to the disclosures below.

2. Lessor lease receivables

In accordance with GASB Statement No. 87, Leases, the City records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged on the lease or by using the City's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance.

The City has entered into certain lease agreements that do not qualify for GASB Statement No. 87 accounting and reporting treatment. These leases are either short-term in nature or outside the scope of the standard. These lease agreements have not been recognized and measured as part of the City's lease receivable. The receipts related to these agreements are recognized as revenue as appropriate under standard GAAP revenue recognition rules.

As of June 30, 2025, the City is the lessor under 12 leases. The total combined value of the lease receivable for all active leases as of June 30, 2025 is \$1,057,784, of which \$221,586 is short-term. Deferred inflows of resources related to lessor leases as of June 30, 2025 totaled \$2,933,800, including \$2,851,970 in governmental activities and \$81,830 in business-type activities.

The City is the lessor under 9 building lease agreements, which meet the lease criteria as defined by GASB Statement No. 87, Leases. The buildings support various functions such service and retail space, restaurant and dining space, parking space, and a theatre. The building leases cover various ranges with the latest expiring on April 30, 2064. Interest rates for lessor building leases are 3.58%. Annual payments for the current year range from \$15,518 to 57,864.

The City is the lessor under 4 land lease agreements, which meet the lease criteria as defined by GASB Statement No. 87, Leases. The land leases support various functions such horticulture, vehicular parking, and a golf range. The land leases cover various ranges with the latest expiring on December 31, 2043. Interest rates for lessor land leases range from 3.58% to 3.63%. Annual payments for the current year range from \$3,317 to \$11,315. Also, one current lease for a one time payment of \$2,000,000 for a 10 year commitment by the Oregon Legislative Assembly for State Street parking and Lane usage.

The City is the lessor under 1 telecommunication lease agreement, which meets the lease criteria as defined by GASB Statement No. 87, Leases. This agreement relates to mounting structures and equipment associated with transmission and reception of radio communication signals. The lessor telecommunications lease expires on November 30, 2026, has an interest rate of 3.58%, and has annual payments for the current year of \$71,724.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

Lease receivables for the year ended June 30, 2025 are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|-------------------------------|----------------------|--------------------|----------------------|-------------------|
| Governmental Activities | | | | |
| Building | \$ 1,766,315 | \$ 572,042 | \$(1,469,488) | \$ 868,869 |
| Land | 20,471 | 2,000,000 | (2,019,722) | 749 |
| Telecommunication | 169,005 | - | (66,753) | 102,252 |
| Total governmental activities | <u>\$ 1,955,791</u> | <u>\$2,572,042</u> | <u>\$(3,555,963)</u> | <u>\$ 971,870</u> |
| Business-type activities | | | | |
| Land | \$ 96,816 | \$ - | \$ (10,900) | \$ 85,916 |

Future principal and interest lease receivables expected to maturity as of June 30, 2025 are as follows:

| Fiscal Year Ended June 30, | Governmental Activities | | Business-type Activities | |
|-------------------------------|-------------------------|-------------------|--------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2026 | \$ 213,610 | \$ 28,381 | \$ 7,976 | \$ 3,024 |
| 2027 | 178,929 | 21,933 | 3,263 | 2,737 |
| 2028 | 129,324 | 17,480 | 3,382 | 2,618 |
| 2029 | 111,720 | 13,829 | 3,505 | 2,495 |
| 2030 | 17,191 | 11,664 | 3,632 | 2,368 |
| 2031 - 2035 | 19,893 | 55,793 | 20,243 | 9,757 |
| 2036 - 2040 | 26,690 | 51,653 | 24,205 | 5,795 |
| 2041 - 2045 | 34,919 | 46,173 | 19,710 | 1,290 |
| 2046 - 2050 | 44,864 | 39,075 | - | - |
| 2051 - 2055 | 56,865 | 30,020 | - | - |
| 2056 - 2060 | 71,327 | 18,608 | - | - |
| 2061 - 2064 | 66,538 | 4,783 | - | - |
| Total | <u>\$ 971,870</u> | <u>\$ 339,392</u> | <u>\$ 85,916</u> | <u>\$ 30,084</u> |

Inflows of resources recognized for the fiscal year ended June 30, 2025 from leases are as follows:

| | Governmental Activities | Business-type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|-------------------|
| Lease revenue | \$ 396,067 | \$ 11,943 | \$ 408,010 |
| Lease interest income | 72,402 | 3,416 | 75,818 |
| Total lease inflows of resources | <u>\$ 468,469</u> | <u>\$ 15,359</u> | <u>\$ 483,828</u> |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

Inflows of resources recognized for the fiscal year ended June 30, 2025 for variable payments not included in the measurement of lease receivables are as follows:

| | Governmental Activities |
|-------------------------|----------------------------|
| Common area maintenance | \$ 139,681 |
| Operating expenses | 29,665 |
| Property taxes | 11,919 |
| Total variable payments | \$ 181,265 |

The City is the lessor for the following regulated leases at the Salem Municipal Airport:

Airport Hangar lease: As of June 30, 2025, the City has 135 non-commercial hangar leases at the Salem Municipal Airport. These hangar leases are subject to exclusive use by counterparties under the agreements. The terms of the hangar leases range from 20 to 60-year terms with the latest expiring on June 30, 2062. The lessees are required to make fixed payments and the frequency of payments vary by lease. The annualized payments range from \$470 to \$152,206 based on the square footage leased. The total rental revenue recognized for all hangar leases by the City for the fiscal year ended June 30, 2025 was \$849,932.

Airport Terminal lease: As of June 30, 2025, the City has 3 non-commercial terminal leases at the Salem Municipal Airport. The terminal leases are subject to exclusive use by counterparties under the agreements. The terminal leases each have a 5-year term with the option to extend for an additional 5 years. The City is reasonably certain all extension options will be exercised by the lessees. The lessees are required to make monthly fixed payments ranging from \$670 to \$1,920 based on the square footage leased. The total rental revenue recognized for all terminal leases by the City for the fiscal year ended June 30, 2025 was \$43,395.

The future minimum lease payments for all regulated leases are as follows:

| Fiscal year ending June 30 | Future minimum expected receipts |
|-------------------------------|-------------------------------------|
| 2026 | \$ 1,010,953 |
| 2027 | 994,463 |
| 2028 | 994,594 |
| 2029 | 957,487 |
| 2030 | 900,834 |
| 2031-2035 | 3,518,571 |
| 2036-2040 | 2,945,297 |
| 2041-2045 | 2,256,066 |
| 2046-2050 | 1,947,726 |
| 2051-2055 | 1,156,655 |
| 2056-2060 | 634,712 |
| 2061-2062 | 178,329 |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

3. Lessee lease payable

In accordance with GASB Statement No. 87, Leases, the City records intangible right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the City's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance.

The City does not have any leases subject to a residual value guarantee, hold any commitments for leases that have not yet commenced, or hold any leases featuring payments tied to indexes. There were no impairments or any loss associated with the intangible right-to-use assets and associated lease payables. The City has entered into certain lease agreements that do not qualify for GASB Statement No. 87 accounting and reporting treatment. These leases are either short-term in nature or outside the scope of the standard. These lease agreements have not been recognized and measured as part of the City's lease payable, and the receipts related to these agreements are recognized as expense as appropriate under standard GAAP revenue recognition rules.

As of June 30, 2025, the City is the lessee under 7 leases. The total combined value of the lease payable for all active leases as of June 30, 2025 is \$3,892,874, of which \$1,293,380 is short-term. The combined value of the right to use asset, as of June 30, 2025 is \$5,767,813 with accumulated amortization of \$1,936,037.

The City is the lessee under 4 building lease agreements, which meet the lease criteria as defined by GASB Statement No. 87, Leases. The buildings support various functions such as employee health care site, general office space, and storage. The building leases cover various ranges with the latest expiring on June 30, 2030. Interest rates for the building leases range from 2.657% to 3.58%. Annual payments for the current year range from \$91,800 to \$400,514.

The City is the lessee under 2 telecommunication lease agreements, which meets the lease criteria as defined by GASB Statement No. 87, Leases. The telecommunication agreements relate to telecommunication sites, mounting structures, and equipment associated with transmission and reception of radio communication signals. The telecommunications leases cover various ranges with the latest expiring on September 30, 2029. Interest rates for the telecommunication leases range from 2.68% to 2.71%. Annual payments for the current year range from \$23,384 to \$40,920.

The City is the lessee under 1 equipment lease agreements, which meets the lease criteria as defined by GASB Statement No. 87, Leases. This equipment lease is a restatement from a prior period. The equipment lease agreements relate to Fire Emergency services. The equipment lease covers and expires on January 31, 2032. Interest rates for the equipment lease is 1.205%. Annual payments are for \$230,198.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

Lease payables currently outstanding as of June 30, 2025 are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|----------------------------------|-------------------|---------------------|---------------------|---------------------|
| Governmental Activities: | | | | |
| Building | \$ 288,912 | \$ 1,165,502 | \$ (138,345) | \$ 1,316,069 |
| Equipment | - | 1,536,442 | (211,683) | 1,324,759 |
| Telecommunication | 277,149 | - | (57,558) | 219,591 |
| Total governmental activities | <u>\$ 566,061</u> | <u>\$ 2,701,944</u> | <u>\$ (407,586)</u> | <u>\$ 2,860,419</u> |
| Business-type activities: | | | | |
| Building | \$ 1,205,149 | \$ - | \$ (172,694) | \$ 1,032,455 |

Future annual lease commitments as of June 30, 2025 are as follows:

| Fiscal Year Ended June 30, | Governmental Activities | | Business-type Activities | |
|----------------------------|-------------------------|-------------------|--------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2026 | \$ 1,110,069 | \$ 48,971 | \$ 183,310 | \$ 33,974 |
| 2027 | 759,085 | 23,519 | 194,399 | 27,230 |
| 2028 | 266,737 | 12,731 | 205,979 | 20,082 |
| 2029 | 262,136 | 8,982 | 218,072 | 12,511 |
| 2030 | 234,933 | 5,495 | 230,695 | 4,498 |
| 2031-2032 | 227,459 | 2,741 | - | - |
| | <u>\$ 2,860,419</u> | <u>\$ 102,439</u> | <u>\$ 1,032,455</u> | <u>\$ 98,295</u> |

Intangible right-of-use (ROU) leased assets for the fiscal year end June 30, 2025 are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|---------------------|---------------------|-------------|---------------------|
| Governmental Activities | | | | |
| Building | \$ 543,147 | \$ 1,165,502 | \$ - | \$ 1,708,649 |
| Equipment | - | 1,952,279 | - | 1,952,279 |
| Telecommunication | 437,925 | - | - | 437,925 |
| Total governmental ROU lease assets | <u>981,072</u> | <u>3,117,781</u> | <u>-</u> | <u>4,098,853</u> |
| Accumulated amortization | | | | |
| Building | (264,029) | (155,156) | - | (419,185) |
| Equipment | - | (543,003) | - | (543,003) |
| Telecommunication | (174,066) | (58,023) | - | (232,089) |
| Total accumulated amortization | <u>(438,095)</u> | <u>(756,182)</u> | <u>-</u> | <u>(1,194,277)</u> |
| Total governmental ROU lease assets, net | <u>\$ 542,977</u> | <u>\$ 2,361,599</u> | <u>\$ -</u> | <u>\$ 2,904,576</u> |
| Business-type activities | | | | |
| Building | \$ 1,668,960 | \$ - | \$ - | \$ 1,668,960 |
| Accumulated Amortization | | | | |
| Building | (556,320) | (185,440) | - | (741,760) |
| Business-type ROU lease assets, net | <u>\$ 1,112,640</u> | <u>\$ (185,440)</u> | <u>\$ -</u> | <u>\$ 927,200</u> |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

H. Due to other agencies

\$38,084 in unclaimed property is due to the Oregon State Treasury or other state agencies.

I. Compensated absences

| | Balance July 1, 2024 as restated | Net Change | Balance June 30, 2025 | Due Within One Year |
|--------------------------|----------------------------------|---------------------|-----------------------|---------------------|
| Governmental activities | \$ 21,129,189 | \$ 3,467,738 | \$ 24,596,927 | \$ 4,248,561 |
| Business-type activities | 7,193,964 | 952,221 | 8,146,185 | 1,693,338 |
| Total | <u>\$ 28,323,153</u> | <u>\$ 4,419,959</u> | <u>\$ 32,743,112</u> | <u>\$ 5,941,899</u> |

J. 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, 2025. The City's tax-exempt debt remains in compliance with all Internal Revenue Service arbitrage regulations. The City has no lines of credit.

1. Changes in long term debt

| | Original Amount | Balance June 30, 2024 | Reductions | Balance June 30, 2025 | Due Within One Year |
|--|-----------------|-----------------------|----------------------|-----------------------|----------------------|
| Governmental activities: | | | | | |
| General obligation bonds | | | | | |
| Police Facility & refunding, 2017 (2.71%) | \$ 74,775,000 | \$ 52,885,000 | \$ 2,410,000 | \$ 50,475,000 | \$ 2,660,000 |
| Library Seismic, 2018 (2.68%) | 18,600,000 | 14,815,000 | 1,620,000 | 13,195,000 | 1,770,000 |
| Refunding Streets-Bridges, 2021 (2.89%) | 24,735,000 | 2,705,000 | 1,305,000 | 1,400,000 | 1,400,000 |
| Community Improvement, 2023A (4.35%) | 12,000,000 | 10,895,000 | 6,880,000 | 4,015,000 | 4,015,000 |
| Community Improvement, 2023B (3.76%) | 88,000,000 | 88,000,000 | - | 88,000,000 | 3,735,000 |
| Subtotal general obligation bonds | | 169,300,000 | 12,215,000 | 157,085,000 | 13,580,000 |
| Premium | | 12,707,397 | 1,314,237 | 11,393,160 | - |
| Total general obligation bonds | | <u>182,007,397</u> | <u>13,529,237</u> | <u>168,478,160</u> | <u>13,580,000</u> |
| Other bonds | | | | | |
| Limited tax pension obligation, 2005 (5.04%) | 61,685,000 | 21,155,000 | 5,375,000 | 15,780,000 | 5,900,000 |
| Direct borrowing Urban Renewal bonds | | | | | |
| Riverfront/Downtown, Ser. 2020A (1.66%) | 7,445,000 | 6,987,000 | 950,000 | 6,037,000 | 965,000 |
| Total urban renewal bonds | | <u>6,987,000</u> | <u>950,000</u> | <u>6,037,000</u> | <u>965,000</u> |
| Total governmental bonds | | <u>210,149,397</u> | <u>19,854,237</u> | <u>190,295,160</u> | <u>20,445,000</u> |
| Direct borrowing notes | | | | | |
| OECDL L06001A, Mill Creek, 2007 (4.41%) | 3,999,999 | 2,565,187 | 273,352 | 2,291,835 | 285,407 |
| OECDL L06001C, Mill Creek, 2007 (5.00%) | 3,772,081 | 4,125,591 | 4,125,591 | - | - |
| Total governmental notes | | <u>6,690,778</u> | <u>4,398,943</u> | <u>2,291,835</u> | <u>285,407</u> |
| Total governmental long-term debt | | <u>\$ 216,840,175</u> | <u>\$ 24,253,180</u> | <u>\$ 192,586,995</u> | <u>\$ 20,730,407</u> |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

| | Original Amount | Balance June 30, 2024 | Reductions | Balance June 30, 2025 | Due Within One Year |
|---|--------------------|--------------------------|----------------------|--------------------------|------------------------|
| Business-type activities: | | | | | |
| Revenue bonds | | | | | |
| Utility series 2017 refunding (1.74%) | \$ 55,990,000 | \$ 17,010,000 | \$ 8,235,000 | \$ 8,775,000 | \$ 8,650,000 |
| Utility series 2020 (3.58%) | 56,925,000 | 49,580,000 | 2,180,000 | 47,400,000 | 2,290,000 |
| Direct borrowing revenue bonds | | | | | |
| Utility series 2012A refunding (2.22%) | 63,360,000 | 1,095,000 | 1,095,000 | - | - |
| Subtotal revenue bonds | | 67,685,000 | 11,510,000 | 56,175,000 | 10,940,000 |
| Premiums | | 5,686,188 | 1,121,244 | 4,564,944 | - |
| Total revenue bonds | | 73,371,188 | 12,631,244 | 60,739,944 | 10,940,000 |
| Notes | | | | | |
| OBDD S21010, 2023 (1.00%) | 384,054 | 370,602 | 370,602 | - | - |
| Total business-type activities long-term debt | | <u>\$ 73,741,790</u> | <u>\$ 13,001,846</u> | <u>\$ 60,739,944</u> | <u>\$ 10,940,000</u> |

2. Governmental activity general obligation bonds

General obligation (GO) 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, public safety, and Library improvement projects.

At June 30, 2025, defeased general obligation bonds are as follows:

| General obligation bonds | Defeased Debt in Escrow |
|---------------------------------|----------------------------|
| Streets and bridges series 2012 | \$ 6,950,000 |

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

3. Limited tax pension obligation

On September 23, 2005, twelve local governments issued a combined \$186,945,000 limited-tax pension obligation bonds, competitively sold. The City of Salem's portion was \$61,685,000 and was used to make a lump sum payment toward its unfunded pension liability with OPERS. Debt service funding comes from pro-rata charges to City departments with PERS-eligible personnel.

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. One currently outstanding direct borrowing urban renewal bond (Riverfront 2009) could be subject to an interest rate of 7.35% in the case of payment default.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

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

| | Reserve |
|-----------------------------------|------------|
| Riverfront/Downtown, series 2020A | \$ 744,500 |

5. Governmental activity notes

The Agency issues notes to provide funds for acquisition and construction of capital assets. The Agency's currently outstanding notes primarily funded economic development and wetland mitigation in the Mill Creek urban renewal area. Mill Creek tax increment revenues are pledged to repay the notes, which were directly borrowed from the Oregon Economic and Community Development Department (Business Oregon). In the event of default, Business Oregon could demand immediate payment on all outstanding balances. Any property built with the funds are also pledged as collateral. The outstanding balance as of June 30, 2025 is \$2,291,835.

6. Governmental activity future maturities of long-term debt

| Fiscal Year | Direct Borrowing Notes | | Bonds | | Total | |
|----------------|------------------------|-------------------|-----------------------|----------------------|-----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2025-26 | \$ 285,407 | \$ 101,070 | \$ 20,445,000 | \$ 7,424,045 | \$ 20,730,407 | \$ 7,525,115 |
| 2026-27 | 297,994 | 88,483 | 16,271,000 | 6,433,790 | 16,568,994 | 6,522,273 |
| 2027-28 | 311,135 | 75,342 | 14,133,000 | 5,652,748 | 14,444,135 | 5,728,090 |
| 2028-29 | 324,857 | 61,621 | 11,619,000 | 5,043,394 | 11,943,857 | 5,105,015 |
| 2029-30 | 339,183 | 47,295 | 7,976,000 | 4,565,111 | 8,315,183 | 4,612,406 |
| 2030-35 | 733,259 | 49,056 | 35,958,000 | 18,137,397 | 36,691,259 | 18,186,453 |
| 2035-40 | - | - | 34,035,000 | 12,317,000 | 34,035,000 | 12,317,000 |
| 2040-45 | - | - | 31,515,000 | 4,353,600 | 31,515,000 | 4,353,600 |
| 2045-50 | - | - | 6,950,000 | 569,000 | 6,950,000 | 569,000 |
| | <u>\$ 2,291,835</u> | <u>\$ 422,867</u> | <u>\$ 178,902,000</u> | <u>\$ 64,496,085</u> | <u>\$ 181,193,835</u> | <u>\$ 64,918,952</u> |

7. Business-type activity revenue bonds

Revenue bonds are obligations of the City's Utility fund and are payable solely from the net revenues derived from this enterprise. The City issues revenue bonds to provide funds for improvements to and rehabilitation of the City's utility systems. The currently outstanding direct borrowing revenue bond (Series 2012A refunding) could be subject to an interest rate of 5.22% in the case of payment default.

At June 30, 2025, defeased water and sewer revenue bonds are as follows:

| Utility Debt | Defeased Debt in Escrow |
|--------------|----------------------------|
| Series 2009 | \$ 27,740,000 |

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

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

8. Business-type activity notes

The Utility fund entered into a financing agreement with the Oregon Business Development Department to fund conversion of a small water customer area from private well water to City water service. A total of \$768,108 was drawn, with half being a grant and half being a forgivable loan. Forgiveness is dependent on the project being completed within 36 months of the execution of the financing agreement. The loan balance has been fully paid as of June 30, 2025.

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

| Year | Bonds | | Total | |
|---------|----------------------|---------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2025-26 | \$ 10,940,000 | \$ 2,343,200 | \$ 10,940,000 | \$ 2,343,200 |
| 2026-27 | 2,530,000 | 2,007,700 | 2,530,000 | 2,007,700 |
| 2027-28 | 2,525,000 | 1,759,950 | 2,525,000 | 1,759,950 |
| 2028-29 | 2,650,000 | 1,633,700 | 2,650,000 | 1,633,700 |
| 2029-30 | 2,785,000 | 1,501,200 | 2,785,000 | 1,501,200 |
| 2030-35 | 15,675,000 | 5,744,000 | 15,675,000 | 5,744,000 |
| 2035-40 | 19,070,000 | 2,348,400 | 19,070,000 | 2,348,400 |
| | <u>\$ 56,175,000</u> | <u>\$17,338,150</u> | <u>\$ 56,175,000</u> | <u>\$ 17,338,150</u> |

10. Short-term debt

The Tax Allocation Debt fund of the Urban Renewal Agency issues short-term bonds annually to finance urban renewal projects within the designated project areas. The proceeds are then transferred to the Tax Allocation Improvements fund for expenditure on construction and other projects. These are obligations of the Urban Renewal Agency and are payable solely from tax increment revenues.

| | Balance | | Balance | |
|---------------------------------|--------------|----------------------|----------------------|---------------|
| | July 1, 2024 | Additions | Reductions | June 30, 2025 |
| Governmental activities: | | | | |
| Riverfront URA | \$ - | \$ 6,000,000 | \$ 6,000,000 | \$ - |
| North Gateway URA | - | 4,268,400 | 4,268,400 | - |
| West Salem URA | - | 2,250,000 | 2,250,000 | - |
| South Waterfront URA | - | 400,000 | 400,000 | - |
| Jory | - | 360,000 | 360,000 | - |
| Total | <u>\$ -</u> | <u>\$ 13,278,400</u> | <u>\$ 13,278,400</u> | <u>\$ -</u> |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

K. Conduit debt

Conduit debt is defined as debt issued with approval of the City, through the Hospital Facility Authority of the City of Salem, for the benefit of eligible third parties that provide health care or senior citizen use facilities. Conduit debt is not an obligation of the City and is not included in the financial statements. At June 30, 2025, the following issues are outstanding.

| Date Issued | Purpose | Original Amount | Outstanding Balance June 30, 2025 |
|----------------------------|---|-----------------------|-----------------------------------|
| Capital Manor, Inc. | | | |
| 10/2018 | Revenue Bonds, Series 2018 New development project. | \$ 37,030,000 | \$ 34,850,000 |
| 02/2022 | Revenue Bonds, Series 2022 New development project and to pay off outstanding balance of 2012 bonds. | 58,400,000 | 55,350,000 |
| Salem Health | | | |
| 11/2016 | Revenue Bonds, Series 2016A Refinance a portion of the 2013, 2008 and 2006 bonds. | 197,685,000 | 170,120,000 |
| 10/2019 | Revenue Bonds, Series 2019A Defease 2008B bonds and related swap agreement, finance construction of new hospital building. | 279,480,000 | 246,800,000 |
| | | <u>\$ 572,595,000</u> | <u>\$ 507,120,000</u> |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

L. Fund balance

Fund balances for governmental funds as of June 30, 2025 are as follows:

| | General Operating | Capital Improvement | Tax Allocation Improvement | Community Renewal | General Debt | Other Governmental Funds | Total |
|-----------------------------|----------------------|------------------------|----------------------------------|----------------------|-----------------|--------------------------------|---------------|
| <u>Nonspendable:</u> | | | | | | | |
| Permanent fund principal | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 11,000 | \$ 11,000 |
| <u>Restricted:</u> | | | | | | | |
| Capital projects | - | 78,749,404 | 73,583,441 | - | - | 36,843,311 | 189,176,156 |
| Community renewal | - | - | - | 563,213 | - | - | 563,213 |
| Debt service | - | - | - | - | 4,431,315 | 5,387,455 | 9,818,770 |
| Permanent funds | - | - | - | - | - | 42,656 | 42,656 |
| General government | - | - | - | - | - | 41,216 | 41,216 |
| Community development: | | | | | | | |
| SCC Gain/Loss | - | - | - | - | - | 4,338,550 | 4,338,550 |
| Other | - | - | - | - | - | 2,590 | 2,590 |
| Community services | - | - | - | - | - | 8,530,634 | 8,530,634 |
| Library services | - | - | - | - | - | 29,613 | 29,613 |
| Public safety | - | - | - | - | - | 693,025 | 693,025 |
| Transportation services | - | - | - | - | - | 9,259,345 | 9,259,345 |
| Total restricted | - | 78,749,404 | 73,583,441 | 563,213 | 4,431,315 | 65,168,395 | 222,495,768 |
| <u>Committed:</u> | | | | | | | |
| Transportation services | - | - | - | - | - | 10,917,214 | 10,917,214 |
| Airport | - | - | - | - | - | 640,925 | 640,925 |
| Downtown parking | - | - | - | - | - | 4,108 | 4,108 |
| Cultural/Tourism | - | - | - | - | - | 3,029,183 | 3,029,183 |
| Tourism promotion | - | - | - | - | - | 19,537 | 19,537 |
| Public art | 91,817 | - | - | - | - | - | 91,817 |
| Parking leasehold | - | - | - | - | - | 266,839 | 266,839 |
| Building & safety | - | - | - | - | - | 15,306,026 | 15,306,026 |
| Community services | - | - | - | - | - | 48,930 | 48,930 |
| Library services | - | - | - | - | - | 869,467 | 869,467 |
| Public safety | - | - | - | - | - | 43,547 | 43,547 |
| Total committed | 91,817 | - | - | - | - | 31,145,776 | 31,237,593 |
| <u>Assigned:</u> | | | | | | | |
| General government | 259,420 | - | - | - | - | - | 259,420 |
| Community development | 10,000 | - | - | - | - | - | 10,000 |
| Public safety | 107,720 | - | - | - | - | - | 107,720 |
| Total assigned | 377,140 | - | - | - | - | - | 377,140 |
| <u>Unassigned:</u> | | | | | | | |
| | 29,346,266 | - | - | - | - | - | 29,346,266 |
| Total fund balances | \$29,815,223 | \$ 78,749,404 | \$73,583,441 | \$ 563,213 | \$4,431,315 | \$ 96,325,171 | \$283,467,767 |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

M. Net position

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

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

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

Calculation of Net Position

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|------------------|
| Net investment in capital assets: | | | |
| Capital assets | \$ 776,889,531 | \$ 817,361,307 | \$ 1,594,250,838 |
| Capital asset related debt | | | |
| Outstanding debt | (176,806,995) | (60,739,944) | (237,546,939) |
| Deferred outflows/inflows related to capital debt | (155,089) | 1,045,390 | 890,301 |
| Unexpended proceeds | 48,102,264 | - | 48,102,264 |
| Lease/SBITA liabilities | (3,145,727) | (1,711,047) | (4,856,774) |
| Net capital asset related debt | (132,005,547) | (61,405,601) | (193,411,148) |
| Net investment in capital assets | 644,883,984 | 755,955,706 | 1,400,839,690 |
| Restricted: | | | |
| Capital projects | | | |
| Capital improvements | 78,749,404 | 73,972,581 | 152,721,985 |
| Extra capacity facilities | 26,639,318 | - | 26,639,318 |
| Tax allocation improvements | 75,640,900 | - | 75,640,900 |
| Development district | 11,211,747 | - | 11,211,747 |
| Unexpended proceeds moved to investment in capital assets | (48,102,264) | - | (48,102,264) |
| Total capital projects | 144,139,105 | 73,972,581 | 218,111,686 |
| Debt service | | | |
| General debt | 4,307,517 | - | 4,307,517 |
| Tax allocation debt | 5,866,796 | - | 5,866,796 |
| Total debt service | 10,174,313 | - | 10,174,313 |
| Other purposes | | | |
| Community enhancement | 22,894,973 | - | 22,894,973 |
| Permanent - expendable | 42,656 | - | 42,656 |
| Permanent - non-expendable | 11,000 | - | 11,000 |
| Community renewal | 20,140,014 | - | 20,140,014 |
| Net OPEB asset | 2,236,490 | 959,611 | 3,196,101 |
| Total other purposes | 45,325,133 | 959,611 | 46,284,744 |
| Total restricted | 199,638,551 | 74,932,192 | 274,570,743 |

Continued

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-------------------------|
| restricted: | | | |
| General operating | \$ 33,295,935 | \$ - | \$ 33,295,935 |
| Special revenue | | | |
| Transportation services | 9,718,119 | - | 9,718,119 |
| Streetlights | 1,199,095 | - | 1,199,095 |
| Airport | 640,925 | - | 640,925 |
| Downtown parking | 4,108 | - | 4,108 |
| Cultural and tourism | 3,048,720 | - | 3,048,720 |
| Parking leasehold | 266,839 | - | 266,839 |
| Building and safety | 15,306,026 | - | 15,306,026 |
| Community enhancement | 961,944 | - | 961,944 |
| Internal service | 24,997,572 | - | 24,997,572 |
| Enterprise | | | |
| Utility | - | 61,807,542 | 61,807,542 |
| Emergency services | - | 2,272,885 | 2,272,885 |
| WVPS communications center | - | 6,987,208 | 6,987,208 |
| Police regional records system | - | 2,252,143 | 2,252,143 |
| Salem Convention Center | - | 1,241,075 | 1,241,075 |
| Net pension liability | (170,075,880) | (61,416,281) | (231,492,161) |
| Pension obligation bond | (15,780,000) | - | (15,780,000) |
| Total OPEB liability | (13,075,813) | (5,610,436) | (18,686,249) |
| Compensated absences | (24,596,927) | (8,146,185) | (32,743,112) |
| Deferred inflows/outflows related to pensions | 51,087,227 | 18,052,429 | 69,139,656 |
| Deferred inflows/outflows related to OPEB | (1,540,950) | (661,174) | (2,202,124) |
| otal unrestricted | (84,543,060) | 16,779,206 | (67,763,854) |
| Total net position | <u>\$ 759,979,475</u> | <u>\$ 847,667,104</u> | <u>\$ 1,607,646,579</u> |
| | | | Concluded |

IV. OTHER INFORMATION

A. Risk management

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

The City provides medical benefits for all eligible participants. Monthly premiums are paid in a cost-sharing arrangement (the City pays a portion and employees pay the remainder) for the HMO and PPO medical plans. The City also offers a high deductible plan, for which the City pays the full premium. Additional premiums for vision and dental benefits are paid, as elected by employees, in accordance with policies and collective bargaining agreements. Insurance premiums are paid to Kaiser Permanente / Willamette Dental for those plans, and no additional costs are incurred by the City for any claims related to these policies. For the PPO plan, the City is self-insured through CIGNA for medical and vision, and through Moda and Willamette Dental for dental. Claims paid through these insurers are reimbursed by the City to CIGNA or Moda.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

Specific claim stop-loss coverage is purchased for individual claims exceeding \$200,000. During fiscal year 2024-25, total medical, vision, and dental claims expense of \$25,937,779 was incurred. The City self-insures worker's compensation risks up to \$500,000 per occurrence, and \$750,000 per occurrence for police and firefighting. Maximum Coverage limit of \$1,000,000 per occurrence is purchased from a commercial insurance 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 million of all liability claims. An excess liability insurance policy purchased from a commercial carrier provides coverage for liability claims in excess of \$1 million, up to \$10 million per occurrence.

The changes in the aggregate liability for workers compensation and general liability/casualty claims for fiscal years 2023-24 and 2024-25 are as follows:

| Fiscal year ended June 30, | Claims payable July 1, | Workers Compensation | | Changes to prior year estimates | Claims payable June 30, |
|----------------------------|------------------------|----------------------|----------------|---------------------------------|-------------------------|
| | | Claims incurred | Claims paid | | |
| 2024 | \$ 4,856,000 | \$ 788,189 | \$ (2,268,554) | \$ 2,068,365 | \$ 5,444,000 |
| 2025 | 5,444,000 | 1,149,711 | (811,437) | (14,274) | 5,768,000 |

| Fiscal year ended June 30, | Claims payable July 1, | Liability/Casualty | | Changes to prior year estimates | Claims payable June 30, |
|----------------------------|------------------------|--------------------|----------------|---------------------------------|-------------------------|
| | | Claims incurred | Claims paid | | |
| 2024 | \$ 1,782,000 | \$ 2,425,238 | \$ (2,304,418) | \$ 6,309,180 | \$ 8,212,000 |
| 2025 | 8,212,000 | 1,449,713 | (417,917) | (2,670,796) | 6,573,000 |

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

B. Commitments and contingencies

1. Grants

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

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, 2025, reserves have been established to provide for the estimated liability in such cases.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

3. Construction commitments

The City entered into contracts for construction of various capital projects expected to be completed in fiscal year 2024-25. The reappropriated budget for these projects is \$0.

C. Defined benefit pension plan (PERS)

1. Plan description

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

2. Benefits provided

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

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

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

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:

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

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

Disability benefits

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

Benefit changes

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

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

Pension benefits

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

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

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

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.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

Disability benefits

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

c. OPSRP Individual Account Program (IAP)

Pension benefits

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

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

Death benefits

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

Record keeping

OPERS contracts with Voya Financial to maintain IAP participant records.

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, 2021 actuarial valuation. The rates will become effective July 1, 2023. Employer contributions for the year ended June 30, 2025 were \$27,468,976, excluding amounts to fund employer specific liabilities. The rates for the pension plan in effect for the fiscal year ended June 30, 2025 were 25.07% for all Tier One/Tier Two members, 18.31% for OPSRP general service members, 23.10% for OPSRP police and fire members, and 6% for OPSRP IAP.

The City also pays the employee contribution of 6% of salary, which was \$7,526,794 for the year.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

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

At June 30, 2025, the City reported a liability of \$231,492,161 for its proportionate share of the net pension liability. This liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022 rolled forward to June 30, 2024. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2024, the City's proportion was 1.04147943% a decrease from its proportion at June 30, 2023 of 1.12384362%.

For the year ended June 30, 2025, the City recognized a negative pension expense of \$12,213,702. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 13,713,769 | \$ 552,496 |
| Changes in assumptions | 23,274,297 | 29,818 |
| Net difference between projected and actual earnings on investments | 14,706,225 | - |
| Changes in proportionate share | 14,333,555 | 10,625,504 |
| Difference between employer contributions and employer's proportionate share of system contributions | 37,526 | 12,745,322 |
| City's contributions subsequent to the measurement date | 27,027,424 | N/A |
| Total | <u>\$ 93,092,796</u> | <u>\$ 23,953,140</u> |

\$27,027,424 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 subsequent year. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ending June 30:</u> | |
|-----------------------------|----------------------|
| 2026 | \$ (148,328) |
| 2027 | 24,789,556 |
| 2028 | 12,004,706 |
| 2029 | 4,859,923 |
| 2030 | 606,375 |
| Total | <u>\$ 42,112,232</u> |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

5. Actuarial methods and assumptions

The employer contribution rates effective July 1, 2023 through June 30, 2025 were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS defined benefit plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP pension program component of the PERS defined benefit plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|-----------------------------------|--|
| Valuation Date | December 31, 2022 rolled forward to June 30, 2024 |
| Experience Study Report | 2022, published July 24, 2023 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years. |
| Asset Valuation Method | Market value of assets |
| Actuarial Assumptions: | |
| Inflation Rate | 2.40 percent |
| Long-term expected rate of return | 6.90 percent |
| Discount rate | 6.90 percent |
| Projected Salary Increases | 3.40 percent overall payroll growth |
| Cost of living adjustments (COLA) | Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service. |
| Mortality | Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employees, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. |

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 above are based on the 2022 Experience Study which reviewed experience for the four-year period ending December 31, 2022.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

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 May 2019 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The following table shows Milliman's assumptions for each of the asset classes in which the plans were invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

| Asset Class | Target Allocation | 20-Year Annualized Geometric Mean |
|-------------------------------------|-------------------|-----------------------------------|
| Global Equity | 27.50% | 7.07% |
| Private Equity | 25.50% | 8.83% |
| Core Fixed Income | 25.00% | 4.50% |
| Real Estate | 12.25% | 5.83% |
| Master Limited Partnership | 0.75% | 6.02% |
| Infrastructure | 1.50% | 6.51% |
| Hedge Fund of Funds - Multistrategy | 1.25% | 6.27% |
| Hedge Fund Equity - Hedge | 0.63% | 6.48% |
| Hedge Fund - Macro | 5.62% | 4.83% |
| Total | 100.00% | |
| Assumed Inflation - Mean | | 2.35% |

7. Discount rate

The discount rate used to measure the total pension liability was 6.90% 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 6.90%, 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 (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

| | 1% Decrease (5.90%) | Discount Rate (6.90%) | 1% Increase (7.90%) |
|---|------------------------|--------------------------|------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 365,169,481 | \$ 231,492,161 | \$ 119,530,873 |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

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.

D. Other postemployment benefit plans

The City's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows:

| | Implicit Rate Subsidy Plan | PERS RHIA Plan | Total OPEB on Financials |
|--|-------------------------------|-------------------|-----------------------------|
| Total OPEB asset | \$ - | \$ 3,196,101 | \$ 3,196,101 |
| Deferred Outflows of Resources | | | |
| Contributions After Measurement Date | - | 83 | 83 |
| Differences between expected and actual experience | 1,060,254 | - | 1,060,254 |
| Change in assumptions | 2,252,707 | - | 2,252,707 |
| Net difference between projected and actual earnings | - | 90,242 | 90,242 |
| Changes in proportionate share | - | 206,979 | 206,979 |
| Total Deferred Outflows of Resources | 3,312,961 | 297,304 | 3,610,265 |
| Total OPEB Liability | 18,686,249 | - | 18,686,249 |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | (4,306,445) | (62,510) | (4,368,955) |
| Change in assumptions | (1,384,624) | (40,427) | (1,425,051) |
| Net difference between projected and actual earnings | - | - | - |
| Changes in proportionate share | - | (18,383) | (18,383) |
| Total Deferred Inflows of Resources | (5,691,069) | (121,320) | (5,812,389) |
| OPEB Expense /(Income) | 829,526 | (262,222) | 567,304 |

E. Defined benefit other postemployment benefit plan (RHIA)

1. Plan description

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

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

2. Benefits provided

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

3. Contributions

PERS funding policy requires employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates for the period were based on the December 31, 2021 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2023. The City's contribution rates for the period were 0.00% for Tier One/Tier Two members. The City's total contributions for the year ended June 30, 2024 were \$0.

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

At June 30, 2025, the City reported an asset of \$3,196,101 for its proportionate share of the OPERS net OPEB asset. The net OPEB asset was measured as of June 30, 2024, and was determined by an actuarial valuation as of December 31, 2022 rolled forward to June 30, 2024. The City's proportion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2024, the City's proportionate share was 0.79129332%, a decrease from its proportion as of June 30, 2023.

For the year ended June 30, 2025, the City recognized a credit to OPEB expense from this plan of \$262,222. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources.

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|-------------------------------------|------------------------------------|
| Net difference between projected and actual experience | \$ - | \$ 62,510 |
| Changes of assumptions | - | 40,427 |
| Net difference between projected and actual earnings on investments | 90,242 | - |
| Change in proportionate share | 206,979 | 18,383 |
| Contributions subsequent to the measurement date | 83 | N/A |
| Total | <u>\$ 297,304</u> | <u>\$ 121,320</u> |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

Deferred outflows of resources related to OPEB of \$83 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ending June 30: | |
|-------------------------|-------------------|
| 2026 | \$ (11,390) |
| 2027 | 128,050 |
| 2028 | 48,822 |
| 2029 | 10,419 |
| Total | <u>\$ 175,901</u> |

5. Actuarial methods and assumptions

See PERS pension plan note for information on actuarial assumptions and methods, the long-term expected rate of return, and the discount rate.

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

The following presents the City's proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 6.90%, as well as what it would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

| | 1% Decrease (5.90%) | Discount Rate (6.90%) | 1% Increase (7.90%) |
|----------------------------|------------------------|--------------------------|------------------------|
| Net OPEB Liability (Asset) | \$ (2,958,618) | \$ (3,196,101) | \$ (3,400,580) |

7. OPEB plan fiduciary net position

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

F. Postemployment benefits other than pensions (OPEB)

1. General information about the OPEB plan

The City administers a single-employer defined benefit healthcare plan. Benefit provisions are established through negotiations between the City and collective bargaining units. The plan provides post-retirement medical, dental, and vision coverage for eligible retirees, their spouses, domestic partners, and dependents. Premiums are paid by the retiree. The plan is funded on a pay-as-you-go basis with no invested assets.

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

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

active employees and retirees. The difference between retiree claims costs (which, because of the effect of age, is generally higher in comparison to all plan members) and the amount of retiree healthcare premiums represents the City's implicit rate subsidy.

Employees covered by benefit terms. At June 30, 2025, the following employees were covered by the benefit terms:

| | |
|---|--------------|
| Retired employees or beneficiaries currently receiving benefits | 46 |
| Active Employees | 1,303 |
| Total | <u>1,349</u> |

2. Total OPEB liability

The City's total OPEB liability of \$18,686,249 was measured as of June 30, 2025, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|-------|
| Inflation rate | 3.50% |
| Salary increases, average, including inflation | 3.50% |
| Discount rate | 5.20% |
| Healthcare cost trend rates, FY 2026, decreasing 0.5% per year, to an ultimate rate of 4.50% from 2040 and forward. | 8.00% |
| Retirees' share of benefit-related costs | 100% |

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

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

Mortality rates were based on the SOA Pub-2010 General Headcount Weighted Mortality Table, fully generational, using scale MP-2021.

3. Changes in the total OPEB liability

| | Total OPEB Liability |
|--|-------------------------|
| Balance at June 30, 2024 | <u>\$ 20,332,435</u> |
| Changes for the year: | |
| Service cost | 1,105,484 |
| Interest | 885,264 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (3,334,896) |
| Changes in assumptions or other inputs | 527,068 |
| Benefit payments | <u>(829,106)</u> |
| Net changes | <u>(1,646,186)</u> |
| Balance at June 30, 2025 | <u>\$ 18,686,249</u> |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

Changes in assumptions reflect a discount rate increase from 4.21% in 2024 to 5.20% in 2025.

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

| | 1% Decrease (4.20%) | Discount Rate (5.20%) | 1% Increase (6.20%) |
|----------------------|------------------------|--------------------------|---------------------|
| Total OPEB Liability | \$ 20,423,628 | \$ 18,686,249 | \$ 17,104,661 |

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

| | 1% Decrease (7.0% decreasing to 3.5%) | (8.0% decreasing to 4.5%) | 1% Increase (9.0% decreasing to 5.5%) |
|----------------------|--|------------------------------|--|
| Total OPEB Liability | \$ 16,650,164 | \$ 18,686,249 | \$ 21,064,940 |

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

For the year ended June 30, 2025, the City recognized OPEB expense of \$829,526. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 1,060,254 | \$ 4,306,445 |
| Changes in assumptions | 2,252,707 | 1,384,624 |
| Total | <u>\$ 3,312,961</u> | <u>\$ 5,691,069</u> |

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

| Year Ending June 30: | |
|-------------------------|----------------------|
| 2026 | \$ (213,356) |
| 2027 | (338,199) |
| 2028 | (369,437) |
| 2029 | (705,319) |
| 2030 | (251,990) |
| Thereafter | (499,807) |
| Total | <u>\$(2,378,108)</u> |

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

G. Outstanding encumbrances

At June 30, 2025, the City has encumbered the following commitments that required reappropriation in the 2025-26 fiscal year budget:

| Fund | Amount |
|------------------------|---------------------|
| General | \$ 377,140 |
| Capital improvement | 445,460 |
| Non-major governmental | 50,000 |
| Utility | 904,960 |
| Total | <u>\$ 1,777,560</u> |

H. Deficit net position

The Willamette Valley Communications Center fund has a deficit net position of \$1,901,305 at June 30, 2025, which is caused by the pension and OPEB reporting requirements of GASB Statements 68 and 75. However, the fund has a positive fund balance of \$3,402,186.

The Self-insurance Risk fund has a deficit net position of \$11,730,067 at June 30, 2025, which is caused by the obligations reported for pension and OPEB under GASB Statements 68 and 75 as well as actuarially estimated claim liabilities. However, the fund has a positive fund balance of \$1,312,949.

I. Tax abatement disclosure

As of June 30, 2025, the City of Salem and its blended component unit entered into an agreement for one tax abatement program: Multiple-Unit Housing ORS 307.600 to 307.637 which reduce property tax revenues.

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

In addition, there were agreements entered into by Polk County and the State of Oregon for four tax abatement programs: Historical Property ORS 307.630, Charitable Low Income Rental Housing Full Exemption ORS Chapter 307.515, Enterprise Zone Full Exempt ORS Chapter 285C, and Enterprise Zone Partial Exempt ORS Chapter 285C, which also reduced the City's property tax revenues.

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

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

| Government | Company | Purpose | Agreement Date | Percentage of Property Taxes Abated | Taxes Abated during FY 2025 |
|-------------------|--------------------------|----------------------------------|-----------------------|--|------------------------------------|
| City of Salem | Pringle Square South LLC | Multiple Unit Housing | 3/12/2014 | Partial | \$ 1,266,749 |
| State of Oregon | | Low Income Hsing Enterprise Zone | Various | 100% | 333,917 |
| | | Enterprise Zone | Various | 100% | 8,629 |
| | | Enterprise Zone | Various | Partial | 761,323 |
| Polk County | | Enterprise Zone | 2014 | 100 | 18,736 |
| Total | | | | | \$2,389,354 |

J. Related party transactions

The City provides certain administrative services to the Salem Housing Authority (SHA) on a fee basis, such as legal, human resource, and payroll processing services. The City also grants funds on a reimbursement basis to the Authority for administration of the City's Homeless Rental Assistance Program (HRAP). In fiscal year 2024-25, \$478,364 was reimbursed for the HRAP program.

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 franchise agreements with local cable television providers 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 2024-25, the City paid \$612,430 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

K. Change within the financial reporting entity, fund presentation

In the current fiscal year, the Willamette Valley Communications Center enterprise fund moved from nonmajor to major presentation based on the quantitative analysis prescribed by GASB Statement 34.

L. Change in accounting principle, restated beginning net position

During the current year, the City implemented GASB Statement 101, Compensated Absences. In addition to the value of unused paid leave payable to employees upon termination, the City now recognizes the value of sick leave more likely than not to be used as time off in the liability for compensated absences. Certain salary-related payments that are directly and incrementally related to use or payment of time off are included in the liability, specifically payroll taxes and the PERS "employee pickup" contribution paid by the City. The table below details the impact on each affected financial statement.

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

Restatement of FY24 net position recognized in FY25 with implementation of GASB Statement 101, Compensated Absences.

| | Net position, year ending 06/30/2024 as previously reported | Change in accounting principle | Net position, year ending 06/30/2024 as restated |
|-------------------------------------|---|--------------------------------|--|
| Government-wide | | | |
| Governmental activities | \$ 746,105,594 | \$ (10,440,146) | \$ 735,665,448 |
| Business-type activities | 833,642,967 | (3,322,930) | 830,320,037 |
| Total primary government | \$ 1,579,748,561 | \$ (13,763,076) | \$ 1,565,985,485 |
| Governmental funds | | | |
| | No changes to governmental fund statements | | |
| Proprietary funds | | | |
| Enterprise funds | | | |
| Utility fund | \$ 808,520,781 | \$ (2,754,951) | \$ 805,765,830 |
| Emergency Services | 3,032,117 | (53,309) | 2,978,808 |
| WVPS Comm. Ctr. | (1,638,716) | (514,670) | (2,153,386) |
| Police regional records | 2,076,745 | - | 2,076,745 |
| Salem convention center | 24,146,697 | - | 24,146,697 |
| Total Enterprise funds | \$ 836,137,624 | \$ (3,322,930) | \$ 832,814,694 |
| Internal service funds | | | |
| City Services | \$ 12,245,395 | \$ (126,709) | \$ 12,118,686 |
| Equip. replacement reserve | 45,576,239 | - | 45,576,239 |
| Self-insurance benefits | 7,765,463 | (64,861) | 7,700,602 |
| Self-insurance risk | (12,748,318) | (61,855) | (12,810,173) |
| Total internal service funds | \$ 52,838,779 | \$ (253,425) | \$ 52,585,354 |

M. Adoption of new GASB pronouncements

During the fiscal year ended June 30, 2025, the City implemented GASB Statement 102, Certain Risk Disclosures. This Statement requires governments to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement had no material impact on the City's financial statements.

N. Future GASB pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2025:

GASB issued Statement 103, Financial Reporting Model Improvements. This Statement was issued in April 2024 and continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is

City of Salem, Oregon
Notes to the Financial Statements
Fiscal Year Ended June 30, 2025

essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues related to unusual or infrequent items, presentation of certain Proprietary Statements, major component unit information, and budgetary comparison information. The Statement is being reviewed for applicability and impact on the City's financial statements. This statement will be effective for the fiscal year ended June 30, 2026.

GASB issued Statement 104, Disclosure of Certain Capital Assets. This Statement was issued in September 2024 and requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. This Statement also requires additional disclosures and analysis of capital assets held for sale. The Statement is being reviewed for applicability and impact on the City's financial statements. This statement will be effective for the fiscal year ended June 30, 2026.

GASB issued Statement 105, Subsequent Events. This Statement was issued in December 2025 and clarifies subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. This statement will be effective for the fiscal year ended June 30, 2027. The requirements will be applied to any applicable events from that year forward.

Required Supplementary Information

City of Salem, Oregon
Required Supplementary Information
Fiscal Year Ended June 30, 2025

1. Defined benefit pension plan (PERS)

Schedule of The Proportionate Share of the Net Pension Liability (PERS)
For the last ten 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 |
|---------------------|---|--|-------------------------------|---|--|
| 2025 | 1.04147943% | \$ 231,492,161 | \$ 103,146,794 | 224.43% | 79.30% |
| 2024 | 1.12384362% | 210,503,621 | 99,075,844 | 212.47% | 81.70% |
| 2023 | 1.02662815% | 157,197,368 | 93,640,759 | 167.87% | 84.50% |
| 2022 | 0.96721909% | 115,742,078 | 91,109,535 | 127.04% | 87.60% |
| 2021 | 0.95630578% | 208,698,814 | 82,201,000 | 253.89% | 75.80% |
| 2020 | 0.94012241% | 162,618,663 | 80,370,324 | 202.34% | 80.20% |
| 2019 | 0.92448545% | 140,047,369 | 78,129,106 | 179.25% | 82.10% |
| 2018 | 0.94775487% | 127,757,715 | 76,521,581 | 166.96% | 83.10% |
| 2017 | 0.97424987% | 146,257,527 | 76,037,921 | 192.35% | 80.50% |
| 2016 | 1.00664356% | 57,796,051 | 77,123,538 | 74.94% | 91.90% |

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

Schedule of Contributions (PERS)
For the last ten 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 |
|---------------------|--|---|---|-------------------------------|--|
| 2025 | \$ 27,027,424 | \$ 27,027,424 | \$ - | \$ 109,646,215 | 24.65% |
| 2024 | 25,385,879 | 25,385,879 | - | 103,146,794 | 24.61% |
| 2023 | 22,846,441 | 22,846,441 | - | 99,075,844 | 23.06% |
| 2022 | 21,554,725 | 21,554,725 | - | 93,640,759 | 23.02% |
| 2021 | 20,618,763 | 20,618,763 | - | 91,109,535 | 22.63% |
| 2020 | 19,434,121 | 19,434,121 | - | 82,201,000 | 23.64% |
| 2019 | 14,870,738 | 14,870,738 | - | 80,370,324 | 18.50% |
| 2018 | 14,450,480 | 14,450,480 | - | 78,129,106 | 18.50% |
| 2017 | 10,099,278 | 10,099,278 | - | 76,521,581 | 13.20% |
| 2016 | 9,918,275 | 9,918,275 | - | 76,037,921 | 13.04% |

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

City of Salem, Oregon
Required Supplementary Information
Fiscal Year Ended June 30, 2025

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

Schedule of changes in the City's total OPEB liability and related ratios
For the last nine fiscal years

| Year Ended June 30, | Service Cost | Interest | Changes in benefit terms | Differences between expected and actual experience | Changes in assumptions or other inputs | Benefit payments | Total OPEB Liability |
|---------------------|--------------|------------|--------------------------|--|--|------------------|----------------------|
| 2025 | \$ 1,105,484 | \$ 885,264 | \$ - | \$ (3,334,896) | \$ 527,068 | \$ (829,106) | \$ 18,686,249 |
| 2024 | 990,950 | 756,503 | - | 702,024 | 915,214 | (709,946) | 20,332,435 |
| 2023 | 1,109,061 | 740,493 | - | (1,178,357) | 352,979 | (677,984) | 17,677,690 |
| 2022 | 1,535,571 | 455,980 | - | (923,294) | (2,703,325) | (634,334) | 17,331,498 |
| 2021 | 1,158,458 | 445,841 | - | 1,002,500 | 1,684,624 | (582,207) | 19,600,900 |
| 2020 | 1,009,824 | 541,913 | - | (761,169) | 1,011,076 | (672,731) | 15,891,684 |
| 2019 | 840,781 | 524,551 | - | 1,262,401 | (263,711) | (623,601) | 14,762,771 |
| 2018 | 884,521 | 491,630 | - | (332,489) | (617,596) | (652,351) | 13,022,350 |
| 2017 | 833,406 | 355,158 | (42,568) | 586,322 | (373,074) | (543,183) | 13,248,635 |

Changes in benefit terms. The City's other post-employment benefits include retiree healthcare. The actuarial cost method for retiree healthcare benefits is the projected unit credit method. The last actuarial valuation completed was as of June 30, 2025.

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

| | |
|------|-------|
| 2025 | 5.20% |
| 2024 | 4.21% |
| 2023 | 4.13% |
| 2022 | 4.09% |
| 2021 | 2.19% |
| 2020 | 2.66% |
| 2019 | 3.51% |
| 2018 | 3.87% |
| 2017 | 3.56% |

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

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

City of Salem, Oregon
Required Supplementary Information
Fiscal Year Ended June 30, 2025

3. Defined benefit other post-employment benefit plan (RHIA)

Schedule of the proportionate share of the net OPEB liability/(asset) (RHIA)
For the last nine years

| Year Ended June 30, | City's proportion of the net OPEB liability (asset) (a) | City's proportionate share of the net OPEB liability (asset) (b) | City's covered payroll (c) | City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll (b/c) | Plan fiduciary net position as a percentage of the total OPEB liability |
|---------------------|---|--|----------------------------|--|---|
| 2025 | 0.79129332% | \$ (3,196,101) | \$ 103,146,794 | -3.10% | 220.6% |
| 2024 | 0.90289520% | (3,306,094) | 99,075,844 | -3.34% | 201.6% |
| 2023 | 0.85736693% | (3,046,526) | 93,640,759 | -3.25% | 194.6% |
| 2022 | 0.84127720% | (2,888,951) | 91,109,535 | -3.17% | 183.9% |
| 2021 | 0.55294705% | (1,126,686) | 82,201,000 | -1.37% | 150.1% |
| 2020 | 0.84103315% | (1,625,180) | 80,370,324 | -2.02% | 144.4% |
| 2019 | 0.84508478% | (943,344) | 78,129,106 | -1.21% | 124.0% |
| 2018 | 0.81930652% | (341,930) | 76,521,581 | -0.45% | 108.9% |
| 2017 | 0.81384084% | 221,009 | 76,037,921 | 0.29% | 94.20% |

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
Fiscal Year Ended June 30, 2025

Schedule of contributions (RHIA)
For the last nine years

| Year Ended June 30, | Statutorily required contribution (a) | Contributions in relation to the statutorily required contribution (b) | Contribution deficiency (excess) (a-b) | City's covered payroll (c) | Contributions as a percent of covered payroll (b/c) |
|---------------------|---------------------------------------|--|--|----------------------------|---|
| 2025 | \$ 83 | \$ 83 | \$ - | \$ 109,646,215 | 0.00% |
| 2024 | 866 | 866 | - | 103,146,794 | 0.00% |
| 2023 | 17,793 | 17,793 | - | 99,075,844 | 0.02% |
| 2022 | 21,131 | 21,131 | - | 93,640,759 | 0.02% |
| 2021 | 22,510 | 22,510 | - | 91,109,535 | 0.02% |
| 2020 | 39,487 | 39,487 | - | 82,201,000 | 0.05% |
| 2019 | 416,833 | 416,833 | - | 80,370,324 | 0.52% |
| 2018 | 409,193 | 409,193 | - | 80,370,324 | 0.51% |
| 2017 | 394,688 | 394,688 | - | 76,521,581 | 0.52% |

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

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



Supplementary Information



COMBINING STATEMENTS

General Operating Fund

This fund combines the General fund and the Public Art fund for GAAP reporting purposes, as the Public Art fund does not qualify as a special revenue fund under GAAP.

General Fund

The General 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 public safety, community services, general government, community development, and library services.

Public Art Fund

The Public Art 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.

City of Salem, Oregon
Combining Balance Sheet
General Operating Fund
June 30, 2025

City of Salem, Oregon
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Operating Fund
For the fiscal year ended June 30, 2025

| | General Fund | Public Art Fund | Total General Operating Fund |
|---|----------------------|------------------|------------------------------|
| Assets | | | |
| Cash and investments | \$ 31,635,678 | \$ 91,989 | \$ 31,727,667 |
| Accounts receivable, net | 13,081,772 | - | 13,081,772 |
| Leases receivable | 335,386 | - | 335,386 |
| Due from other agencies | 212,989 | - | 212,989 |
| Advances to other funds | 12,208 | - | 12,208 |
| Total assets | <u>\$ 45,278,033</u> | <u>\$ 91,989</u> | <u>\$ 45,370,022</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ 9,775,693 | \$ 172 | \$ 9,775,865 |
| Due to other agencies | 38,084 | - | 38,084 |
| Security deposit payable | 14,526 | - | 14,526 |
| Total liabilities | <u>9,828,303</u> | <u>172</u> | <u>9,828,475</u> |
| Deferred inflows of resources | | | |
| Related to leases | 2,245,612 | - | 2,245,612 |
| Unavailable revenue | 3,480,712 | - | 3,480,712 |
| | <u>5,726,324</u> | <u>-</u> | <u>5,726,324</u> |
| Fund balances | | | |
| Committed | - | 91,817 | 91,817 |
| Assigned | 377,140 | - | 377,140 |
| Unassigned | 29,346,266 | - | 29,346,266 |
| Total fund balances | <u>29,723,406</u> | <u>91,817</u> | <u>29,815,223</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 45,278,033</u> | <u>\$ 91,989</u> | <u>\$ 45,370,022</u> |

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

| | General Fund | Public Art Fund | Total General Operating Fund |
|--|----------------------|------------------|------------------------------|
| Revenues | | | |
| Property taxes | \$ 87,126,016 | \$ - | \$ 87,126,016 |
| Other taxes | 1,374,729 | - | 1,374,729 |
| Sales, fees, licenses, and permits | 44,398,815 | - | 44,398,815 |
| Special assessments | 13,748 | - | 13,748 |
| Rents | 1,322,304 | - | 1,322,304 |
| Grants | 678,925 | - | 678,925 |
| Intergovernmental | 15,261,302 | - | 15,261,302 |
| Fines and penalties | 3,388,840 | - | 3,388,840 |
| Interest on investments | 1,555,767 | 3,152 | 1,558,919 |
| Other | 655,961 | - | 655,961 |
| Total revenues | <u>155,776,407</u> | <u>3,152</u> | <u>155,779,559</u> |
| Expenditures | | | |
| Current | | | |
| General government | 24,653,730 | 20,975 | 24,674,705 |
| Community development | 7,592,384 | - | 7,592,384 |
| Community service | 13,216,414 | - | 13,216,414 |
| Public safety | 112,811,849 | - | 112,811,849 |
| Library | 5,066,512 | - | 5,066,512 |
| Capital outlay | 2,452,502 | - | 2,452,502 |
| Debt service | | | |
| Principal retirement | 978,350 | - | 978,350 |
| Interest and fiscal charges | 249,483 | - | 249,483 |
| Total expenditures | <u>167,021,224</u> | <u>20,975</u> | <u>167,042,199</u> |
| Excess (deficiency) of revenues over expenditures | | | |
| | (11,244,817) | (17,823) | (11,262,640) |
| Other financing sources (uses) | | | |
| SBITA financing | 290,017 | - | 290,017 |
| Lease financing | 1,952,279 | - | 1,952,279 |
| Transfers in | 5,677,868 | 25,000 | 5,702,868 |
| Transfers out | (2,001,982) | - | (2,001,982) |
| Total other financing sources (uses) | <u>5,918,182</u> | <u>25,000</u> | <u>5,943,182</u> |
| Net change in fund balance | (5,326,635) | 7,177 | (5,319,458) |
| Fund balances - beginning of year | <u>35,050,041</u> | <u>84,640</u> | <u>35,134,681</u> |
| Fund balances - end of year | <u>\$ 29,723,406</u> | <u>\$ 91,817</u> | <u>\$ 29,815,223</u> |

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

COMBINING STATEMENTS

Nonmajor Governmental Funds

Special Revenue Funds

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

Transportation Services

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

Streetlights

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

Airport

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

Downtown Parking

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

Cultural/Tourism

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

Tourism Promotion Area

This fund accounts for revenue generated by the Tourism Promotion Area fee and payment of these funds to the City's contracted destination marketing organization.

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.

Traffic Safety

This fund accounts for revenue generated by photo red light and speed on green traffic camera systems and pays for operation of the systems.

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

Permanent funds account for gifts donated for specified purposes and interest earnings. Only the interest earnings may be expended for those specified purposes.

Permanent

This fund accounts for gifts donated for park maintenance and purchase of library materials. 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.

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, 2025

| | Special Revenue Funds | | | | | | | |
|--|---------------------------------|---------------------|-------------------|---------------------|----------------------|------------------------------|----------------------|---------------------------|
| | Trans- portation Services | Street- lights | Airport | Downtown Parking | Cultural/ Tourism | Tourism Promotion Area | Parking Leasehold | Building and Safety |
| Assets | | | | | | | | |
| Cash and investments | \$ 9,103,984 | \$ 878,296 | \$ 369,666 | \$ - | \$ 2,751,250 | \$ 124,892 | \$ 133,682 | \$ 9,926,208 |
| Accounts receivable, net | 1,516,353 | 349,918 | 343,957 | 35,199 | 599,115 | 126,271 | 119,904 | 503,538 |
| Leases receivable | - | - | - | - | - | - | 533,484 | - |
| Assessments receivable | - | - | - | - | - | - | - | - |
| Total assets | \$ 10,620,337 | \$ 1,228,214 | \$ 713,623 | \$ 35,199 | \$ 3,350,365 | \$ 251,163 | \$ 787,070 | \$ 15,527,618 |
| Liabilities | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 902,173 | \$ 29,119 | \$ 72,698 | \$ 18,883 | \$ 321,182 | \$ 231,626 | \$ 3,167 | \$ 221,592 |
| Due to other funds | - | - | - | 12,208 | - | - | - | - |
| Due to other agencies | - | - | - | - | - | - | - | - |
| Security deposit payable | 45 | - | - | - | - | - | 1,000 | - |
| Developer reimbursement payable | - | - | - | - | - | - | - | - |
| Total liabilities | 902,218 | 29,119 | 72,698 | 31,091 | 321,182 | 231,626 | 4,167 | 221,592 |
| Deferred inflows of resources | | | | | | | | |
| Related to leases | - | - | - | - | - | - | 516,064 | - |
| Unavailable revenue | - | - | - | - | - | - | - | - |
| Total deferred inflows of resources | - | - | - | - | - | - | 516,064 | - |
| Fund balances | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - | - | - |
| Committed | 9,718,119 | 1,199,095 | 640,925 | 4,108 | 3,029,183 | 19,537 | 266,839 | 15,306,026 |
| Total fund balances | 9,718,119 | 1,199,095 | 640,925 | 4,108 | 3,029,183 | 19,537 | 266,839 | 15,306,026 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 10,620,337 | \$ 1,228,214 | \$ 713,623 | \$ 35,199 | \$ 3,350,365 | \$ 251,163 | \$ 787,070 | \$ 15,527,618 |

Continued

City of Salem, Oregon
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

| | Special Revenue Funds | | Permanent Funds | Debt Service Funds | Capital Projects Funds | | Total Nonmajor Governmental Funds |
|--|-----------------------|-----------------------|------------------|--------------------------|---------------------------|------------------------|-----------------------------------|
| | Traffic Safety | Community Enhancement | Perman-ent | Tax Allocation Bond Debt | Extra Capacity Facilities | Develop-ment Districts | |
| Assets | | | | | | | |
| Cash and investments | \$ - | \$ 25,984,899 | \$ 53,656 | \$ 6,753,198 | \$ 24,984,300 | \$ 10,958,780 | \$ 92,022,811 |
| Accounts receivable, net | - | 161,264 | - | 760,021 | 4,252,920 | 272,520 | 9,040,980 |
| Leases receivable | - | - | - | - | - | - | 533,484 |
| Assessments receivable | - | - | - | - | 5,387,161 | 397,816 | 5,784,977 |
| Total assets | \$ - | \$ 26,146,163 | \$ 53,656 | \$ 7,513,219 | \$ 34,624,389 | \$ 11,629,116 | \$ 112,480,132 |
| Liabilities | | | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 2,289,246 | \$ - | \$ 1,578,834 | \$ 2,597,910 | \$ 19,553 | \$ 8,285,983 |
| Due to other funds | - | - | - | - | - | - | 12,208 |
| Due to other agencies | - | - | - | - | - | - | - |
| Security deposit payable | - | - | - | - | - | - | 1,045 |
| Developer reimbursement payable | - | - | - | - | 5,387,161 | 397,816 | 5,784,977 |
| Total liabilities | - | 2,289,246 | - | 1,578,834 | 7,985,071 | 417,369 | 14,084,213 |
| Deferred inflows of resources | | | | | | | |
| Related to leases | - | - | - | - | - | - | 516,064 |
| Unavailable revenue | - | - | - | 546,930 | 1,007,754 | - | 1,554,684 |
| | - | - | - | 546,930 | 1,007,754 | - | 2,070,748 |
| Fund balances | | | | | | | |
| Nonspendable | - | - | 11,000 | - | - | - | 11,000 |
| Restricted | - | 22,894,973 | 42,656 | 5,387,455 | 25,631,564 | 11,211,747 | 65,168,395 |
| Committed | - | 961,944 | - | - | - | - | 31,145,776 |
| Total fund balances | - | 23,856,917 | 53,656 | 5,387,455 | 25,631,564 | 11,211,747 | 96,325,171 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ - | \$ 26,146,163 | \$ 53,656 | \$ 7,513,219 | \$ 34,624,389 | \$ 11,629,116 | \$ 112,480,132 |

Concluded

City of Salem, Oregon
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2025

| | Special Revenue Funds | | | | | | | |
|--|-------------------------|---------------------|-------------------|------------------|---------------------|------------------------|-------------------|----------------------|
| | Transportation Services | Streetlights | Airport | Downtown Parking | Cultural/Tourism | Tourism Promotion Area | Parking Leasehold | Building & Safety |
| Revenues | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other taxes | - | - | - | - | 5,298,982 | - | - | - |
| Sales, fees, licenses, and permits | 330,800 | 1,985,185 | 170,659 | 57,421 | - | - | - | 5,352,988 |
| Special assessments | 66 | - | - | 337,589 | - | 1,137,311 | - | - |
| Rents | 894 | - | 1,313,717 | 619,858 | - | - | 553,454 | - |
| Grants | 314,000 | - | 649,054 | - | - | - | - | - |
| Intergovernmental | 18,438,741 | - | - | - | 7,543 | - | - | 46,615 |
| Fines and penalties | - | - | - | - | - | - | - | - |
| Interest on investments | 293,418 | 29,409 | 46,362 | 3,008 | 114,253 | - | 62,869 | 472,462 |
| Loan payments received | - | - | - | - | - | - | - | 53,070 |
| Other | 5,192 | 58,944 | 539 | 4,198 | 12,087 | - | - | - |
| Total revenues | 19,383,111 | 2,073,538 | 2,180,331 | 1,022,074 | 5,432,865 | 1,137,311 | 616,323 | 5,925,135 |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| General government | - | - | - | - | - | - | - | - |
| Community development | - | - | 2,966,208 | 1,309,509 | 3,280,343 | 1,128,505 | 408,808 | 6,233,251 |
| Community service | - | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | - | - |
| Transportation | 18,092,979 | 1,466,090 | - | - | - | - | - | - |
| Library | - | - | - | - | - | - | - | - |
| Capital outlay | 257,578 | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Principal retirement | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | 24,063 | 68,951 | - | - | - | - | - |
| Total expenditures | 18,350,557 | 1,490,153 | 3,035,159 | 1,309,509 | 3,280,343 | 1,128,505 | 408,808 | 6,233,251 |
| Excess (deficiency) of revenues over expenditures | 1,032,554 | 583,385 | (854,828) | (287,435) | 2,152,522 | 8,806 | 207,515 | (308,116) |
| Other financing sources (uses) | | | | | | | | |
| Transfers in | 75,000 | - | 621,000 | 167,990 | - | - | - | - |
| Transfers out | (528,020) | (696,508) | (155,165) | - | (3,499,610) | - | (292,990) | (500,000) |
| Total other financing sources (uses) | (453,020) | (696,508) | 465,835 | 167,990 | (3,499,610) | - | (292,990) | (500,000) |
| Net change in fund balance | 579,534 | (113,123) | (388,993) | (119,445) | (1,347,088) | 8,806 | (85,475) | (808,116) |
| Fund balances - beginning of year | 9,138,585 | 1,312,218 | 1,029,918 | 123,553 | 4,376,271 | 10,731 | 352,314 | 16,114,142 |
| Fund balances - end of year | \$ 9,718,119 | \$ 1,199,095 | \$ 640,925 | \$ 4,108 | \$ 3,029,183 | \$ 19,537 | \$ 266,839 | \$ 15,306,026 |

Continued

City of Salem, Oregon
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2025

| | Special Revenue Funds | | Permanent Funds | Debt Service Funds | Capital Project Funds | | Total |
|--|-----------------------|-----------------------|------------------|--------------------------|---------------------------|-----------------------|----------------------|
| | Traffic Safety | Community Enhancement | Permanent | Tax Allocation Bond Debt | Extra Capacity Facilities | Development Districts | |
| Revenues | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 21,041,042 | \$ - | \$ - | \$ 21,041,042 |
| Other taxes | - | - | - | - | 5,298,982 | - | 5,298,982 |
| Sales, fees, licenses, and permits | - | 122,696 | 9,095 | - | 6,817,450 | 242,346 | 15,088,640 |
| Special assessments | - | 9,673 | - | - | 78,708 | - | 1,563,347 |
| Rents | - | 1,158 | - | - | - | - | 2,489,081 |
| Grants | - | 444,842 | - | - | 3,723,912 | - | 5,131,808 |
| Intergovernmental | - | 54,850 | - | - | - | - | 18,547,749 |
| Fines and penalties | - | - | - | - | - | - | - |
| Interest on investments | - | 914,641 | 1,898 | 301,823 | 894,525 | 373,111 | 3,507,779 |
| Loan payments received | - | - | - | - | - | - | 53,070 |
| Other | - | 1,210,702 | - | - | - | - | 1,291,662 |
| Total revenues | - | 2,758,562 | 10,993 | 21,342,865 | 11,514,595 | 615,457 | 74,013,160 |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| General government | - | 28 | - | - | - | - | 28 |
| Community development | - | 287,731 | - | - | - | - | 15,614,355 |
| Community service | - | 2,172,018 | - | - | - | - | 2,172,018 |
| Public safety | - | 409,405 | - | - | - | - | 409,405 |
| Transportation | - | 4,246 | - | - | - | - | 19,563,315 |
| Library | - | 203,085 | 11,620 | - | - | - | 214,705 |
| Capital outlay | - | 158,618 | - | - | 11,200,648 | 56,977 | 11,673,821 |
| Debt service | - | - | - | - | - | - | - |
| Principal retirement | - | - | - | 5,348,945 | - | - | 5,348,945 |
| Interest and fiscal charges | - | - | - | 430,734 | - | - | 523,748 |
| Total expenditures | - | 3,235,131 | 11,620 | 5,779,679 | 11,200,648 | 56,977 | 55,520,340 |
| Excess (deficiency) of revenues over expenditures | - | (476,569) | (627) | 15,563,186 | 313,947 | 558,480 | 18,492,820 |
| Other financing sources (uses) | | | | | | | |
| Transfers in | - | 879,845 | - | - | - | - | 1,743,835 |
| Transfers out | (314) | (2,070,849) | - | (13,613,655) | (75,000) | - | (21,432,111) |
| Total other financing sources (uses) | (314) | (1,191,004) | - | (13,613,655) | (75,000) | - | (19,688,276) |
| Net change in fund balance | (314) | (1,667,573) | (627) | 1,949,531 | 238,947 | 558,480 | (1,195,456) |
| Fund balances - beginning of year | 314 | 25,524,490 | 54,283 | 3,437,924 | 25,392,617 | 10,653,267 | 97,520,627 |
| Fund balances - end of year | \$ - | \$ 23,856,917 | \$ 53,656 | \$ 5,387,455 | \$ 25,631,564 | \$ 11,211,747 | \$ 96,325,171 |

Concluded



COMBINING STATEMENTS

Nonmajor Proprietary 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.

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, 2025

| | Emergency Services | Police Regional Records System | Salem Convention Center | Total Nonmajor Business-type Funds |
|--|-----------------------|---|-------------------------------|---|
| Assets | | | | |
| Current assets | | | | |
| Cash and investments | \$ 1,275,998 | \$ 2,179,039 | \$ 1,044,300 | \$ 4,499,337 |
| Accounts receivable, net | 1,322,081 | 96,321 | 599,964 | 2,018,366 |
| Inventories and prepayments | - | - | 68,377 | 68,377 |
| Total current assets | <u>2,598,079</u> | <u>2,275,360</u> | <u>1,712,641</u> | <u>6,586,080</u> |
| Noncurrent assets | | | | |
| Net OPEB asset | 5,201 | - | - | 5,201 |
| Capital assets: | | | | |
| Land and other construction in progress | - | - | 1,709,698 | 1,709,698 |
| Other capital assets, net | 1,545,836 | 421,739 | 20,561,876 | 22,529,451 |
| Total noncurrent assets | <u>1,551,037</u> | <u>421,739</u> | <u>22,271,574</u> | <u>24,244,350</u> |
| Total assets | <u>4,149,116</u> | <u>2,697,099</u> | <u>23,984,215</u> | <u>30,830,430</u> |
| Deferred outflows of resources | | | | |
| Deferred outflows related to pensions | 275,797 | - | - | 275,797 |
| Deferred outflows related to OPEB-RHIA | 484 | - | - | 484 |
| Deferred outflows related to OPEB-City | 5,391 | - | - | 5,391 |
| Total deferred outflows of resources | <u>281,672</u> | <u>-</u> | <u>-</u> | <u>281,672</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | 325,194 | 6,884 | 283,528 | 615,606 |
| SBITA payable | - | 178,631 | - | 178,631 |
| Interest payable | - | 16,333 | - | 16,333 |
| Compensated absences due within one year | 13,977 | - | - | 13,977 |
| Total current liabilities | <u>339,171</u> | <u>201,848</u> | <u>283,528</u> | <u>824,547</u> |
| Noncurrent liabilities | | | | |
| Security deposit payable | - | - | 188,038 | 188,038 |
| SBITA payable | - | 185,115 | - | 185,115 |
| Total OPEB liability | 30,409 | - | - | 30,409 |
| Net pension liability | 699,599 | - | - | 699,599 |
| Compensated absences | 156,819 | - | - | 156,819 |
| Total noncurrent liabilities | <u>886,827</u> | <u>185,115</u> | <u>188,038</u> | <u>1,259,980</u> |
| Total liabilities | <u>1,225,998</u> | <u>386,963</u> | <u>471,566</u> | <u>2,084,527</u> |
| Deferred inflows of resources: | | | | |
| Deferred inflows related to pensions | 62,025 | - | - | 62,025 |
| Deferred inflows related to OPEB-City | 9,261 | - | - | 9,261 |
| Deferred inflows related to OPEB-RHIA | 197 | - | - | 197 |
| Total deferred inflows of resources | <u>71,483</u> | <u>-</u> | <u>-</u> | <u>71,483</u> |
| Net Position | | | | |
| Net investment in capital assets | 1,545,836 | 57,993 | 22,271,574 | 23,875,403 |
| Net OPEB asset | 5,201 | - | - | 5,201 |
| Unrestricted | 1,582,270 | 2,252,143 | 1,241,075 | 5,075,488 |
| Total net position | <u>\$ 3,133,307</u> | <u>\$ 2,310,136</u> | <u>\$ 23,512,649</u> | <u>\$ 28,956,092</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, 2025

| | Emergency Services | WVPS Communications Center | Police Regional Records System | Salem Convention Center | Total Nonmajor Business-type Funds |
|---|-----------------------|----------------------------------|---|-------------------------------|---|
| Operating revenues | | | | | |
| Sales, fees, licenses, and permits | \$ 8,059,446 | | \$ - | \$ 4,223,249 | \$ 12,282,695 |
| Rents | - | | - | 2,088,593 | 2,088,593 |
| Internal and intergovernmental | 787 | | 394,580 | - | 395,367 |
| Member agencies | - | | 297,564 | - | 297,564 |
| Fines and penalties | 14,100 | | - | - | 14,100 |
| Other | 27,016 | | - | - | 27,016 |
| Total operating revenues | <u>8,101,349</u> | | <u>692,144</u> | <u>6,311,842</u> | <u>15,105,335</u> |
| Operating expenses | | | | | |
| Personal services | 1,327,192 | | - | - | 1,327,192 |
| Materials and services | 5,818,661 | | 274,228 | 5,235,775 | 11,328,664 |
| Depreciation and amortization | 158,680 | | 229,594 | 902,801 | 1,291,075 |
| Total operating expenses | <u>7,304,533</u> | | <u>503,822</u> | <u>6,138,576</u> | <u>13,946,931</u> |
| Operating income (loss) | <u>796,816</u> | | <u>188,322</u> | <u>173,266</u> | <u>1,158,404</u> |
| Non-operating revenues (expenses) | | | | | |
| Interest on investments | 62,944 | | 71,132 | - | 134,076 |
| Other revenue (expenses) | - | | - | 50,941 | 50,941 |
| Interest on debt | (53,071) | | (26,063) | - | (79,134) |
| Total non-operating revenues | <u>9,873</u> | | <u>45,069</u> | <u>50,941</u> | <u>105,883</u> |
| Net income (loss) before capital contributions and transfers | 806,689 | | 233,391 | 224,207 | 1,264,287 |
| Transfers in | 492,946 | | - | - | 492,946 |
| Transfers out | (1,145,136) | | - | (858,255) | (2,003,391) |
| Change in net position | 154,499 | | 233,391 | (634,048) | (246,158) |
| Net position - beginning, as previously presented | 3,032,117 | (1,638,716) | 2,076,745 | 24,146,697 | 27,616,843 |
| Change within financial reporting entity (nonmajor to major fund) | | 1,638,716 | | | 1,638,716 |
| Restatement for GASB 101 implementation | (53,309) | | - | - | (53,309) |
| Net position - beginning, as restated | <u>2,978,808</u> | | <u>2,076,745</u> | <u>24,146,697</u> | <u>29,202,250</u> |
| Total net position - end of year | <u>\$ 3,133,307</u> | | <u>\$ 2,310,136</u> | <u>\$ 23,512,649</u> | <u>\$ 28,956,092</u> |

City of Salem, Oregon
Combining Statement of Cash Flows
Nonmajor Business-type Funds
For the fiscal year ended June 30, 2025

| | Emergency Services | Police Regional Records System | Salem Convention Center | Total Nonmajor Business-type Funds |
|--|-----------------------|---|-------------------------------|---|
| Cash Flow from Operating Activities: | | | | |
| Receipts from customers | \$ 2,779,931 | \$ - | \$ 6,530,188 | \$ 9,310,119 |
| Receipts from interfund services provided | 787 | - | - | 787 |
| Member agencies | - | 648,666 | - | 648,666 |
| Payments to suppliers | (905,789) | (336,559) | (5,251,185) | (6,493,533) |
| Payments to employees | (1,239,751) | - | - | (1,239,751) |
| Net cash provided (used) by operating activities | 635,178 | 312,107 | 1,279,003 | 2,226,288 |
| Cash Flows from Noncapital Financing Activities: | | | | |
| Transfers paid | (1,145,137) | - | (858,255) | (2,003,392) |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Acquisition and construction of capital assets | - | - | (162,739) | (162,739) |
| Interest paid on leases | (53,071) | - | - | (53,071) |
| Principal paid on SBITA | - | (172,374) | - | (172,374) |
| Interest paid on SBITA | - | (19,461) | - | (19,461) |
| Net cash provided (used) by capital related financing activities | (53,071) | (191,835) | (162,739) | (407,645) |
| Cash Flows from Investing Activities: | | | | |
| Interest on investments | 62,944 | 71,132 | - | 134,076 |
| Net increase (decrease) in cash and cash equivalents | (500,086) | 191,404 | 258,009 | (50,673) |
| Cash and cash equivalents - beginning of year | 1,776,084 | 1,987,635 | 786,291 | 4,550,010 |
| Cash and cash equivalents - end of year | \$ 1,275,998 | \$ 2,179,039 | \$ 1,044,300 | \$ 4,499,337 |
| Reconciliation of Operating Net Cash Provided by (Used for) Operating Activities | | | | |
| Operating income (loss) | \$ 796,816 | \$ 188,321 | \$ 173,266 | \$ 1,158,403 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Depreciation and amortization | 158,680 | 229,594 | 902,801 | 1,291,075 |
| Other income (expense) | - | - | 50,941 | 50,941 |
| Changes in assets, deferred outflows, liabilities, and deferred inflows: | | | | |
| Accounts receivable | (684,336) | (43,478) | 167,405 | (560,409) |
| Inventories and prepayments | - | - | (5,446) | (5,446) |
| Deferred outflows related to pensions | (48,356) | - | - | (48,356) |
| Deferred OPEB outflows-RHIA | (467) | - | - | (467) |
| Deferred OPEB outflows-City | 635 | - | - | 635 |
| Accounts payable and accrued liabilities | 276,576 | (62,330) | (9,964) | 204,282 |
| Compensated absences payable | 47,445 | - | - | 47,445 |
| Net pension liability | 66,953 | - | - | 66,953 |
| Net OPEB asset | 157 | - | - | 157 |
| OPEB liability | (2,545) | - | - | (2,545) |
| Deferred inflows related to pensions | 20,365 | - | - | 20,365 |
| Deferred OPEB inflows-City | 3,393 | - | - | 3,393 |
| Deferred OPEB inflows-RHIA | (138) | - | - | (138) |
| Restate beginning fund balance | - | - | - | - |
| Net cash provided (used) by operating activities | \$ 635,178 | \$ 312,107 | \$ 1,279,003 | \$ 2,226,288 |

COMBINING STATEMENTS

Internal Service Funds

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

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

City Services

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

Equipment Replacement Reserve

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

Self-Insurance Benefits

This fund accounts for the City's employee health benefit programs including medical, vision, dental, and life coverages. These are primarily self-insured, but commercial insurance and re-insurance is also purchased. Reserves are based on actuarial valuations. Financing is provided primarily from user fees (City departments and employee-paid premiums) based on actual experience.

Self-Insurance Risk

This fund accounts for the City's workers' compensation and general liability programs. These are primarily self-insured, but commercial insurance and re-insurance is also purchased. An actuarial valuation is the basis for reserves and recording the liability for incurred as well as incurred but not reported claims. Financing is provided primarily from user fees (City departments) 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, 2025

| | City Services | Equipment Replacement Reserve | Self Insurance Benefits | Self Insurance Risk | Total |
|--|------------------|-------------------------------------|-------------------------------|---------------------------|---------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and investments | \$ 5,737,632 | \$ 25,232,803 | \$ 5,353,947 | \$ 1,451,094 | \$ 37,775,476 |
| Accounts receivable, net | 7,759 | - | - | - | 7,759 |
| Leases receivable | 71,369 | - | - | - | 71,369 |
| Inventories and prepayments | 1,110,883 | - | 748,000 | 60,162 | 1,919,045 |
| Total current assets | 6,927,643 | 25,232,803 | 6,101,947 | 1,511,256 | 39,773,649 |
| Noncurrent assets | | | | | |
| Leases receivable | 30,883 | - | - | - | 30,883 |
| Net OPEB asset | 65,014 | - | 15,603 | 15,603 | 96,220 |
| Capital assets: | | | | | |
| Land and other construction in progress | 213,639 | 4,894,326 | - | - | 5,107,965 |
| Other capital assets, net | 8,316,547 | 23,101,707 | - | - | 31,418,254 |
| Total noncurrent assets | 8,626,083 | 27,996,033 | 15,603 | 15,603 | 36,653,322 |
| Total assets | 15,553,726 | 53,228,836 | 6,117,550 | 1,526,859 | 76,426,971 |
| Deferred outflows of resources | | | | | |
| Deferred outflows related to pensions | 1,371,700 | - | 185,856 | 310,871 | 1,868,427 |
| Deferred outflows related to OPEB-RHIA | 6,048 | - | 1,451 | - | 8,950 |
| Deferred outflows related to OPEB-City | 67,391 | - | 16,174 | 16,174 | 99,739 |
| Total deferred outflows of resources | 1,445,139 | - | 203,481 | 328,496 | 1,977,116 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | 620,902 | 146,974 | 452,885 | 108,552 | 1,329,313 |
| SBITA payable | - | - | - | - | - |
| Leases payable | 59,837 | - | - | - | 59,837 |
| Interest payable | 1,858 | - | - | - | 1,858 |
| Due to other funds | - | 4,826,967 | - | - | 4,826,967 |
| Claims and judgments payable | - | - | - | 2,235,000 | 2,235,000 |
| Compensated absences due within one year | 90,258 | - | 24,222 | 18,999 | 133,479 |
| Total current liabilities | 772,855 | 4,973,941 | 477,107 | 2,362,551 | 8,586,454 |
| Noncurrent liabilities | | | | | |
| Leases payable | 159,755 | - | - | - | 159,755 |
| Total OPEB liability | 380,111 | - | 91,227 | 91,227 | 562,565 |
| Net pension liability | 3,490,401 | - | 475,381 | 805,961 | 4,771,743 |
| Claims and judgments payable | - | - | - | 10,106,000 | 10,106,000 |
| Compensated absences | 189,901 | - | 161,898 | 152,954 | 504,753 |
| Total noncurrent liabilities | 4,220,168 | - | 728,506 | 11,156,142 | 16,104,816 |
| Total liabilities | 4,993,023 | 4,973,941 | 1,205,613 | 13,518,693 | 24,691,270 |
| Deferred inflows of resources: | | | | | |
| Deferred inflows related to leases | 90,173 | - | - | - | 90,173 |
| Deferred inflows related to pensions | 279,707 | - | 23,414 | 38,353 | 341,474 |
| Deferred inflows related to OPEB-City | 115,786 | - | 27,784 | 27,784 | 171,334 |
| Deferred inflows related to OPEB-RHIA | 2,468 | - | 592 | 592 | 3,652 |
| Total deferred inflows of resources | 488,114 | - | 51,790 | 66,729 | 606,633 |
| Net Position | | | | | |
| Net investment in capital assets | 8,310,594 | 27,996,034 | - | - | 36,306,628 |
| Restricted for: | | | | | |
| Net OPEB asset | 65,014 | - | 15,603 | 15,603 | 96,220 |
| Unrestricted | 3,160,602 | 20,258,861 | 5,048,025 | (11,745,670) | 16,721,818 |
| Total net position | \$ 11,517,228 | \$ 48,254,895 | \$ 5,063,628 | \$ (11,730,067) | \$ 53,106,184 |

City of Salem, Oregon
Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the fiscal year ended June 30, 2025

| | City Services | Equipment Replacement Reserve | Self Insurance Benefits | Self Insurance Risk | Total |
|--|------------------|-------------------------------------|-------------------------------|---------------------------|---------------|
| Operating revenues | | | | | |
| Sales, fees, licenses, and permits | \$ 10,747 | \$ 45,086 | \$ 300 | \$ 281 | \$ 56,414 |
| Rents | 1,451,687 | 1,703,010 | - | - | 3,154,697 |
| Internal and intergovernmental | 12,838,000 | 2,773,510 | 31,814,919 | 10,229,576 | 57,656,005 |
| Other | 9,790 | 105,436 | 2,158,344 | 25,896 | 2,299,466 |
| Total operating revenues | 14,310,224 | 4,627,042 | 33,973,563 | 10,255,753 | 63,166,582 |
| Operating expenses | | | | | |
| Personal services | 3,218,386 | - | 1,177,980 | 1,159,536 | 5,555,902 |
| Materials and services | 10,282,349 | 837,454 | 35,638,505 | 8,035,094 | 54,793,402 |
| Depreciation and amortization | 1,295,382 | 3,455,875 | - | - | 4,751,257 |
| Total operating expenses | 14,796,117 | 4,293,329 | 36,816,485 | 9,194,630 | 65,100,561 |
| Operating income (loss) | (485,893) | 333,713 | (2,842,922) | 1,061,123 | (1,933,979) |
| Non-operating revenues (expenses) | | | | | |
| Interest on investments | 192,173 | 855,446 | 205,941 | 18,983 | 1,272,543 |
| Other revenue (expenses) | (7,238) | 136,576 | 7 | - | 129,345 |
| Total non-operating revenues | 184,935 | 992,022 | 205,948 | 18,983 | 1,401,888 |
| Net income (loss) before capital contributions and transfers | (300,958) | 1,325,735 | (2,636,974) | 1,080,106 | (532,091) |
| Capital contributions | - | 260,996 | - | - | 260,996 |
| Transfers in | - | 1,584,871 | - | - | 1,584,871 |
| Transfers out | (300,000) | (492,946) | - | - | (792,946) |
| Change in net position | (600,958) | 2,678,656 | (2,636,974) | 1,080,106 | 520,830 |
| Net position - beginning, as previously presented | 12,245,395 | 45,576,239 | 7,765,463 | (12,748,318) | 52,838,779 |
| Restatement | (126,709) | - | (64,861) | (61,855) | (253,425) |
| Net position - beginning, as restated | 12,118,686 | 45,576,239 | 7,700,602 | (12,810,173) | 52,585,354 |
| Total net position - ending | \$ 11,517,228 | \$ 48,254,895 | \$ 5,063,628 | \$ (11,730,067) | \$ 53,106,184 |

City of Salem, Oregon
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2025

| | City Services | Equipment Replacement Reserve | Self Insurance Benefits | Self Insurance Risk | Total |
|---|---------------------|-------------------------------------|-------------------------------|---------------------------|----------------------|
| Cash Flow from Operating Activities: | | | | | |
| Receipts from customers | \$ 1,477,333 | \$ 1,909,462 | \$ 2,158,713 | \$ 26,177 | \$ 5,571,685 |
| Receipts from interfund services provided | 12,838,000 | 2,773,510 | 31,814,919 | 10,229,576 | 57,656,005 |
| Payments to suppliers | (10,280,905) | (700,550) | (35,808,278) | (9,313,803) | (56,103,536) |
| Payments to employees | (2,969,828) | - | (1,070,189) | (1,094,753) | (5,134,770) |
| Net cash provided (used) by operating activities | <u>1,064,600</u> | <u>3,982,422</u> | <u>(2,904,835)</u> | <u>(152,803)</u> | <u>1,989,384</u> |
| Cash Flows from Noncapital Financing Activities: | | | | | |
| Transfers received | - | 5,692,595 | - | - | 5,692,595 |
| Transfers paid | (300,000) | (492,945) | - | - | (792,945) |
| Net cash provided (used) by noncapital related financing activities | <u>(300,000)</u> | <u>5,199,650</u> | <u>-</u> | <u>-</u> | <u>4,899,650</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Acquisition and construction of capital assets | (29,288) | (7,544,111) | - | - | (7,573,399) |
| Principal paid on leases | (57,558) | - | - | - | (57,558) |
| Interest paid on leases | (6,746) | - | - | - | (6,746) |
| Principal paid on SBITA | (61,674) | (130,804) | - | - | (192,478) |
| Interest paid on SBITA | (2,239) | (4,748) | - | - | (6,987) |
| Sale of property | - | 333,825 | - | - | 333,825 |
| Net cash provided (used) by capital related financing activities | <u>(157,505)</u> | <u>(7,345,838)</u> | <u>-</u> | <u>-</u> | <u>(7,503,343)</u> |
| Cash Flows from Investing Activities: | | | | | |
| Interest on investments | 192,174 | 855,446 | 205,941 | 18,983 | 1,272,544 |
| Net increase (decrease) in cash and cash equivalents | 799,269 | 2,691,680 | (2,698,894) | (133,820) | 658,235 |
| Cash and cash equivalents - beginning of year | 4,938,363 | 22,541,123 | 8,052,841 | 1,584,914 | 37,117,241 |
| Cash and cash equivalents - end of year | <u>\$ 5,737,632</u> | <u>\$ 25,232,803</u> | <u>\$ 5,353,947</u> | <u>\$ 1,451,094</u> | <u>\$ 37,775,476</u> |

Continued

City of Salem, Oregon
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2025

| | City Services | Equipment Replacement Reserve | Self Insurance Benefits | Self Insurance Risk | Total |
|--|---------------------|-------------------------------------|-------------------------------|---------------------------|---------------------|
| Reconciliation of Operating Net Cash Provided by (Used for) Operating Activities | | | | | |
| Operating income (loss) | \$ (485,893) | \$ 333,713 | \$ (2,842,922) | \$ 1,061,123 | \$ (1,933,979) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Depreciation and amortization | 1,295,382 | 3,455,875 | - | - | 4,751,257 |
| Changes in assets, deferred outflows, liabilities, and deferred inflows: | | | | | |
| Accounts receivable | 68,759 | 55,930 | 69 | (16,768) | 107,990 |
| Inventories and prepayments | (64,476) | - | (140,000) | - | (204,476) |
| Deferred outflows related to pensions | (191,149) | - | (55,177) | (82,311) | (328,637) |
| Deferred OPEB outflow-RHIA | (5,841) | - | (1,410) | (1,393) | (8,644) |
| Deferred OPEB outflow-City | 7,936 | - | (1,109) | 4,917 | 11,744 |
| Accounts payable and accrued liabilities | 162,652 | 136,904 | (29,772) | 53,059 | 322,843 |
| Compensated absences payable | (15,140) | - | 46,346 | 9,232 | 40,438 |
| Deferred inflow-leases | (63,651) | - | - | - | (63,651) |
| Claims reserve | - | - | - | (1,315,000) | (1,315,000) |
| Net pension liability | 264,665 | - | 76,398 | 113,968 | 455,031 |
| Net OPEB asset | 1,965 | - | (2,207) | 3,151 | 2,909 |
| OPEB liability | (31,810) | - | 8,843 | (24,111) | (47,078) |
| Deferred inflows related to pensions | 80,499 | - | 23,237 | 34,663 | 138,399 |
| Deferred OPEB inflow-City | 42,417 | - | 13,114 | 7,246 | 62,777 |
| Deferred OPEB inflow-RHIA | (1,715) | - | (245) | (579) | (2,539) |
| Net cash provided (used) by operating activities | <u>\$ 1,064,600</u> | <u>\$ 3,982,422</u> | <u>\$ (2,904,835)</u> | <u>\$ (152,803)</u> | <u>\$ 1,989,384</u> |
| Non-cash investing, capital, and financing activities | | | | | |
| Contributions of capital assets | \$ 29,286 | \$ 3,528,853 | \$ - | \$ - | \$ 3,558,139 |
| Contributions of capital assets from governmental funds | 24,500 | 257,578 | - | - | 282,078 |



COMBINING STATEMENTS

Fiduciary Funds

All fiduciary funds reported are considered to be Custodial funds. Custodial fiduciary funds account for resources received and held by the reporting government in a purely custodial capacity. No trust agreements exist for any Custodial funds.

The columns presented in these statements consist of:

Intergovernmental

Accounts for fees and assessments collected on behalf of other governments. Fees and assessments primarily relate to court assessments and building permit.

Restitution Trust

Accounts for money received from parolees making restitution, restitution payments to victims, and restitution forfeitures.

Utility Assistance

Accounts for outside parties and governmental donations to assist low-income residents with City utility bills.

Seized Asset Trust

Accounts for police seizures held by the City until final verdicts are rendered for open litigation. Amounts collected are distributed based on the final verdicts rendered.

Reimbursement Districts

Accounts for infrastructure fees collected and reimbursed to outside development parties based on formation of development districts and the infrastructure agreements.

City of Salem, Oregon
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

| | Custodial Funds | |
|--|--------------------------------|------------------------------|
| | Intergovern- mental | Restitution Trust |
| Assets | | |
| Cash and investments | \$ 134,328 | \$ 923 |
| Accounts receivable, net | - | - |
| Total assets | <u>134,328</u> | <u>923</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | - | - |
| Due to other governments | 111,944 | - |
| Total liabilities | <u>111,944</u> | <u>-</u> |
| Net Position | | |
| Restricted for: | | |
| Other governments and individuals | 22,384 | 923 |
| Specific programs | - | - |
| Total net position | <u>\$ 22,384</u> | <u>\$ 923</u> |

Continued

City of Salem, Oregon
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

| | Custodial Funds | | | |
|--------------------|-------------------------------|-------------------------------|------------------------------------|---------------------|
| | Utility Assistance | Seized Asset Trust | Reimbursement Districts | Total |
| | \$ 4,288 | \$ 325,531 | \$ 979,426 | \$ 1,444,496 |
| | 92 | - | - | 92 |
| Total assets | <u>4,380</u> | <u>325,531</u> | <u>979,426</u> | <u>1,444,588</u> |
| | - | - | - | - |
| | - | - | - | 111,944 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>111,944</u> |
| | - | - | - | - |
| | - | 325,531 | 979,426 | 1,328,264 |
| | 4,380 | - | - | 4,380 |
| Total net position | <u>\$ 4,380</u> | <u>\$ 325,531</u> | <u>\$ 979,426</u> | <u>\$ 1,332,644</u> |

Concluded

City of Salem, Oregon
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the fiscal year ended June 30, 2025

| | Custodial Funds | |
|---|--------------------------|--------------------------|
| | Intergovernmental | Restitution Trust |
| Additions | | |
| Fees and assessments collected for other governments | \$ 1,590,006 | \$ - |
| Program revenues: | | |
| Outside parties | - | - |
| Governmental funds | - | - |
| Restitution collections | - | 34,799 |
| Investment earnings | - | - |
| Police seizures | - | - |
| | <u>1,590,006</u> | <u>34,799</u> |
| Total additions | | |
| | 1,590,006 | 34,799 |
| Deductions | | |
| Fees and assessments distributed to other governments | 1,324,946 | - |
| Administrative expense | 271,170 | - |
| Restitution payments | - | 34,984 |
| Expenditures - Community Service and Development | - | - |
| Seized assets distributions: | | |
| Payments to other governments | - | - |
| Returned to individuals | - | - |
| | <u>1,596,116</u> | <u>34,984</u> |
| Total deductions | | |
| | 1,596,116 | 34,984 |
| Change in net position | (6,110) | (185) |
| Total net position - beginning of year | <u>28,494</u> | <u>1,108</u> |
| Total net position - end of year | <u>\$ 22,384</u> | <u>\$ 923</u> |

Continued

City of Salem, Oregon
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the fiscal year ended June 30, 2025

| | Custodial Funds | | | Total |
|--|---------------------------|---------------------------|--------------------------------|---------------------|
| | Utility Assistance | Seized Asset Trust | Reimbursement Districts | |
| | \$ - | \$ - | \$ - | \$ 1,590,006 |
| | 5,911 | - | 1,008 | 6,919 |
| | 300,000 | - | - | 300,000 |
| | - | - | - | 34,799 |
| | 3,849 | - | 34,488 | 38,337 |
| | - | 58,950 | - | 58,950 |
| | <u>309,760</u> | <u>58,950</u> | <u>35,496</u> | <u>2,029,011</u> |
| | | | | |
| | - | - | - | 1,324,946 |
| | - | - | - | 271,170 |
| | - | - | - | 34,984 |
| | 458,962 | - | - | 458,962 |
| | - | 46,333 | - | 46,333 |
| | - | 15,313 | - | 15,313 |
| | <u>458,962</u> | <u>61,646</u> | <u>-</u> | <u>2,151,708</u> |
| | | | | |
| | (149,202) | (2,696) | 35,496 | (122,697) |
| | <u>153,582</u> | <u>328,227</u> | <u>943,930</u> | <u>1,455,341</u> |
| | | | | |
| | <u>\$ 4,380</u> | <u>\$ 325,531</u> | <u>\$ 979,426</u> | <u>\$ 1,332,644</u> |

Concluded



BUDGETARY COMPARISON SCHEDULES

The City's General Operating fund (which consists of the General fund and Public Art fund) and Community Renewal fund are presented in the basic governmental fund financial statements. All other fund budgetary comparisons are in the following pages as supplemental information.

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

Governmental Funds

Major Governmental Funds

- o *Capital Improvements*
- o *Tax Allocation Improvements*
- o *General Debt*

Nonmajor Governmental Funds

Special Revenue Funds

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

Debt Service Funds

- o *Tax Allocation Bond Debt*

Capital Projects Funds

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

Proprietary Funds

Major Business-type Fund

- o *Utility*
- o *Willamette Valley Public Safety (WVPS) Communications Center*

Nonmajor Business-type Funds

- o *Emergency Services*
- o *Police Regional Records System*
- o *Salem Convention Center*

Internal Service Funds

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

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, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|----------------------|----------------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ - | \$ - | \$ 131,084 | \$ (131,084) |
| Rents | - | - | 21,815 | (21,815) |
| Grants | 19,630,760 | 19,630,760 | 2,110,069 | 17,520,691 |
| Intergovernmental | 15,266,480 | 15,440,500 | 457,920 | 14,982,580 |
| Interest on investments | 100,000 | 107,010 | 5,837,706 | (5,730,696) |
| Other | 360,000 | 360,000 | 74,470 | 285,530 |
| Total revenues | 35,357,240 | 35,538,270 | 8,633,064 | 26,905,206 |
| Expenditures | | | | |
| Operations | 136,871,600 | 136,871,600 | 35,970,367 | 100,901,233 |
| Excess (deficiency) of revenues over expenditures | (101,514,360) | (101,333,330) | (27,337,303) | (73,996,027) |
| Other financing sources (uses) | | | | |
| Sale of property | - | - | 2,760,000 | (2,760,000) |
| Transfers in | 33,938,020 | 33,756,990 | 34,239,309 | (482,319) |
| Transfers out | - | - | (1,738,540) | 1,738,540 |
| Total other financing sources (uses) | 33,938,020 | 33,756,990 | 35,260,769 | (1,503,779) |
| Net change in fund balance | (67,576,340) | (67,576,340) | 7,923,466 | (75,499,806) |
| Fund balance - beginning of year | 134,799,000 | 134,799,000 | 134,962,626 | (163,626) |
| Fund balance - end of year | <u>\$ 67,222,660</u> | <u>\$ 67,222,660</u> | <u>142,886,092</u> | <u>\$ (75,663,432)</u> |

Reconciliation to generally accepted accounting principles:

| | |
|---|----------------------|
| Transfer of net activity and fund balance to Utility fund | (57,088,912) |
| Advance from Utility fund | (3,731,046) |
| Advance from Building and Safety fund | (270,905) |
| Transfer of net activity and fund balance to WVPS fund | (3,046,342) |
| Accrued interest payable on leases | 517 |
| Fund balance - end of year | <u>\$ 78,749,404</u> |

1 () indicates revenue/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, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|----------------------|----------------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Rents | \$ 10,000 | \$ 10,000 | \$ 18,300 | \$ (8,300) |
| Grants | 1,478,740 | 1,478,740 | 3,161,271 | (1,682,531) |
| Intergovernmental | 524,590 | 524,590 | 524,590 | - |
| Interest on investments | 705,000 | 705,000 | 2,356,884 | (1,651,884) |
| Loan payments received | 25,000 | 25,000 | 11,587 | 13,413 |
| Total revenues | 2,743,330 | 2,743,330 | 6,072,632 | (3,329,302) |
| Expenditures | | | | |
| Operations | 60,468,270 | 60,468,270 | 13,884,235 | 46,584,035 |
| Excess (deficiency) of revenues over expenditures | (57,724,940) | (57,724,940) | (7,811,603) | (49,913,337) |
| Other financing sources (uses) | | | | |
| Issuance of debt | 17,780,000 | 17,780,000 | 13,278,400 | 4,501,600 |
| Transfers in | 335,260 | 335,260 | 335,255 | 5 |
| Transfers out | (4,090) | (4,090) | (4,090) | - |
| Total other financing sources (uses) | 18,111,170 | 18,111,170 | 13,609,565 | 4,501,605 |
| Net change in fund balance | (39,613,770) | (39,613,770) | 5,797,962 | (45,411,732) |
| Fund balance - beginning of year | 62,955,910 | 62,955,910 | 67,785,388 | (4,829,478) |
| Fund balance - end of year | <u>\$ 23,342,140</u> | <u>\$ 23,342,140</u> | <u>73,583,350</u> | <u>\$ (50,241,210)</u> |

Reconciliation to generally accepted accounting principles:

| | |
|---------------------------------------|----------------------|
| Accrued interest receivable on leases | 55 |
| Long-term lease receivables | 748 |
| Deferred inflows related to leases | (712) |
| Fund balance - end of year | <u>\$ 73,583,441</u> |

1 () indicates revenue/expenditures in excess of budget

**City of Salem, Oregon
General Debt
Schedule of Revenues, Expenses, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025**

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|------------------|---------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$ 20,675,040 | \$ 20,675,040 | \$ 19,773,528 | \$ 901,512 |
| Intergovernmental | 6,433,610 | 6,433,610 | 6,433,640 | (30) |
| Interest on investments | 300,000 | 300,000 | 421,807 | (121,807) |
| Total revenues | 27,408,650 | 27,408,650 | 26,628,975 | 779,675 |
| Expenditures | | | | |
| Debt service | 25,752,270 | 25,752,270 | 25,752,266 | 4 |
| Excess (deficiency) of revenues over expenditures | 1,656,380 | 1,656,380 | 876,709 | 779,671 |
| Fund balance - beginning of year | 3,440,070 | 3,440,070 | 3,554,606 | (114,536) |
| Fund balance - end of year | \$ 5,096,450 | \$ 5,096,450 | \$ 4,431,315 | \$ 665,135 |

1 () indicates revenue/expenditures in excess of budget

**City of Salem, Oregon
Transportation Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025**

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|------------------|--------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ 334,660 | \$ 334,660 | \$ 330,800 | \$ 3,860 |
| Special assessments | 2,000 | 2,000 | 66 | 1,934 |
| Rents | 1,000 | 1,000 | 894 | 106 |
| Grants | 315,160 | 315,160 | 314,000 | 1,160 |
| Intergovernmental | 18,381,590 | 18,381,590 | 18,438,741 | (57,151) |
| Interest on investments | 125,000 | 125,000 | 293,418 | (168,418) |
| Other | 1,310 | 1,310 | 5,192 | (3,882) |
| Total revenues | 19,160,720 | 19,160,720 | 19,383,111 | (222,391) |
| Expenditures | | | | |
| Operations | 20,290,630 | 20,489,320 | 18,350,557 | 2,138,763 |
| Contingency | 500,000 | 301,310 | - | 301,310 |
| Total expenditures | 20,790,630 | 20,790,630 | 18,350,557 | 2,440,073 |
| Excess (deficiency) of revenues over expenditures | (1,629,910) | (1,629,910) | 1,032,554 | (2,662,464) |
| Other financing sources (uses) | | | | |
| Transfers in | 75,000 | 75,000 | 75,000 | - |
| Transfers out | (628,020) | (628,020) | (528,020) | (100,000) |
| Total other financing sources (uses) | (553,020) | (553,020) | (453,020) | (100,000) |
| Net change in fund balance | (2,182,930) | (2,182,930) | 579,534 | (2,762,464) |
| Fund balance - beginning of year | 8,294,580 | 8,294,580 | 9,138,585 | (844,005) |
| Fund balance - end of year | \$ 6,111,650 | \$ 6,111,650 | \$ 9,718,119 | \$ (3,606,469) |

1 () indicates revenue/expenditures in excess of budget

**City of Salem, Oregon
Streetlights**
**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual**
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|-------------------|-------------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ 1,990,400 | \$ 1,990,400 | \$ 1,985,185 | \$ 5,215 |
| Interest on investments | 24,460 | 24,460 | 29,409 | (4,949) |
| Other | - | - | 58,944 | (58,944) |
| Total revenues | <u>2,014,860</u> | <u>2,014,860</u> | <u>2,073,538</u> | <u>(58,678)</u> |
| Expenditures | | | | |
| Operations | 1,568,410 | 1,586,300 | 1,466,090 | 120,210 |
| Debt service | 220,580 | 220,580 | 220,571 | 9 |
| Contingency | 200,000 | 182,110 | - | 182,110 |
| Total expenditures | <u>1,988,990</u> | <u>1,988,990</u> | <u>1,686,661</u> | <u>302,329</u> |
| Excess (deficiency) of revenues over expenditures | 25,870 | 25,870 | 386,877 | (361,007) |
| Other financing sources (uses) | | | | |
| Transfers out | <u>(500,000)</u> | <u>(500,000)</u> | <u>(500,000)</u> | <u>-</u> |
| Net change in fund balance | (474,130) | (474,130) | (113,123) | (361,007) |
| Fund balance - beginning of year | <u>1,187,450</u> | <u>1,187,450</u> | <u>1,312,218</u> | <u>(124,768)</u> |
| Fund balance - end of year | <u>\$ 713,320</u> | <u>\$ 713,320</u> | <u>\$ 1,199,095</u> | <u>\$ (485,775)</u> |

1 () indicates revenue/expenditures in excess of budget

**City of Salem, Oregon
Airport**
**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual**
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|-------------------|-------------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ 274,440 | \$ 274,440 | \$ 170,659 | \$ 103,781 |
| Rents | 1,402,700 | 1,402,700 | 1,313,717 | 88,983 |
| Grants | - | 516,830 | 649,054 | (132,224) |
| Interest on investments | 20,600 | 20,600 | 46,361 | (25,761) |
| Other | 12,360 | 12,360 | 539 | 11,821 |
| Total revenues | <u>1,710,100</u> | <u>2,226,930</u> | <u>2,180,330</u> | <u>46,600</u> |
| Expenditures | | | | |
| Operations | 2,478,890 | 3,158,230 | 2,966,208 | 192,022 |
| Debt service | 224,130 | 224,130 | 224,115 | 15 |
| Contingency | 300,000 | 137,490 | - | 137,490 |
| Total expenditures | <u>3,003,020</u> | <u>3,519,850</u> | <u>3,190,323</u> | <u>329,527</u> |
| Excess (deficiency) of revenues over expenditures | (1,292,920) | (1,292,920) | (1,009,993) | (282,927) |
| Other financing sources (uses) | | | | |
| Transfers in | 621,000 | 621,000 | 621,000 | - |
| Transfers out | <u>(85,500)</u> | <u>(85,500)</u> | <u>-</u> | <u>(85,500)</u> |
| Total other financing sources (uses) | <u>535,500</u> | <u>535,500</u> | <u>621,000</u> | <u>(85,500)</u> |
| Net change in fund balance | (757,420) | (757,420) | (388,993) | (368,427) |
| Fund balance - beginning of year | <u>1,035,590</u> | <u>1,035,590</u> | <u>1,029,918</u> | <u>5,672</u> |
| Fund balance - end of year | <u>\$ 278,170</u> | <u>\$ 278,170</u> | <u>\$ 640,925</u> | <u>\$ (362,755)</u> |

1 () indicates revenue/expenditures in excess of budget

**City of Salem, Oregon
Downtown Parking
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025**

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|------------------|-----------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ 35,380 | \$ 35,380 | \$ 57,421 | \$ (22,041) |
| Rents | 984,190 | 984,190 | 957,447 | 26,743 |
| Interest on investments | 5,000 | 5,000 | 3,008 | 1,992 |
| Other | 2,000 | 2,000 | 4,198 | (2,198) |
| Total revenues | 1,026,570 | 1,026,570 | 1,022,074 | 4,496 |
| Expenditures | | | | |
| Operations | 1,366,060 | 1,445,320 | 1,309,509 | 135,811 |
| Excess (deficiency) of revenues over expenditures | (339,490) | (418,750) | (287,435) | (131,315) |
| Fund balance - beginning of year | 164,490 | 164,490 | 123,553 | 40,937 |
| Fund balance - end of year | \$ - | \$ - | \$ 4,108 | \$ (4,108) |

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, 2025**

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|------------------|--------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Other taxes | \$ 5,245,910 | \$ 5,245,910 | \$ 5,298,982 | \$ (53,072) |
| Intergovernmental | 7,400 | 7,400 | 7,543 | (143) |
| Interest on investments | 26,800 | 26,800 | 114,253 | (87,453) |
| Other | 12,000 | 12,000 | 12,087 | (87) |
| Total revenues | 5,292,110 | 5,292,110 | 5,432,865 | (140,755) |
| Expenditures | | | | |
| Operations | 3,462,000 | 3,462,000 | 3,280,343 | 181,657 |
| Contingency | 200,000 | 200,000 | - | 200,000 |
| Total expenditures | 3,662,000 | 3,662,000 | 3,280,343 | 381,657 |
| Excess (deficiency) of revenues over expenditures | 1,630,110 | 1,630,110 | 2,152,522 | (522,412) |
| Other financing sources (uses) | | | | |
| Transfers out | (3,499,610) | (3,499,610) | (3,499,610) | - |
| Net change in fund balance | (1,869,500) | (1,869,500) | (1,347,088) | (522,412) |
| Fund balance - beginning of year | 4,238,180 | 4,238,180 | 4,376,271 | (138,091) |
| Fund balance - end of year | \$ 2,368,680 | \$ 2,368,680 | \$ 3,029,183 | \$ (660,503) |

1 () indicates revenue/expenditures in excess of budget

**City of Salem, Oregon
Public Art**
**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual**
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|------------------|----------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Interest on investments | \$ 1,200 | \$ 1,200 | \$ 3,152 | \$ (1,952) |
| Expenditures | | | | |
| Operations | 101,080 | 101,080 | 20,975 | 80,105 |
| Excess (deficiency) of revenues over expenditures | (99,380) | (99,380) | (17,823) | (81,557) |
| Fund balance - beginning of year | 74,380 | 74,380 | 84,640 | (10,260) |
| Fund balance - end of year | \$ - | \$ - | \$ 91,817 | \$ (91,817) |

1 () indicates revenue/expenditures in excess of budget

**City of Salem, Oregon
Tourism Promotion Area**
**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual**
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|------------------|--------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Special assessments | \$ 1,500,000 | \$ 1,500,000 | \$ 1,137,311 | \$ 362,689 |
| Expenditures | | | | |
| Operations | 1,500,000 | 1,500,000 | 1,128,505 | 371,495 |
| Excess (deficiency) of revenues over expenditures | - | - | 8,806 | (8,806) |
| Fund balance - beginning of year | - | - | 10,731 | (10,731) |
| Fund balance - end of year | \$ - | \$ - | \$ 19,537 | \$ (19,537) |

1 () indicates revenue/expenditures in excess 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, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|------------------|----------------|---|--|
| | Original | Final | | |
| | Revenues | | | |
| Rents | \$ 625,950 | \$ 625,950 | \$ 671,824 | \$ (45,874) |
| Interest on investments | 3,000 | 3,000 | 8,078 | (5,078) |
| Total revenues | <u>628,950</u> | <u>628,950</u> | <u>679,902</u> | <u>(50,952)</u> |
| Expenditures | | | | |
| Operations | 536,280 | 543,290 | 408,808 | 134,482 |
| Contingency | - | - | - | - |
| Total expenditures | <u>536,280</u> | <u>543,290</u> | <u>408,808</u> | <u>134,482</u> |
| Excess (deficiency) of revenues over expenditures | 92,670 | 85,660 | 271,094 | (185,434) |
| Other financing sources (uses) | | | | |
| Transfers out | (300,000) | (292,990) | (292,990) | - |
| Net change in fund balance | (207,330) | (207,330) | (21,896) | (185,434) |
| Fund balance - beginning of year | 207,330 | 207,330 | 266,595 | (59,265) |
| Fund balance - end of year | <u>\$ -</u> | <u>\$ -</u> | <u>244,699</u> | <u>\$ (244,699)</u> |
| Reconciliation to generally accepted accounting principles: | | | | |
| Accrued interest receivable on leases | | | 4,720 | |
| Long-term lease receivables | | | 533,484 | |
| Deferred inflows related to leases | | | (516,064) | |
| Fund balance - end of year | | | <u>\$ 266,839</u> | |

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Building & Safety
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|----------------------|----------------------|---|--|
| | Original | Final | | |
| | Revenues | | | |
| Sales, fees, licenses, and permits | \$ 4,100,650 | \$ 4,100,650 | \$ 5,352,988 | \$ (1,252,338) |
| Intergovernmental | - | - | 46,615 | (46,615) |
| Interest on investments | 350,000 | 350,000 | 472,462 | (122,462) |
| Loan payments received | - | - | 343,698 | (343,698) |
| Total revenues | <u>4,450,650</u> | <u>4,450,650</u> | <u>6,215,763</u> | <u>(1,765,113)</u> |
| Expenditures | | | | |
| Operations | 7,492,290 | 7,505,700 | 6,233,251 | 1,272,449 |
| Contingency | 300,000 | 286,590 | - | 286,590 |
| Total expenditures | <u>7,792,290</u> | <u>7,792,290</u> | <u>6,233,251</u> | <u>1,559,039</u> |
| Excess (deficiency) of revenues over expenditures | (3,341,640) | (3,341,640) | (17,488) | (3,324,152) |
| Other financing sources (uses) | | | | |
| Sale of property | - | - | - | - |
| Transfers out | (500,000) | (6,500,000) | (5,888,500) | (611,500) |
| Total other financing sources (uses) | <u>(500,000)</u> | <u>(500,000)</u> | <u>(5,888,500)</u> | <u>5,388,500</u> |
| Net change in fund balance | (3,841,640) | (3,841,640) | (5,905,988) | 2,064,348 |
| Fund balance - beginning of year | <u>15,726,180</u> | <u>15,726,180</u> | <u>16,114,142</u> | <u>(387,962)</u> |
| Fund balance - end of year | <u>\$ 11,884,540</u> | <u>\$ 11,884,540</u> | <u>10,208,154</u> | <u>\$ 1,676,386</u> |
| Reconciliation to generally accepted accounting principles: | | | | |
| Advance to Capital Improvements fund | | | 270,905 | |
| Advance to Equipment Replacement Reserve fund | | | 4,826,967 | |
| Net position at end of year | | | <u>\$ 15,306,026</u> | |

1 () indicates revenue/expenditure in excess of budget

City of Salem, Oregon
Traffic Safety
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|---------------------------------------|------------------|-------|--------------------------------|---|
| | Original | Final | | |
| Other financing sources (uses) | | | | |
| Transfers out | (320) | (320) | (314) | (6) |
| Fund balance - beginning of year | 320 | 320 | 314 | 6 |
| Fund balance - end of year | \$ - | \$ - | \$ - | \$ - |

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Community Enhancement
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|------------------|---------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ 6,800 | \$ 6,800 | \$ 142,241 | \$ (135,441) |
| Special assessments | - | - | 9,673 | (9,673) |
| Rents | - | - | 1,158 | (1,158) |
| Grants | 300,000 | 300,000 | 444,842 | (144,842) |
| Intergovernmental | - | - | 54,850 | (54,850) |
| Fines and penalties | 13,000 | 13,000 | (19,545) | 32,545 |
| Interest on investments | 767,350 | 767,350 | 914,641 | (147,291) |
| Other | 2,736,580 | 2,736,580 | 1,210,702 | 1,525,878 |
| Total revenues | 3,823,730 | 3,823,730 | 2,758,562 | 1,065,168 |
| Expenditures | | | | |
| Operations | 10,865,300 | 10,865,300 | 3,235,131 | 7,630,169 |
| Excess (deficiency) of revenues over expenditures | (7,041,570) | (7,041,570) | (476,569) | (6,565,001) |
| Other financing sources (uses) | | | | |
| Transfers in | 2,021,590 | 881,590 | 931,448 | (49,858) |
| Transfers out | (2,738,980) | (2,738,980) | (2,122,452) | (616,528) |
| Total other financing sources (uses) | (717,390) | (1,857,390) | (1,191,004) | (666,386) |
| Net change in fund balance | (7,758,960) | (8,898,960) | (1,667,573) | (7,231,387) |
| Fund balance - beginning of year | 23,520,710 | 23,520,710 | 25,524,490 | (2,003,780) |
| Fund balance - end of year | \$ 15,761,750 | \$ 14,621,750 | \$ 23,856,917 | \$ (9,235,167) |

1 () indicates revenue/expenditures in excess of budget

**City of Salem, Oregon
Permanent**
**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual**
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|------------------|------------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ - | \$ - | \$ 9,095 | \$ (9,095) |
| Interest on investments | 810 | 810 | 1,898 | (1,088) |
| Other | 16,890 | 16,890 | - | 16,890 |
| Total revenues | <u>17,700</u> | <u>17,700</u> | <u>10,993</u> | <u>6,707</u> |
| Expenditures | | | | |
| Operations | <u>35,610</u> | <u>35,610</u> | <u>11,620</u> | <u>23,990</u> |
| Excess (deficiency) of revenues over expenditures | (17,910) | (17,910) | (627) | (17,283) |
| Fund balance - beginning of year | <u>54,160</u> | <u>54,160</u> | <u>54,283</u> | <u>(123)</u> |
| Fund balance - end of year | <u>\$ 36,250</u> | <u>\$ 36,250</u> | <u>\$ 53,656</u> | <u>\$ (17,406)</u> |

1 () indicates revenue/expenditures in excess of budget

**City of Salem, Oregon
Tax Allocation Bond Debt**
**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual**
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|---------------------|---------------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$ 19,232,570 | \$ 19,232,570 | \$ 21,041,042 | \$ (1,808,472) |
| Interest on investments | <u>100,320</u> | <u>100,320</u> | <u>301,823</u> | <u>(201,503)</u> |
| Total revenues | <u>19,332,890</u> | <u>19,332,890</u> | <u>21,342,865</u> | <u>(2,009,975)</u> |
| Expenditures | | | | |
| Debt service | <u>19,992,380</u> | <u>19,992,380</u> | <u>19,058,078</u> | <u>934,302</u> |
| Excess (deficiency) of revenues over expenditures | (659,490) | (659,490) | 2,284,787 | (2,944,277) |
| Other financing sources (uses) | | | | |
| Transfers out | <u>(335,260)</u> | <u>(335,260)</u> | <u>(335,255)</u> | <u>(5)</u> |
| Net change in fund balance | (994,750) | (994,750) | 1,949,532 | (2,944,282) |
| Fund balance - beginning of year | <u>2,154,800</u> | <u>2,154,800</u> | <u>3,437,923</u> | <u>(1,283,123)</u> |
| Fund balance - end of year | <u>\$ 1,160,050</u> | <u>\$ 1,160,050</u> | <u>\$ 5,387,455</u> | <u>\$ (4,227,405)</u> |

1 () indicates revenue/expenditures in excess of budget

**City of Salem, Oregon
Extra Capacity Facilities
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025**

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|----------------------|----------------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ 6,550,800 | \$ 6,550,800 | \$ 12,177,006 | \$ (5,626,206) |
| Special assessments | - | - | 122,132 | (122,132) |
| Grants | 6,892,250 | 6,892,250 | 3,723,912 | 3,168,338 |
| Intergovernmental | 2,500,000 | 2,500,000 | - | 2,500,000 |
| Interest on investments | - | - | 1,458,813 | (1,458,813) |
| Total revenues | <u>15,943,050</u> | <u>15,943,050</u> | <u>17,481,863</u> | <u>(1,538,813)</u> |
| Expenditures | | | | |
| Operations | 34,179,840 | 34,179,840 | 17,519,153 | 16,660,687 |
| Excess (deficiency) of revenues over expenditures | (18,236,790) | (18,236,790) | (37,290) | (18,199,500) |
| Other financing sources (uses) | | | | |
| Transfers out | (375,000) | (375,000) | (375,000) | - |
| Net change in fund balance | 24,604,790 | 24,604,790 | (412,290) | 25,017,080 |
| Fund balance - beginning of year | <u>40,220,080</u> | <u>40,220,080</u> | <u>42,111,096</u> | <u>(1,891,016)</u> |
| Fund balance - end of year | <u>\$ 64,824,870</u> | <u>\$ 64,824,870</u> | <u>41,698,806</u> | <u>\$ 23,126,064</u> |
| Reconciliation to generally accepted accounting principles: | | | | |
| Transfer of net activity and fund balance to Utility fund | | | <u>(16,067,242)</u> | |
| Fund balance - end of year | | | <u>\$ 25,631,564</u> | |

1 () indicates revenue/expenditures in excess of budget

**City of Salem, Oregon
Development Districts
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025**

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|--|---------------------|---------------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ 2,229,690 | \$ 2,229,690 | \$ 242,346 | \$ 1,987,344 |
| Interest on investments | 100,000 | 100,000 | 373,111 | (273,111) |
| Total revenues | <u>4,606,630</u> | <u>4,606,630</u> | <u>615,457</u> | <u>3,991,173</u> |
| Expenditures | | | | |
| Operations | 4,812,480 | 4,812,480 | 56,977 | 4,755,503 |
| Excess (deficiency) of revenues over expenditures | (205,850) | (205,850) | 558,480 | (764,330) |
| Fund balance - beginning of year | <u>9,902,640</u> | <u>9,902,640</u> | <u>10,653,267</u> | <u>(750,627)</u> |
| Fund balance - end of year | <u>\$ 9,696,790</u> | <u>\$ 9,696,790</u> | <u>\$ 11,211,747</u> | <u>\$ (1,514,957)</u> |

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Utility
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Final Budget¹</u> |
|--|-------------------------|----------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ 120,000,640 | \$ 120,000,640 | \$ 123,796,076 | \$ (3,795,436) |
| Special assessments | 9,030 | 9,030 | 42,413 | (33,383) |
| Rents | 15,830 | 15,830 | 15,369 | 461 |
| Intergovernmental | 5,817,770 | 5,817,770 | 5,842,249 | (24,479) |
| Interest on investments | 1,200,000 | 1,200,000 | 1,952,536 | (752,536) |
| Loan payments received | 1,112,820 | 1,112,820 | 1,116,345 | (3,525) |
| Other | 185,890 | 185,890 | 332,920 | (147,030) |
| Total revenues | <u>128,341,980</u> | <u>128,341,980</u> | <u>133,266,601</u> | <u>(4,924,621)</u> |
| Expenditures | | | | |
| Operations | 102,758,000 | 103,358,500 | 93,070,882 | 10,287,618 |
| Debt service | 14,773,630 | 14,773,630 | 14,772,001 | 1,629 |
| Contingency | 3,000,000 | 2,399,500 | - | 2,399,500 |
| Total expenditures | <u>120,531,630</u> | <u>120,531,630</u> | <u>107,842,883</u> | <u>12,688,747</u> |
| Excess (deficiency) of revenues over expenditures | <u>7,810,350</u> | <u>7,810,350</u> | <u>25,423,718</u> | <u>(17,613,368)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 305,400 | 305,400 | 305,400 | - |
| Transfers out | (29,859,250) | (29,859,250) | (28,933,250) | (926,000) |
| Total other financing sources (uses) | <u>(29,553,850)</u> | <u>(29,553,850)</u> | <u>(28,627,850)</u> | <u>(926,000)</u> |
| Net change in fund balance | <u>(21,743,500)</u> | <u>(21,743,500)</u> | <u>(3,204,132)</u> | <u>(18,539,368)</u> |
| Fund balance - beginning of year | 59,708,800 | 59,708,800 | 60,509,334 | (800,534) |
| Fund balance - end of year | <u>\$ 37,965,300</u> | <u>\$ 37,965,300</u> | <u>57,305,202</u> | <u>\$ (19,339,902)</u> |

Continued

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Utility
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025

Reconciliation to generally accepted accounting principles:

| | |
|--|------------------------------|
| Utility ending fund balance (previous page) | \$ 57,305,202 |
| Net activity and fund balance from Capital Improvements | 57,090,090 |
| Net activity and fund balance from Extra Capacity Facilities | 16,067,242 |
| Inventories | 1,156,318 |
| Advance to Capital Improvements fund | 3,731,046 |
| Net OPEB asset | 777,571 |
| Capital assets | 789,412,438 |
| Accrued interest receivable on leases | 2,021 |
| Lease receivables | 85,916 |
| Deferred charge on refunding | 1,045,390 |
| Deferred outflows related to pensions | 19,051,298 |
| Deferred outflows related to OPEB | 878,331 |
| Interest payable | (196,766) |
| SBITA liabilities | (304,809) |
| Long-term debt | (60,739,945) |
| Net OPEB liability | (4,546,126) |
| Net pension liability | (47,510,271) |
| Deferred inflows related to leases | (81,830) |
| Deferred inflows related to OPEB | (1,414,080) |
| Deferred inflows related to pensions | (5,165,281) |
| Accrued revenue from deferred inflows | 1,419,738 |
| Compensated Absenses | (3,638,246) |
| Net position at end of year | <u><u>\$ 824,425,247</u></u> |

Concluded

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, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|---|-------------------|-------------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ 36,840 | \$ 36,840 | \$ 34,793 | \$ 2,047 |
| Grants | - | - | 559 | (559) |
| Intergovernmental | 15,158,850 | 15,158,850 | 15,187,091 | (28,241) |
| Interest on investments | 35,300 | 35,300 | 115,303 | (80,003) |
| Other | - | - | 62,789 | (62,789) |
| Total revenues | <u>15,230,990</u> | <u>15,230,990</u> | <u>15,400,535</u> | <u>(169,545)</u> |
| Expenditures | | | | |
| Operations | 15,449,170 | 15,471,010 | 14,579,681 | 891,329 |
| Contingency | 500,000 | 478,160 | - | 478,160 |
| Total expenditures | <u>15,949,170</u> | <u>15,949,170</u> | <u>14,579,681</u> | <u>1,369,489</u> |
| Excess (deficiency) of revenues over expenditures | (718,180) | (718,180) | 820,854 | (1,539,034) |
| Other financing sources (uses) | | | | |
| Transfers out | (625,000) | (625,000) | (625,000) | - |
| Net change in fund balance | (1,343,180) | (1,343,180) | 195,854 | (1,539,034) |
| Fund balance - beginning of year | 1,967,700 | 1,967,700 | 3,206,332 | (1,238,632) |
| Fund balance - end of year | <u>\$ 624,520</u> | <u>\$ 624,520</u> | <u>3,402,186</u> | <u>\$ (2,777,666)</u> |
| Reconciliation to generally accepted accounting principles: | | | | |
| Transfer of net activity and fund balance from Capital Improvements | | | 3,046,342 | |
| Interest payable related to leases/SBITA | | | (11,016) | |
| Net OPEB asset | | | 176,839 | |
| Capital assets | | | 3,709,719 | |
| Deferred outflows related to pensions | | | 5,247,037 | |
| Deferred outflows related to OPEB | | | 199,755 | |
| Long-term SBITA liabilities | | | (10,035) | |
| Long-term lease liabilities | | | (1,032,455) | |
| Net OPEB liability | | | (1,033,901) | |
| Net pension liability | | | (13,206,411) | |
| Deferred inflows related to OPEB | | | (321,597) | |
| Deferred inflows related to pensions | | | (1,294,397) | |
| Compensated Absences | | | (773,371) | |
| Net position at end of year | | | <u>\$ (1,901,305)</u> | |

1 () indicates revenue/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, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|---|------------------|------------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ 8,860,830 | \$ 8,860,830 | \$ 8,059,446 | \$ 801,384 |
| Intergovernmental | 10,000 | 10,000 | 787 | 9,213 |
| Fines and penalties | 120,000 | 120,000 | 14,100 | 105,900 |
| Interest on investments | 74,160 | 74,160 | 62,944 | 11,216 |
| Other | 1,000 | 1,000 | 27,016 | (26,016) |
| Total revenues | <u>9,065,990</u> | <u>9,065,990</u> | <u>8,164,293</u> | <u>901,697</u> |
| Expenditures | | | | |
| Operations | 9,263,420 | 8,803,260 | 6,292,858 | 2,510,402 |
| Debt service | - | 360,000 | 343,699 | 16,301 |
| Contingency | 60,000 | 57,210 | - | 57,210 |
| Total expenditures | <u>9,323,420</u> | <u>9,220,470</u> | <u>6,636,557</u> | <u>2,583,913</u> |
| Excess (deficiency) of revenues over expenditures | (257,430) | (154,480) | 1,527,736 | (1,682,216) |
| Other financing sources (uses) | | | | |
| Transfers out | (2,375,000) | (2,477,950) | (854,509) | (1,623,441) |
| Net change in fund balance | (2,632,430) | (2,632,430) | 673,227 | (3,305,657) |
| Fund balance - beginning of year | 2,632,430 | 2,632,430 | 3,321,953 | (689,523) |
| Fund balance - end of year | <u>\$ -</u> | <u>\$ -</u> | <u>3,995,180</u> | <u>\$ (3,995,180)</u> |
| Reconciliation to generally accepted accounting principles: | | | | |
| Allowance for Doubtful Accounts | | | (1,779,809) | |
| Net OPEB asset | | | 5,201 | |
| Capital assets | | | 1,545,836 | |
| Deferred outflows related to pensions | | | 275,797 | |
| Deferred outflows related to OPEB | | | 5,875 | |
| Net pension liability | | | (699,599) | |
| Net OPEB liability | | | (30,409) | |
| Deferred inflows related to pensions | | | (62,025) | |
| Deferred inflows related to OPEB | | | (9,458) | |
| Compensated Absences | | | (113,282) | |
| Net position at end of year | | | <u>\$ 3,133,307</u> | |

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Police Regional Records System
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|---|---------------------|---------------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 394,580 | \$ 394,580 | \$ 394,580 | \$ - |
| Member agencies | 297,560 | 297,560 | 297,564 | (4) |
| Interest on investments | - | - | 71,132 | (71,132) |
| Total revenues | 692,140 | 692,140 | 763,276 | (71,136) |
| Expenditures | | | | |
| Operations | 579,960 | 579,960 | 466,063 | 113,897 |
| Contingency | 70,000 | 70,000 | - | 70,000 |
| Total expenditures | 649,960 | 649,960 | 466,063 | 183,897 |
| Excess (deficiency) of revenues over expenditures | 42,180 | 42,180 | 297,213 | (255,033) |
| Fund balance - beginning of year | 1,832,090 | 1,832,090 | 1,971,263 | (139,173) |
| Fund balance - end of year | <u>\$ 1,874,270</u> | <u>\$ 1,874,270</u> | 2,268,476 | <u>\$ (394,206)</u> |
| Reconciliation to generally accepted accounting principles: | | | | |
| Leases payable | | | (363,746) | |
| Interest payable related to SBITA | | | (16,333) | |
| Capital assets | | | 421,739 | |
| Net position at end of year | | | <u>\$ 2,310,136</u> | |

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Salem Convention Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|---|-------------------|-------------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ 3,581,250 | \$ 3,581,250 | \$ 4,223,249 | \$ (641,999) |
| Rents | 1,656,250 | 1,656,250 | 2,088,593 | (432,343) |
| Total revenues | 5,237,500 | 5,237,500 | 6,311,842 | (1,074,342) |
| Expenditures | | | | |
| Operations | 4,834,390 | 5,974,390 | 5,398,514 | 575,876 |
| Excess (deficiency) of revenues over expenditures | 403,110 | (736,890) | 913,328 | (1,650,218) |
| Other financing sources (uses) | | | | |
| Transfers in | 500,000 | 500,000 | - | 500,000 |
| Transfers out | (2,000,000) | (860,000) | (858,255) | (1,745) |
| Total other financing sources (uses) | (1,500,000) | (360,000) | (858,255) | 498,255 |
| Net change in fund balance | (1,096,890) | (1,096,890) | 55,073 | (1,151,963) |
| Fund balance - beginning of year | 1,521,110 | 1,521,110 | 1,061,513 | 459,597 |
| Fund balance - end of year | <u>\$ 424,220</u> | <u>\$ 424,220</u> | 1,116,586 | <u>\$ (692,366)</u> |
| Reconciliation to generally accepted accounting principles: | | | | |
| Net marketing advance from City | | | 124,489 | |
| Capital assets | | | 22,271,574 | |
| Net position at end of year | | | <u>\$ 23,512,649</u> | |

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
City Services
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|---|---------------------|---------------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ - | \$ - | \$ 10,747 | \$ (10,747.00) |
| Rents | 1,429,990 | 1,429,990 | 1,459,760 | (29,770) |
| Intergovernmental | 12,245,450 | 12,245,450 | 12,838,000 | (592,550) |
| Interest on investments | 79,400 | 79,400 | 186,897 | (107,497) |
| Other | 78,600 | 78,600 | 9,790 | 68,810 |
| Total revenues | <u>13,833,440</u> | <u>13,833,440</u> | <u>14,505,194</u> | <u>(671,754)</u> |
| Expenditures | | | | |
| Operations | | | | |
| Document services | 1,522,050 | 1,522,050 | 1,365,102 | 156,948 |
| Fleet services | 7,790,820 | 8,140,820 | 8,076,910 | 63,910 |
| IT building services | 186,880 | 186,880 | 123,138 | 63,742 |
| IT interconnect | 38,080 | 38,080 | 2,983 | 35,097 |
| IT telecommunications | 449,480 | 489,480 | 489,452 | 28 |
| Radio communications | 2,002,010 | 2,002,010 | 1,364,110 | 637,900 |
| Shops facilities maintenance | 275,780 | 275,780 | 215,074 | 60,706 |
| Warehouse services | 2,454,300 | 2,454,300 | 2,164,144 | 290,156 |
| Total operations | <u>14,719,400</u> | <u>15,109,400</u> | <u>13,800,913</u> | <u>1,308,487</u> |
| Excess (deficiency) of revenues over expenditures | <u>(885,960)</u> | <u>(1,275,960)</u> | <u>704,281</u> | <u>(1,980,241)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | 390,000 | - | 390,000 |
| Transfers out | (300,000) | (300,000) | (300,000) | - |
| Total other financing sources (uses) | <u>(300,000)</u> | <u>90,000</u> | <u>(300,000)</u> | <u>390,000</u> |
| Net change in fund balance | <u>(1,185,960)</u> | <u>(1,185,960)</u> | <u>404,281</u> | <u>(1,590,241)</u> |
| Fund balance - beginning of year | <u>3,411,760</u> | <u>3,411,760</u> | <u>5,066,064</u> | <u>(1,654,304)</u> |
| Fund balance - end of year | <u>\$ 2,225,800</u> | <u>\$ 2,225,800</u> | <u>5,470,345</u> | <u>\$ (3,244,545)</u> |
| Reconciliation to generally accepted accounting principles: | | | | |
| Inventories | | | 618,302 | |
| Net OPEB asset | | | 65,014 | |
| Accounts payable | | | 1,499 | |
| Accrued interest payable on leases | | | (1,858) | |
| Capital assets | | | 8,530,184 | |
| Long-term lease receivables | | | 102,252 | |
| Deferred outflows related to pensions | | | 1,371,700 | |
| Deferred outflows related to OPEB | | | 73,439 | |
| Long-term lease liabilities | | | (219,591) | |
| Net OPEB liability | | | (380,111) | |
| Net pension liability | | | (3,490,401) | |
| Deferred inflows related to leases | | | (90,173) | |
| Deferred inflows related to OPEB | | | (118,234) | |
| Deferred inflows related to pensions | | | (279,707) | |
| Compensated Absences | | | (116,450) | |
| Net position at end of year | | | <u>\$ 11,517,728</u> | |

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Equipment Replacement Reserve
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget ¹ |
|---|---------------------|---------------------|---|--|
| | Original | Final | | |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ - | \$ - | \$ 45,086 | \$ (45,086) |
| Rents | 1,703,010 | 1,703,010 | 1,703,010 | - |
| Intergovernmental | 2,773,510 | 2,773,510 | 2,773,510 | - |
| Interest on investments | 384,080 | 384,080 | 855,446 | (471,366) |
| Other | - | 80,000 | 105,436 | (25,436) |
| Total revenues | <u>4,860,600</u> | <u>4,940,600</u> | <u>5,482,488</u> | <u>(541,888)</u> |
| Expenditures | | | | |
| Operations | <u>27,078,300</u> | <u>21,158,300</u> | <u>9,010,062</u> | <u>12,148,238</u> |
| Excess (deficiency) of revenues over expenditures | <u>(22,217,700)</u> | <u>(16,217,700)</u> | <u>(3,527,574)</u> | <u>(12,690,126)</u> |
| Other financing sources (uses) | | | | |
| Sale of property | 180,480 | 180,480 | 333,825 | (153,345) |
| Transfers in | 575,000 | 6,575,000 | 5,692,595 | 882,405 |
| Transfers out | - | (6,000,000) | - | (6,000,000) |
| Total other financing sources (uses) | <u>755,480</u> | <u>755,480</u> | <u>6,026,420</u> | <u>(5,270,940)</u> |
| Net change in fund balance | <u>(21,462,220)</u> | <u>(15,462,220)</u> | <u>2,498,846</u> | <u>(17,961,066)</u> |
| Fund balance - beginning of year | <u>21,462,220</u> | <u>21,462,220</u> | <u>22,586,983</u> | <u>(1,124,763)</u> |
| Fund balance - end of year | <u>\$ -</u> | <u>\$ 6,000,000</u> | <u>25,085,829</u> | <u>\$ (19,085,829)</u> |
| Reconciliation to generally accepted accounting principles: | | | | |
| Capital assets | | | 27,996,033 | |
| Advance from Building and Safety fund | | | (4,826,967) | |
| Net position at end of year | | | <u>\$ 48,254,895</u> | |

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Self Insurance - Benefits
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual | Variance |
|---|--------------------|--------------------|-------------------------------|--------------------------------------|
| | Original | Final | Amounts Budgetary Basis | with Final Budget ¹ |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ - | \$ - | \$ 300 | \$ (300) |
| Intergovernmental | 31,140,410 | 31,140,410 | 31,814,919 | (674,509) |
| Interest on investments | 253,780 | 253,780 | 205,941 | 47,839 |
| Other | 1,559,730 | 1,559,730 | 2,158,344 | (598,614) |
| Total revenues | 32,953,920 | 32,953,920 | 34,179,504 | (1,225,584) |
| Expenditures | | | | |
| Operations | 39,661,350 | 39,661,350 | 36,708,694 | 2,952,656 |
| Excess (deficiency) of revenues over expenditures | (6,707,430) | (6,707,430) | (2,529,190) | (4,178,240) |
| Fund balance - beginning of year | 6,707,430 | 6,707,430 | 8,115,415 | (1,407,985) |
| Fund balance - end of year | \$ - | \$ - | 5,586,225 | \$ (5,586,225) |
| Reconciliation to generally accepted accounting principles: | | | | |
| Deferred outflows related to pensions | | | 185,856 | |
| Deferred outflows related to OPEB | | | 1,451 | |
| Deferred OPEB outflow-City | | | 16,174 | |
| Net OPEB Liability | | | (75,624) | |
| Net pension liability | | | (475,381) | |
| Deferred OPEB inflow-RHIA | | | (592) | |
| Deferred inflows related to OPEB | | | (27,784) | |
| Deferred inflows related to pensions | | | (23,414) | |
| Compensated absences | | | (123,283) | |
| Net position at end of year (accrual) | | | <u>\$ 5,063,628</u> | |

1 () indicates revenue/expenditures in excess of budget

City of Salem, Oregon
Self Insurance - Risk
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the fiscal year ended June 30, 2025

| | Budgeted Amounts | | Actual | Variance |
|---|--------------------|--------------------|-------------------------------|--------------------------------------|
| | Original | Final | Amounts Budgetary Basis | with Final Budget ¹ |
| Revenues | | | | |
| Sales, fees, licenses, and permits | \$ - | \$ - | \$ 281 | \$ (281) |
| Intergovernmental | 8,219,570 | 8,219,570 | 10,229,576 | (2,010,006) |
| Interest on investments | 122,070 | 122,070 | 18,983 | 103,087 |
| Other | - | - | 25,896 | (25,896) |
| Total revenues | 8,341,640 | 8,341,640 | 10,274,736 | (1,933,096) |
| Expenditures | | | | |
| Operations | 12,111,110 | 12,111,110 | 10,444,848 | 1,666,262 |
| Excess (deficiency) of revenues over expenditures | (3,769,470) | (3,769,470) | (170,112) | (3,599,358) |
| Fund balance - beginning of year | 3,769,470 | 3,769,470 | 1,483,061 | 2,286,409 |
| Fund balance - end of year | \$ - | \$ - | 1,312,949 | \$ (1,312,949) |
| Reconciliation to generally accepted accounting principles: | | | | |
| Net OPEB asset | | | 15,603 | |
| Deferred outflows related to pensions | | | 310,871 | |
| Deferred outflows related to OPEB | | | 1,451 | |
| Deferred OPEB outflow-City | | | 16,174 | |
| Claims and judgments | | | (12,341,000) | |
| Net OPEB liability | | | (91,227) | |
| Net pension liability | | | (805,961) | |
| Deferred OPEB inflow-RHIA | | | (592) | |
| Deferred inflows related to OPEB | | | (27,784) | |
| Deferred inflows related to pensions | | | (38,353) | |
| Compensated absences | | | (82,198) | |
| Net position at end of year | | | <u>\$ (11,730,067)</u> | |

1 () indicates revenue/expenditures in excess of budget



Other Financial Schedules

City of Salem, Oregon
Schedule of Bond Principal and Bond Interest Transactions
For the fiscal year ended June 30, 2025

City of Salem, Oregon
Schedule of Bond Principal and Bond Interest Transactions
For the fiscal year ended June 30, 2025

| | Issued/ Maturity Date | True Interest Cost | Original Amount | Principal Balance June 30, 2024 | Principal Paid | Principal Balance June 30, 2025 | Interest Paid | Total Principal and Interest Paid | Current Portion | |
|---|-----------------------------|--------------------------|--------------------|---------------------------------------|-------------------|---------------------------------------|------------------|---|-----------------|--------------|
| | | | | | | | | | Principal | Interest |
| Governmental activity | | | | | | | | | | |
| General obligation bonds | | | | | | | | | | |
| Police Facility, Series 2017 | 8/24/17-37 | 2.71 | 74,775,000 | \$ 52,885,000 | \$ 2,410,000 | \$ 50,475,000 | \$ 1,866,050 | \$ 4,276,050 | \$ 2,660,000 | \$ 1,745,550 |
| Library, Series 2018 | 3/22/18-31 | 2.68 | 18,600,000 | 14,815,000 | 1,620,000 | 13,195,000 | 663,050 | 2,283,050 | 1,770,000 | 582,050 |
| Refunding Streets-Bridges, Series 2021 | 4/14/21-26 | 2.89 | 24,735,000 | 2,705,000 | 1,305,000 | 1,400,000 | 135,250 | 1,440,250 | 1,400,000 | 70,000 |
| Community Improvement, Series 2023A | 2/23/23-26 | 4.35 | 12,000,000 | 10,895,000 | 6,880,000 | 4,015,000 | 503,570 | 7,383,570 | 4,015,000 | 200,750 |
| Community Improvement, Series 2023B | 2/23/23-48 | 3.76 | 88,000,000 | 88,000,000 | - | 88,000,000 | 3,935,850 | 3,935,850 | 3,735,000 | 3,935,850 |
| Subtotal general obligation bonds | | | | 169,300,000 | 12,215,000 | 157,085,000 | 7,103,770 | 19,318,770 | 13,580,000 | 6,534,200 |
| Premium | | | | 12,707,397 | 1,314,237 | 11,393,160 | - | 1,314,237 | - | - |
| Total general obligation bonds | | | | 182,007,397 | 13,529,237 | 168,478,160 | 7,103,770 | 20,633,007 | 13,580,000 | 6,534,200 |
| Limited tax pension obligation, Series 2005 | 9/23/05-28 | 5.04 | 61,685,000 | 21,155,000 | 5,375,000 | 15,780,000 | 1,058,596 | 6,433,596 | 5,900,000 | 789,631 |
| Urban renewal bonds | | | | | | | | | | |
| Riverfront/Downtown, Series 2020A | 12/17/20-24 | 1.66 | 7,445,000 | 6,987,000 | 950,000 | 6,037,000 | 115,984 | 1,065,984 | 965,000 | 100,214 |
| Total governmental bonds | | | | 210,149,397 | 19,854,237 | 190,295,160 | 8,278,350 | 28,132,587 | 20,445,000 | 7,424,045 |
| Notes | | | | | | | | | | |
| OECCD L06001A, Mill Creek, Series 2007 | 6/23/11-35 | 4.41 | 3,999,999 | 2,565,187 | 273,352 | 2,291,835 | 113,125 | 386,477 | 285,407 | 101,070 |
| OECCD L06001C, Mill Creek, Series 2007 | 10/17/13-33 | 5.00 | 5,000,000 | 4,125,591 | 4,125,591 | - | 199,597 | 4,325,188 | - | - |
| Total notes | | | | 6,690,778 | 4,398,943 | 2,291,835 | 312,722 | 4,711,665 | 285,407 | 101,070 |
| Total governmental activity long-term debt | | | | \$ 216,840,175 | \$ 24,253,180 | \$ 192,586,995 | \$ 8,591,072 | \$ 32,844,252 | \$ 20,730,407 | \$ 7,525,115 |
| Business-type activity | | | | | | | | | | |
| Revenue bonds - water and sewer | | | | | | | | | | |
| Series 2012 A refunding | 10/16/12-25 | 2.22 | 63,360,000 | \$ 1,095,000 | \$ 1,095,000 | \$ - | \$ 24,309 | \$ 1,119,309 | \$ - | \$ - |
| Series 2017 refunding | 7/8/17-27 | 1.74 | 55,990,000 | 17,010,000 | 8,235,000 | 8,775,000 | 760,250 | 8,995,250 | 8,650,000 | 348,500 |
| Series 2020 | 4/2/20-40 | 3.58 | 56,925,000 | 49,580,000 | 2,180,000 | 47,400,000 | 2,103,700 | 4,283,700 | 2,290,000 | 1,994,700 |
| Subtotal revenue bonds | | | | 67,685,000 | 11,510,000 | 56,175,000 | 2,888,259 | 14,398,259 | 10,940,000 | 2,343,200 |
| Premium | | | | 5,686,188 | 1,121,244 | 4,564,944 | - | 1,121,244 | - | - |
| Total revenue bonds | | | | 73,371,188 | 12,631,244 | 60,739,944 | 2,888,259 | 15,519,503 | 10,940,000 | 2,343,200 |
| Notes | | | | | | | | | | |
| OECCD S21010, Sleepy Hollow Water | 6/17/22-52 | 1.00 | 384,054 | 370,602 | 370,602 | - | 3,138 | 373,740 | - | - |
| Total business-type activity long-term debt | | | | \$ 73,741,790 | \$ 13,001,846 | \$ 60,739,944 | \$ 2,891,397 | \$ 15,893,243 | \$ 10,940,000 | \$ 2,343,200 |
| Total long-term debt | | | | \$ 290,581,965 | \$ 37,255,026 | \$ 253,326,939 | \$ 11,482,469 | \$ 48,737,495 | \$ 31,670,407 | \$ 9,868,315 |

Continued

Concluded

City of Salem, Oregon
 Schedule of Future Long-term Debt Service Requirements
 June 30, 2025

| Governmental Activities | | | | | | |
|--|---------------------|-------------------|--------------------------|----------------------|----------------------|----------------------|
| General Obligation, Urban Renewal, & Limited Tax Pension Obligation Bonds | | | | | | |
| Fiscal Year | Notes | | Pension Obligation Bonds | | Totals | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2025-26 | \$ 285,407 | \$ 101,070 | \$ 20,445,000 | \$ 7,424,045 | \$ 20,730,407 | \$ 7,525,115 |
| 2026-27 | 297,994 | 88,483 | 16,271,000 | 6,433,790 | 16,568,994 | 6,522,273 |
| 2027-28 | 311,135 | 75,342 | 14,133,000 | 5,652,748 | 14,444,135 | 5,728,090 |
| 2028-29 | 324,857 | 61,621 | 11,619,000 | 5,043,394 | 11,943,857 | 5,105,015 |
| 2029-30 | 339,183 | 47,295 | 7,976,000 | 4,565,111 | 8,315,183 | 4,612,406 |
| 2030-31 | 354,140 | 32,337 | 8,623,000 | 4,262,347 | 8,977,140 | 4,294,684 |
| 2031-32 | 379,118 | 16,719 | 8,215,000 | 3,959,050 | 8,594,118 | 3,975,769 |
| 2032-33 | - | - | 8,950,000 | 3,591,250 | 8,950,000 | 3,591,250 |
| 2033-34 | - | - | 4,925,000 | 3,236,250 | 4,925,000 | 3,236,250 |
| 2034-35 | - | - | 5,245,000 | 3,088,500 | 5,245,000 | 3,088,500 |
| 2035-36 | - | - | 5,815,000 | 2,931,150 | 5,815,000 | 2,931,150 |
| 2036-37 | - | - | 6,285,000 | 2,751,800 | 6,285,000 | 2,751,800 |
| 2037-38 | - | - | 6,685,000 | 2,555,850 | 6,685,000 | 2,555,850 |
| 2038-39 | - | - | 7,300,000 | 2,221,600 | 7,300,000 | 2,221,600 |
| 2039-40 | - | - | 7,950,000 | 1,856,600 | 7,950,000 | 1,856,600 |
| 2040-41 | - | - | 8,560,000 | 1,538,600 | 8,560,000 | 1,538,600 |
| 2041-42 | - | - | 9,205,000 | 1,196,200 | 9,205,000 | 1,196,200 |
| 2042-43 | - | - | 9,885,000 | 828,000 | 9,885,000 | 828,000 |
| 2043-44 | - | - | 1,860,000 | 432,600 | 1,860,000 | 432,600 |
| 2044-45 | - | - | 2,005,000 | 358,200 | 2,005,000 | 358,200 |
| 2045-46 | - | - | 2,155,000 | 278,000 | 2,155,000 | 278,000 |
| 2046-47 | - | - | 2,315,000 | 191,800 | 2,315,000 | 191,800 |
| 2047-48 | - | - | 2,480,000 | 99,200 | 2,480,000 | 99,200 |
| Totals | <u>\$ 2,291,834</u> | <u>\$ 422,867</u> | <u>\$178,902,000</u> | <u>\$ 64,496,085</u> | <u>\$181,193,834</u> | <u>\$ 64,918,952</u> |



| Business-type Activities | | |
|---------------------------------|----------------------|----------------------|
| Revenue Bonds | | |
| Fiscal Year | Principal | Interest |
| 2025-26 | \$ 10,940,000 | \$ 2,343,200 |
| 2026-27 | 2,530,000 | 2,007,700 |
| 2027-28 | 2,525,000 | 1,759,950 |
| 2028-29 | 2,650,000 | 1,633,700 |
| 2029-30 | 2,785,000 | 1,501,200 |
| 2030-31 | 2,895,000 | 1,389,800 |
| 2031-32 | 3,010,000 | 1,274,000 |
| 2032-33 | 3,130,000 | 1,153,600 |
| 2033-34 | 3,255,000 | 1,028,400 |
| 2034-35 | 3,385,000 | 898,200 |
| 2035-36 | 3,520,000 | 762,800 |
| 2036-37 | 3,660,000 | 622,000 |
| 2037-38 | 3,810,000 | 475,600 |
| 2038-39 | 3,960,000 | 323,200 |
| 2039-40 | 4,120,000 | 164,800 |
| Totals | <u>\$ 56,175,000</u> | <u>\$ 17,338,150</u> |

City of Salem, Oregon
Schedule of Internal Service Funds Adjustments
for Preparation of Government-wide
Statement of Net Position
June 30, 2025

Assets

| | |
|-----------------------------------|--------------------------|
| Current assets | |
| Cash and investments | \$ 37,775,476 |
| Accounts receivable, net | 7,759 |
| Leases receivable | 71,369 |
| Inventories and prepayments | 1,919,045 |
| Total current assets | <u>39,773,649</u> |
| Noncurrent assets | |
| Leases receivable | 30,883 |
| OPEB asset | 96,220 |
| Capital assets: | |
| Land and construction in progress | 5,107,965 |
| Other capital assets, net | 31,418,254 |
| Total noncurrent assets | <u>36,653,322</u> |
| Total assets | <u>76,426,971</u> |

Deferred outflows of resources:

| | |
|---|-------------------------|
| Deferred outflows related to pensions | 1,868,427 |
| Deferred outflows related to OPEB | 108,689 |
| Total deferred outflows of resources | <u>1,977,116</u> |

Liabilities

| | |
|--|--------------------------|
| Current liabilities | |
| Accounts payable and accrued liabilities | 1,329,313 |
| Leases payable | 59,837 |
| Interest payable | 1,858 |
| Due to other funds | 4,826,967 |
| Claims and judgments due within one year | 2,235,000 |
| Compensated absences due within one year | 133,479 |
| Total current liabilities | <u>8,586,454</u> |
| Noncurrent liabilities | |
| Leases payable | 159,755 |
| OPEB liability | 562,565 |
| Net pension liability | 4,771,743 |
| Claims and judgments payable | 10,106,000 |
| Compensated absences payable | 504,753 |
| Total noncurrent liabilities | <u>16,104,816</u> |
| Total liabilities | <u>24,691,270</u> |

Continued

City of Salem, Oregon
Schedule of Internal Service Funds Adjustments
for Preparation of Government-wide
Statement of Net Position
June 30, 2025

Deferred inflows of resources:

| | |
|--|-----------------------|
| Deferred inflows related to leases | \$ 90,173 |
| Deferred inflows related to pensions | 341,474 |
| Deferred inflows related to OPEB | 174,986 |
| Total deferred inflows of resources | <u>606,633</u> |

Net position

| | |
|----------------------------------|-----------------------------|
| Net investment in capital assets | 36,306,628 |
| Restricted for OPEB asset | 96,220 |
| Unrestricted | 16,721,818 |
| Total net position | <u>\$ 53,106,184</u> |

Tie to Government-wide statement

| | |
|---|-----------------------------|
| Total net position | \$ 53,106,184 |
| Back out: | |
| Amount reflected in capital assets | (36,526,219) |
| Deferred outflows | (1,977,116) |
| Add in: | |
| Amount due from (to) Business-type funds, from prior year | 2,241,233 |
| Amount due from (to) Business-type funds for current year | 1,243,815 |
| Interest payable | 1,858 |
| Leases payable | 219,592 |
| Compensated absences | 638,232 |
| Net OPEB asset/liability | 466,345 |
| Net pension liability | 4,771,743 |
| Deferred inflows for pension and OPEB | 516,460 |
| Amount reflected from Internal Service funds | <u>\$ 24,702,127</u> |
| Concluded | |

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, 2025

| | Internal Service Funds | Governmental Funds | Business-type Funds |
|--|---------------------------|-----------------------|------------------------|
| Operating revenues | | | |
| Sales, fees, licenses, and permits | \$ 56,414 | \$ 35,089 | \$ 16,575 |
| Rents | 3,154,697 | 1,962,217 | 926,871 |
| Internal and intergovernmental | 57,656,005 | 35,861,948 | 16,939,726 |
| Other revenue | 2,299,466 | - | - |
| Total operating revenues | 63,166,582 | 37,859,254 | 17,883,172 |
| Operating expenses | | | |
| Personal services | 5,555,902 | 3,455,763 | 1,632,362 |
| Materials and services | 54,793,402 | 34,081,413 | 16,098,673 |
| Depreciation | 4,751,257 | 2,955,275 | 1,395,952 |
| Allocated to programs in governmental activities | | | |
| Business type | - | - | - |
| General governmental | - | - | - |
| Community development | - | - | - |
| Community services | - | - | - |
| Public safety | - | - | - |
| Transportation | - | - | - |
| Library | - | - | - |
| Total operating expenses | 65,100,561 | 40,492,451 | 19,126,987 |
| Operating income (loss) | (1,933,979) | (2,633,197) | (1,243,815) |
| Non-Operating revenues (expenses) | | | |
| Interest on investments | 1,272,543 | - | - |
| Other revenue (expenses) | 129,345 | - | - |
| Total non-operating revenues (expenses) | 1,401,888 | - | - |
| Income (loss) before transfers | (532,091) | - | - |
| Capital contributions | 260,996 | - | - |
| Transfers in | 1,584,871 | - | - |
| Transfers out | (792,946) | - | - |
| Change in net position | 520,830 | - | - |
| Net position - beginning, as restated | 52,585,354 | - | - |
| Total net position - ending | \$ 53,106,184 | \$ - | \$ - |

Continued

City of Salem, Oregon
Schedule of Internal Service Funds Adjustments
for Preparation of Government-wide
Statement of Activities
For the fiscal year ended June 30, 2025

| | Other Outside | Allocation Of Loss / Gain To Programs | Governmental Government- wide Statement | Business-type Government- wide Statement |
|--|------------------|---|--|---|
| Operating revenues | | | | |
| Sales, fees, licenses, and permits | \$ 4,750 | \$ - | \$ 4,750 | \$ - |
| Rents | 265,609 | - | 265,609 | - |
| Internal and intergovernmental | 4,854,331 | - | 4,854,331 | - |
| Other revenue | 2,299,466 | - | 2,299,466 | - |
| Total operating revenues | 7,424,156 | - | 7,424,156 | - |
| Operating expenses | | | | |
| Personal services | 467,777 | - | 467,777 | - |
| Materials and services | 4,613,316 | - | 4,613,316 | - |
| Depreciation | 400,030 | - | 400,030 | - |
| Allocated to programs in governmental activities | | | | |
| Business type | - | - | - | 1,243,815 |
| General governmental | - | 496,358 | 496,358 | - |
| Community development | - | 205,653 | 205,653 | - |
| Community services | - | 219,609 | 219,609 | - |
| Public safety | - | 1,343,194 | 1,343,194 | - |
| Transportation | - | 307,031 | 307,031 | - |
| Library | - | 61,353 | 61,353 | - |
| Total operating expenses | 5,481,123 | 2,633,198 | 8,114,321 | 1,243,815 |
| Operating income (loss) | 1,943,033 | (2,633,198) | (690,165) | (1,243,815) |
| Non-Operating revenues (expenses) | | | | |
| Interest on investments | - | - | 1,272,543 | - |
| Other revenue (expenses) | - | - | 129,345 | - |
| Total non-operating revenues (expenses) | - | - | 1,401,888 | - |
| Income (loss) before transfers | - | - | 711,723 | (1,243,815) |
| Capital contributions | - | - | 260,996 | - |
| Transfers in | - | - | 1,584,871 | - |
| Transfers out | - | - | (792,946) | - |
| Change in net position | - | - | 1,764,644 | (1,243,815) |
| Net position - beginning, as restated | - | - | 52,585,354 | - |
| Total net position - ending | \$ - | \$ - | \$ 54,349,998 | \$ (1,243,815) |

Concluded



Statistical Section

STATISTICAL STATEMENTS

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

Contents

Financial trends – Schedules 1-5

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue capacity – Schedules 6-8

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt capacity – Schedules 9-13

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.

Demographic and economic information – Schedules 14-16

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating information – Schedules 17-18

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.

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

SCHEDULE 1

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

| As of June 30 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Governmental activities | | | | | |
| Net investment in capital assets | \$ 461,124,572 | \$ 469,688,116 | \$ 486,192,364 | \$ 513,764,853 | \$ 538,552,046 |
| Restricted | 88,589,657 | 90,895,275 | 101,208,199 | 109,621,306 | 106,802,948 |
| Unrestricted ¹ | <u>(38,572,412)</u> | <u>(51,923,202)</u> | <u>(56,962,990)</u> | <u>(60,208,953)</u> | <u>(65,490,270)</u> |
| Total governmental activities net position | <u>511,141,817</u> | <u>508,660,189</u> | <u>530,437,573</u> | <u>563,177,206</u> | <u>579,864,724</u> |
| Business-type activities | | | | | |
| Net investment in capital assets | 515,232,134 | 541,522,659 | 559,922,636 | 583,866,415 | 618,782,483 |
| Restricted | 15,955,649 | 21,197,516 | 31,438,499 | 37,671,221 | 33,651,779 |
| Unrestricted | <u>40,847,394</u> | <u>47,348,468</u> | <u>45,605,799</u> | <u>40,439,162</u> | <u>36,592,904</u> |
| Total business-type activities net position | <u>572,035,177</u> | <u>610,068,643</u> | <u>636,966,934</u> | <u>661,976,798</u> | <u>689,027,166</u> |
| Primary government | | | | | |
| Net investment in capital assets | 976,356,706 | 1,011,210,775 | 1,046,115,000 | 1,097,631,268 | 1,157,334,529 |
| Restricted | 104,545,306 | 112,092,791 | 132,646,698 | 147,292,527 | 140,454,727 |
| Unrestricted | <u>2,274,982</u> | <u>(4,574,734)</u> | <u>(11,357,191)</u> | <u>(19,769,791)</u> | <u>(28,897,366)</u> |
| Total primary government net position | <u>\$ 1,083,176,994</u> | <u>\$ 1,118,728,832</u> | <u>\$ 1,167,404,507</u> | <u>\$ 1,225,154,004</u> | <u>\$ 1,268,891,890</u> |

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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 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Governmental activities | | | | | |
| Net investment in capital assets | \$ 565,499,786 | \$ 575,714,723 | \$ 590,223,245 | \$ 621,627,432 | \$ 644,883,984 |
| Restricted | 109,477,858 | 141,667,383 | 173,644,605 | 182,254,938 | 199,638,551 |
| Unrestricted ¹ | <u>(72,380,877)</u> | <u>(46,784,850)</u> | <u>(47,785,433)</u> | <u>(57,776,776)</u> | <u>(84,543,060)</u> |
| Total governmental activities net position | <u>602,596,767</u> | <u>670,597,256</u> | <u>716,082,417</u> | <u>746,105,594</u> | <u>759,979,475</u> |
| Business-type activities | | | | | |
| Net investment in capital assets | 641,118,546 | 674,603,073 | 730,798,589 | 754,544,688 | 755,955,706 |
| Restricted | 66,782,199 | 57,703,838 | 47,933,979 | 51,696,692 | 74,932,192 |
| Unrestricted | <u>12,838,970</u> | <u>26,665,937</u> | <u>31,262,797</u> | <u>27,401,587</u> | <u>16,779,206</u> |
| Total business-type activities net position | <u>720,739,715</u> | <u>758,972,848</u> | <u>809,995,365</u> | <u>833,642,967</u> | <u>847,667,104</u> |
| Primary government | | | | | |
| Net investment in capital assets | 1,206,618,332 | 1,250,317,796 | 1,321,021,834 | 1,376,172,120 | 1,400,839,690 |
| Restricted | 176,260,057 | 199,371,221 | 221,578,584 | 233,951,630 | 274,570,743 |
| Unrestricted | <u>(59,541,907)</u> | <u>(20,118,913)</u> | <u>(16,522,636)</u> | <u>(30,375,189)</u> | <u>(67,763,854)</u> |
| Total primary government net position | <u>\$ 1,323,336,482</u> | <u>\$ 1,429,570,104</u> | <u>\$ 1,526,077,782</u> | <u>\$ 1,579,748,561</u> | <u>\$ 1,607,646,579</u> |

Concluded

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

Notes: 1. Negative unrestricted net position beginning in 2015 due to pension and OPEB recognition under GASB Statements 68 & 75.

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SCHEDULE 2

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

| Fiscal year ended June 30, | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|------------------|------------------|------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 25,795,167 | \$ 21,541,066 | \$ 23,284,124 | \$ 23,834,836 | \$ 25,484,400 | \$ 33,544,932 | \$ 28,073,717 | \$ 27,663,634 | \$ 33,502,842 | \$ 33,862,605 |
| Public safety | 83,670,810 | 76,681,588 | 79,538,208 | 83,490,651 | 97,193,289 | 101,932,771 | 91,848,440 | 101,714,590 | 119,726,538 | 124,681,272 |
| Community development | 25,365,523 | 28,815,600 | 25,993,916 | 28,676,371 | 42,204,461 | 31,725,690 | 29,707,264 | 35,178,144 | 36,527,001 | 39,132,018 |
| Community services | 10,845,896 | 10,130,824 | 11,484,088 | 10,749,116 | 13,343,669 | 14,901,391 | 19,541,160 | 24,966,224 | 23,356,594 | 17,944,411 |
| Transportation | 30,036,926 | 33,579,815 | 30,745,887 | 27,855,642 | 28,184,620 | 28,667,000 | 34,732,759 | 35,691,196 | 34,416,846 | 38,957,379 |
| Library services | 5,766,700 | 4,951,828 | 4,159,416 | 4,448,388 | 5,757,029 | 6,073,307 | 5,496,128 | 6,258,334 | 5,651,365 | 6,038,347 |
| Interest on debt | 6,267,919 | 5,494,769 | 7,560,950 | 7,890,417 | 7,268,602 | 6,875,063 | 6,632,618 | 7,417,300 | 9,399,830 | 8,796,006 |
| Total governmental activities | 187,748,941 | 181,195,490 | 182,766,589 | 186,945,421 | 219,436,070 | 223,720,154 | 216,032,086 | 238,889,422 | 262,581,016 | 269,412,038 |
| Business-type activities: | | | | | | | | | | |
| Water and sewer | 90,890,450 | 88,133,117 | 94,629,758 | 97,593,037 | 100,993,381 | 100,979,876 | 101,051,149 | 106,754,023 | 120,217,325 | 127,186,224 |
| Emergency services | 928,245 | 765,666 | 675,440 | 681,058 | 806,352 | 847,535 | 2,000,870 | 4,128,625 | 6,116,853 | 7,304,533 |
| WVPS communications center | 12,533,464 | 10,847,295 | 10,866,965 | 11,043,665 | 12,288,120 | 12,670,874 | 11,552,866 | 12,455,171 | 14,132,129 | 15,237,321 |
| Police regional records system | 149,157 | 260,572 | 355,390 | 301,791 | 174,181 | 366,386 | 443,012 | 609,870 | 649,190 | 503,823 |
| Salem Convention Center | 4,002,023 | 4,540,244 | 4,567,157 | 4,987,614 | 4,226,454 | 1,256,563 | 2,928,119 | 4,941,397 | 5,280,356 | 6,617,743 |
| Total business-type activities | 108,503,339 | 104,546,894 | 111,094,710 | 114,607,165 | 118,488,488 | 116,121,234 | 117,976,016 | 128,889,086 | 146,395,853 | 156,849,644 |
| Total expenses | \$ 296,252,280 | \$ 285,742,384 | \$ 293,861,299 | \$ 301,552,586 | \$ 337,924,558 | \$ 339,841,388 | \$ 334,008,102 | \$ 367,778,508 | \$ 408,976,869 | \$ 426,261,682 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 8,489,920 | \$ 10,762,231 | \$ 11,484,550 | \$ 12,433,547 | \$ 10,887,952 | \$ 9,798,453 | \$ 10,071,962 | \$ 12,955,700 | \$ 14,204,517 | \$ 17,236,476 |
| Public safety | 3,296,684 | 3,457,819 | 3,694,160 | 4,054,512 | 4,830,837 | 4,693,925 | 5,680,579 | 3,232,083 | 2,403,112 | 2,741,303 |
| Community development | 14,672,898 | 11,308,266 | 12,344,210 | 15,116,452 | 15,963,121 | 15,013,896 | 16,988,226 | 22,990,269 | 15,009,429 | 18,272,172 |
| Community services | 2,181,302 | 2,955,417 | 2,641,432 | 3,276,041 | 2,685,600 | 3,432,479 | 2,280,081 | 6,436,664 | 7,303,670 | 3,111,347 |
| Transportation | 7,924,516 | 4,796,272 | 7,212,753 | 4,609,077 | 4,273,383 | 5,543,341 | 5,968,169 | 5,226,833 | 5,848,079 | 6,194,420 |
| Library services | 857,018 | 869,078 | 909,075 | 850,939 | 744,945 | 683,863 | 612,609 | 490,993 | 745,994 | 918,137 |
| Interest on debt | 4,529,500 | 4,707,090 | 4,897,030 | 5,091,950 | 5,296,110 | 5,499,520 | 5,719,820 | 5,949,708 | 6,188,100 | 6,433,640 |
| Operating grants and contributions | 12,551,092 | 14,032,904 | 13,933,773 | 15,461,861 | 17,781,469 | 27,724,481 | 51,417,952 | 25,709,550 | 20,768,745 | 20,751,513 |
| Capital grants and contributions | 14,084,952 | 11,302,693 | 17,559,819 | 23,081,026 | 30,551,438 | 17,691,624 | 24,502,686 | 28,671,746 | 26,169,701 | 19,670,185 |
| Total governmental activities | 68,587,882 | 64,191,770 | 74,676,802 | 83,975,405 | 93,014,855 | 90,081,582 | 123,242,084 | 111,662,546 | 98,641,347 | 95,329,193 |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water and sewer | 90,920,920 | 94,173,227 | 99,448,400 | 101,762,054 | 104,165,185 | 109,624,097 | 111,198,172 | 118,682,562 | 122,413,057 | 130,161,260 |
| Emergency services | 726,734 | 775,125 | 909,589 | 893,713 | 836,550 | 836,550 | 3,053,554 | 7,840,717 | 5,803,527 | 8,101,349 |
| WVPS communications center | 9,775,246 | 10,094,981 | 10,529,057 | 11,081,288 | 11,440,456 | 12,375,975 | 13,245,032 | 13,868,315 | 14,448,409 | 15,324,212 |
| Police regional records system | 348,058 | 359,880 | 377,770 | 396,750 | 416,570 | 437,370 | 458,980 | 454,936 | 907,832 | 692,144 |
| Salem Convention Center | 3,729,105 | 4,631,840 | 4,652,705 | 5,212,461 | 3,848,954 | 320,405 | 2,536,819 | 5,314,561 | 5,849,651 | 6,842,701 |
| Operating grants and contributions | - | - | - | - | 159,720 | 49,370 | 2,614,888 | 105,803 | - | - |
| Capital grants and contributions | 10,050,339 | 18,221,138 | 16,965,678 | 16,918,149 | 17,527,474 | 17,520,269 | 22,853,761 | 34,208,657 | 19,913,988 | 9,165,292 |
| Total business-type activities | 115,550,402 | 128,256,191 | 132,883,299 | 136,264,415 | 138,383,320 | 141,164,036 | 155,961,206 | 177,535,551 | 171,376,464 | 170,286,958 |
| Total program revenues | \$ 184,138,284 | \$ 192,447,961 | \$ 207,560,101 | \$ 220,239,820 | \$ 231,398,175 | \$ 231,245,618 | \$ 279,203,290 | \$ 289,198,097 | \$ 270,017,811 | \$ 265,616,151 |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (119,161,059) | \$ (117,003,720) | \$ (108,089,787) | \$ (102,970,016) | \$ (126,421,215) | \$ (133,638,572) | \$ (92,790,002) | \$ (127,226,876) | \$ (163,939,669) | \$ (174,082,845) |
| Business-type activities | 7,047,063 | 23,709,297 | 21,788,589 | 21,657,250 | 19,894,832 | 25,042,802 | 37,985,190 | 48,644,665 | 24,980,611 | 13,493,663 |
| Total net expense | \$ (112,113,996) | \$ (93,294,423) | \$ (86,301,198) | \$ (81,312,766) | \$ (106,526,383) | \$ (108,595,770) | \$ (54,804,812) | \$ (78,580,411) | \$ (138,959,058) | \$ (160,645,531) |

Continued

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SCHEDULE 2

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

| Fiscal year ended June 30, | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| General Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property tax | \$ 84,316,404 | \$ 87,593,537 | \$ 94,348,418 | \$ 98,789,963 | \$ 101,928,266 | \$ 106,036,841 | \$ 112,236,879 | \$ 116,767,104 | \$ 123,379,170 | \$ 128,088,830 |
| Transient occupancy tax | 3,612,596 | 3,943,285 | 3,922,627 | 4,088,110 | 3,374,954 | 3,095,121 | 4,326,660 | 4,668,844 | 4,842,375 | 5,298,982 |
| Other taxes | - | 121,502 | 758,247 | 1,004,285 | 1,160,850 | 1,584,048 | 1,777,348 | 1,299,102 | 1,403,095 | 1,374,729 |
| Shared state revenue | 4,805,808 | 5,175,176 | 6,277,293 | 6,240,284 | 6,800,456 | 7,576,469 | 7,437,065 | 7,885,459 | 7,797,149 | 6,802,859 |
| Franchise fees based on gross receipts | 16,565,567 | 16,991,335 | 17,833,089 | 17,857,777 | 17,943,929 | 18,667,017 | 19,958,970 | 20,721,487 | 21,628,965 | 22,664,483 |
| City operations fee-unrestricted | - | - | - | - | 3,563,046 | 7,205,667 | 7,475,556 | 7,952,954 | 13,761,916 | 14,612,375 |
| Payment in lieu of taxes | 96,571 | 106,006 | 117,226 | 134,763 | 122,921 | 99,146 | 102,498 | 121,389 | 119,217 | 125,169 |
| Investment earnings | 1,354,500 | 1,901,542 | 3,339,012 | 5,182,765 | 5,033,622 | 3,290,559 | 2,405,246 | 6,388,615 | 12,152,344 | 13,166,337 |
| Gain on sale of assets | 166,457 | 239,594 | 23,640 | 639,153 | 336,350 | 159,308 | 2,206,527 | 1,993,631 | 39,460 | 2,889,345 |
| Miscellaneous | 869,803 | 1,478,317 | 1,851,020 | 1,749,388 | 1,386,609 | 1,329,778 | 761,816 | 4,042,447 | 24,987,650 | 1,493,663 |
| Transfers in (out) | 911,634 | 625,778 | 1,104,688 | 158,550 | 1,457,730 | (1,050,003) | 2,101,926 | 1,674,157 | 6,341,505 | 1,880,100 |
| Total governmental activities | 112,699,340 | 118,176,072 | 129,575,260 | 135,845,038 | 143,108,733 | 147,993,951 | 160,790,491 | 173,515,189 | 193,962,846 | 198,396,872 |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 529,852 | 791,230 | 1,385,091 | 2,228,266 | 2,354,591 | 1,779,618 | 1,186,279 | 2,850,428 | 3,884,122 | 4,559,575 |
| Gain or (loss) on sale of assets | - | 16,217,200 | 872,567 | - | 255,623 | 5,000 | - | - | - | - |
| Miscellaneous | 295,891 | 308,438 | 3,899,140 | 1,282,898 | 1,013,206 | 1,135,268 | 1,163,590 | 1,199,781 | 1,124,374 | 1,230,278 |
| Transfers in (out) | (911,634) | (625,778) | (1,104,688) | (158,550) | (1,457,730) | 1,050,003 | (2,101,926) | (1,674,157) | (6,341,505) | (1,880,100) |
| Total business-type activities | (85,891) | 16,691,090 | 5,052,110 | 3,352,614 | 2,165,690 | 3,969,889 | 247,943 | 2,376,052 | (1,333,009) | 3,909,753 |
| Total primary government | \$ 112,613,449 | \$ 134,867,162 | \$ 134,627,370 | \$ 139,197,652 | \$ 145,274,423 | \$ 151,963,840 | \$ 161,038,434 | \$ 175,891,241 | \$ 192,629,837 | \$ 202,306,625 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ (4,304,380) | \$ 10,086,285 | \$ 26,605,244 | \$ 9,423,823 | \$ 9,470,161 | \$ 55,203,949 | \$ 33,563,615 | \$ 46,288,313 | \$ 30,023,177 | \$ 24,314,027 |
| Business-type activities | 23,623,406 | 38,479,679 | 26,709,360 | 23,247,446 | 27,208,492 | 41,955,079 | 48,894,408 | 51,022,517 | 23,647,602 | 17,347,067 |
| Total | \$ 19,319,026 | \$ 48,565,964 | \$ 53,314,604 | \$ 32,671,269 | \$ 36,678,653 | \$ 97,159,028 | \$ 82,458,023 | \$ 97,310,830 | \$ 53,670,779 | \$ 41,661,094 |

Concluded

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

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SCHEDULE 3

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

| As of June 30 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-------------------|------------------|-------------------|-------------------|-------------------|
| General Operating fund | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | \$ 517 | \$ 9 | \$ - | \$ 132 | \$ 252 |
| Committed for: | | | | | |
| Public art ¹ | 32 | 43 | 33 | 39 | 49 |
| Assigned to: | | | | | |
| General government | - | 299 | 242 | 1,043 | 988 |
| Community development | - | 302 | 816 | 174 | 148 |
| Community services | - | 35 | - | - | 19 |
| Library services | - | - | - | - | - |
| Public safety | - | 372 | 186 | 121 | 209 |
| Unassigned | 26,264 | 24,728 | 22,967 | 20,309 | 23,324 |
| Total General Operating fund | \$ 26,813 | \$ 25,788 | \$ 24,244 | \$ 21,818 | \$ 24,989 |
| All other governmental funds | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | \$ 48 | \$ - | \$ - | \$ - | \$ 7 |
| Permanent fund principal | 11 | 11 | 11 | 11 | 11 |
| Restricted for: | | | | | |
| Capital projects | 58,916 | 48,447 | 142,135 | 138,699 | 112,243 |
| Community renewal | 15 | 284 | 2,180 | 1,704 | 1,299 |
| Debt service | 17,729 | 19,198 | 8,631 | 7,329 | 6,085 |
| Permanent funds - spendable | 248 | 201 | 216 | 269 | 282 |
| General government | 58 | 58 | 64 | 64 | 56 |
| Community development-SCC Gain/Loss | 4,305 | 4,397 | 4,872 | 6,220 | 5,443 |
| Community development-Other | 68 | 69 | 70 | 71 | 42 |
| Community services | 634 | 565 | 670 | 861 | 1,091 |
| Library services | 40 | 48 | 37 | 40 | 43 |
| Public safety | 528 | 706 | 1,022 | 1,410 | 1,084 |
| Transportation services | 1,648 | 1,627 | 4,237 | 4,428 | 4,747 |
| Committed for: | | | | | |
| Transportation services | 5,557 | 4,880 | 4,647 | 4,129 | 4,321 |
| Airport | 952 | 921 | 1,137 | 1,186 | 1,209 |
| Downtown parking | 935 | 669 | 308 | 186 | 74 |
| Economic improvement | 33 | - | - | - | - |
| Cultural/Tourism | 1,219 | 546 | 789 | 661 | 382 |
| Parking leasehold | 669 | 748 | 647 | 534 | 387 |
| Building & safety | 5,359 | 6,156 | 7,690 | 9,592 | 12,295 |
| General government-replace phone system | 1,502 | 1,545 | - | - | - |
| Community services | 30 | 42 | 24 | 39 | 47 |
| Library services | 970 | 937 | 939 | 958 | 954 |
| Public safety | 17 | 6 | 5 | 8 | 24 |
| Total all other governmental funds | \$ 101,491 | \$ 92,061 | \$ 180,331 | \$ 178,399 | \$ 152,126 |

Continued

SCHEDULE 3

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

| As of June 30 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Operating fund | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | \$ 135 | \$ 90 | \$ 45 | \$ - | \$ - |
| Committed for: | | | | | |
| Public art ¹ | 40 | 26 | 51 | 85 | 92 |
| Assigned to: | | | | | |
| General government | 638 | 411 | 541 | 85 | 259 |
| Community development | 37 | 140 | 3 | 18 | 10 |
| Community services | - | 79 | - | - | - |
| Library services | 285 | - | - | - | - |
| Public safety | 132 | 723 | 152 | 182 | 108 |
| Unassigned | 29,818 | 39,330 | 35,892 | 34,765 | 29,346 |
| Total General Operating fund | \$ 31,085 | \$ 40,799 | \$ 36,684 | \$ 35,135 | \$ 29,815 |
| All other governmental funds | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | \$ - | \$ - | \$ - | \$ - | \$ - |
| Permanent fund principal | 11 | 11 | 11 | 11 | 11 |
| Restricted for: | | | | | |
| Capital projects | 88,134 | 100,041 | 200,466 | 199,452 | 189,176 |
| Community renewal | 867 | 424 | 150 | 70 | 563 |
| Debt service | 7,341 | 7,883 | 6,928 | 6,992 | 9,819 |
| Permanent funds - spendable | 253 | 32 | 33 | 43 | 43 |
| General government | 50 | 35 | 33 | 34 | 41 |
| Community development-SCC Gain/Loss | 4,213 | 3,804 | 3,323 | 3,712 | 4,339 |
| Community development-Other | 2 | 2 | 3 | 3 | 3 |
| Community services | 1,112 | 15,620 | 16,313 | 11,031 | 8,531 |
| Library services | 61 | 39 | 36 | 36 | 30 |
| Public safety | 681 | 838 | 452 | 594 | 693 |
| Transportation services | 5,384 | 6,489 | 7,966 | 9,096 | 9,259 |
| Committed for: | | | | | |
| Transportation services | 7,012 | 9,904 | 9,110 | 10,451 | 10,917 |
| Airport | 1,005 | 1,155 | 1,106 | 1,030 | 641 |
| Downtown parking | 174 | 174 | 185 | 124 | 4 |
| Economic improvement | - | - | - | - | - |
| Cultural/Tourism | 1,837 | 4,032 | 4,455 | 4,387 | 3,048 |
| Parking leasehold | 342 | 271 | 393 | 352 | 267 |
| Building & safety | 13,999 | 15,688 | 17,561 | 16,114 | 15,306 |
| General government-replace phone system | - | - | - | - | - |
| Community services | 42 | 52 | 49 | 64 | 49 |
| Library services | 992 | 957 | 945 | 910 | 869 |
| Public safety | 25 | 23 | 21 | 45 | 44 |
| Total all other governmental funds | \$ 133,537 | \$ 167,474 | \$ 269,539 | \$ 264,551 | \$ 253,653 |

Concluded

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

1. The Public Art fund was combined with the General fund to create the "General Operating fund" for GAAP reporting in FY2019.

SCHEDULE 4

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

| Fiscal year ended June 30, | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|--------------------|------------------------|----------------------|-----------------------|------------------------|------------------------|----------------------|----------------------|-----------------------|------------------------|
| Revenues | | | | | | | | | | |
| Property taxes | \$ 84,241,245 | \$ 87,742,137 | \$ 92,645,504 | \$ 100,896,795 | \$ 101,855,593 | \$ 106,488,044 | \$ 111,828,514 | \$ 116,736,765 | \$ 122,950,402 | \$ 127,940,586 |
| Other taxes | 3,612,596 | 4,064,787 | 4,680,874 | 5,092,395 | 4,535,804 | 4,679,169 | 6,104,008 | 5,967,947 | 6,245,470 | 6,673,711 |
| Sales, fees, licenses, and permits | 33,693,610 | 32,589,112 | 39,613,747 | 38,357,918 | 46,415,904 | 48,422,259 | 55,405,775 | 53,961,048 | 54,932,257 | 59,618,539 |
| Special assessments | 514,942 | 487,167 | 3,899,954 | 469,202 | 759,550 | 1,100,485 | 1,417,740 | 1,395,100 | 1,441,004 | 1,577,095 |
| Rents | 3,518,821 | 4,235,080 | 2,917,512 | 4,617,136 | 4,133,667 | 2,860,572 | 3,131,429 | 3,530,550 | 3,518,351 | 3,843,972 |
| Grants | 6,837,612 | 7,084,125 | 34,253,598 | 9,618,698 | 10,020,216 | 18,739,613 | 44,809,633 | 23,753,287 | 22,712,057 | 14,259,217 |
| Intergovernmental | 32,524,245 | 30,743,901 | 2,897,346 | 35,152,033 | 43,822,612 | 37,611,112 | 39,916,973 | 42,328,161 | 40,686,970 | 41,067,281 |
| Fines and penalties | 3,023,850 | 2,973,024 | 502,411 | 2,981,148 | 2,652,267 | 2,650,205 | 3,863,108 | 3,394,557 | 3,556,035 | 3,388,840 |
| Interest on investments | 1,116,741 | 1,575,317 | 5,173,757 | 4,394,477 | 4,157,024 | 2,630,388 | 1,992,807 | 5,950,205 | 10,872,337 | 11,894,147 |
| Loan payments received | 2,694,311 | 2,305,210 | 963,207 | 1,824,844 | 675,788 | 1,111,130 | 1,153,131 | 577,284 | 384,944 | 401,959 |
| Other | 1,297,748 | 1,164,904 | 1,753,005 | 1,131,585 | 1,727,362 | 1,279,517 | 818,483 | 3,838,686 | 2,948,488 | 1,967,650 |
| Total revenues | 173,075,721 | 174,964,764 | 189,300,915 | 204,526,231 | 220,755,787 | 227,572,494 | 270,441,581 | 261,133,100 | 270,246,315 | 272,632,997 |
| Expenditures | | | | | | | | | | |
| General government | 17,018,725 | 16,759,280 | 17,870,705 | 19,087,011 | 18,775,452 | 22,872,613 | 26,473,831 | 25,401,445 | 23,920,333 | 25,227,846 |
| Community development | 16,373,289 | 17,285,934 | 17,151,459 | 20,304,596 | 19,732,560 | 20,472,387 | 22,700,474 | 25,362,083 | 27,196,402 | 26,576,808 |
| Community service | 7,812,249 | 8,461,793 | 9,433,816 | 9,099,012 | 10,162,769 | 11,172,820 | 16,706,885 | 18,745,672 | 21,058,429 | 15,388,432 |
| Public safety | 61,933,220 | 68,442,395 | 73,199,690 | 77,756,426 | 81,079,973 | 86,187,869 | 91,556,430 | 97,967,965 | 107,013,651 | 112,991,056 |
| Transportation | 12,004,928 | 13,804,079 | 15,003,447 | 15,088,642 | 14,545,764 | 14,643,629 | 15,599,750 | 19,335,646 | 17,898,518 | 19,563,315 |
| Library | 4,433,093 | 4,842,454 | 4,748,270 | 4,654,437 | 4,587,789 | 4,747,772 | 5,163,915 | 5,472,728 | 4,960,481 | 5,281,217 |
| Capital outlay | 29,581,071 | 33,768,435 | 35,218,713 | 43,639,379 | 73,445,521 | 63,403,677 | 27,304,548 | 55,571,843 | 51,542,505 | 56,891,029 |
| Debt service | | | | | | | | | | |
| Principal retirement | 23,068,458 | 16,197,993 | 12,957,373 | 13,697,205 | 30,249,427 | 16,559,014 | 18,053,056 | 19,763,457 | 16,413,537 | 23,460,749 |
| Interest and fiscal charges | 6,502,290 | 5,486,003 | 6,843,051 | 8,032,148 | 7,853,769 | 6,960,709 | 6,838,648 | 5,801,612 | 10,675,664 | 8,891,207 |
| Total expenditures | 176,727,323 | 185,048,366 | 192,426,524 | 211,358,856 | 260,453,024 | 247,020,490 | 230,393,537 | 273,422,451 | 280,677,520 | 294,271,659 |
| Excess (deficiency) of revenues over (under) expenditures | (5,651,602) | (10,083,602) | (3,125,609) | (6,832,625) | (39,697,237) | (19,447,996) | 40,048,044 | (12,289,351) | (10,431,205) | (21,638,662) |
| Other financing sources (uses) | | | | | | | | | | |
| Issuance of debt | 6,130,000 | - | 93,375,000 | 905,808 | 15,673,031 | 9,668,000 | - | 100,000,000 | - | - |
| Issuance of refunding bonds | - | - | - | - | - | 24,735,000 | - | - | - | - |
| Bond issuance premium | - | - | 9,485,781 | - | - | 2,843,359 | - | 7,489,935 | - | - |
| Payments to refunded bond escrow agents | - | - | (14,933,756) | - | - | (27,469,644) | - | - | - | - |
| Proceeds from SBITA's | - | - | - | - | - | - | - | 841,704 | - | 168,173 |
| Proceeds from leases | - | - | - | - | - | - | 543,147 | - | - | 1,165,502 |
| Sale of capital assets | 166,347 | 210,397 | 18,623 | 559,722 | 207,500 | 84,416 | 2,087,304 | 1,864,251 | 490 | 2,760,000 |
| Transfers in | 12,729,116 | 14,398,749 | 30,047,440 | 24,426,500 | 5,733,079 | 5,810,971 | 22,652,320 | 26,540,889 | 29,787,444 | 24,764,512 |
| Transfers out | (12,496,891) | (14,980,843) | (30,121,991) | (23,282,530) | (5,018,472) | (7,752,452) | (21,679,219) | (25,694,064) | (25,893,790) | (23,438,183) |
| Total other financing sources (uses) | 6,528,572 | (371,697) | 87,871,997 | 2,609,500 | 16,595,138 | 7,919,650 | 3,603,552 | 111,042,715 | 3,884,144 | 5,420,004 |
| Net change in fund balances | \$ 876,970 | \$ (10,455,299) | \$ 84,746,388 | \$ (4,223,125) | \$ (23,102,099) | \$ (11,528,346) | \$ 43,651,596 | \$ 98,753,364 | \$ (6,537,061) | \$ (16,218,658) |
| Debt service as a percentage of noncapital expenditures | 18.25% | 12.75% | 11.61% | 12.25% | 17.75% | 12.29% | 11.92% | 11.28% | 11.48% | 12.84% |

Source: City of Salem, OR Annual Comprehensive 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 ¹ | Industrial Property ¹ | 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 |
|---------------------------|----------------------|---------------|----------------------------------|----------------------------------|-------------------|------------------|------------------------------|-----------------------|-----------------------|-----------------------------|--|
| 2016 | \$ 7,250,682 | \$ 16,588 | \$ 3,191,346 | \$ 333,536 | \$ 332,086 | \$ 296,494 | \$ 11,420,732 | \$7.61 | \$ 13,697,349 | \$ 17,708,784 | 64.49% |
| 2017 | 7,554,460 | 16,767 | 3,309,878 | 369,023 | 351,886 | 331,795 | 11,933,809 | 7.60 | 14,782,422 | 18,870,599 | 63.24% |
| 2018 | 7,861,190 | 15,652 | 3,401,610 | 350,969 | 363,044 | 346,130 | 12,338,595 | 7.75 | 16,198,654 | 20,375,366 | 60.56% |
| 2019 | 8,191,263 | 15,076 | 3,547,737 | 344,476 | 369,725 | 407,284 | 12,875,561 | 7.94 | 17,807,969 | 22,106,668 | 58.24% |
| 2020 | 8,559,295 | 13,902 | 3,789,205 | 348,741 | 358,479 | 393,543 | 13,463,165 | 7.85 | 19,617,176 | 24,059,913 | 55.96% |
| 2021 | 8,947,689 | 13,806 | 3,880,201 | 373,362 | 380,053 | 433,087 | 14,028,198 | 7.84 | 20,690,977 | 25,392,655 | 55.25% |
| 2022 | 9,361,934 | 14,533 | 4,089,953 | 331,820 | 403,096 | 432,795 | 14,634,131 | 7.34 | 25,909,453 | 25,941,394 | 56.41% |
| 2023 | 9,756,833 | 12,081 | 4,446,907 | 196,446 | 414,976 | 477,012 | 15,304,255 | 7.83 | 26,937,456 | 26,968,061 | 56.75% |
| 2024 | 10,153,134 | 12,436 | 4,580,616 | 467,141 | 429,754 | 454,131 | 16,097,212 | 7.87 | 28,703,411 | 28,736,830 | 56.02% |
| 2025 | 10,539,045 | 12,813 | 4,752,250 | 526,256 | 460,746 | 459,479 | 16,750,589 | 8.03 | 29,594,562 | 29,631,083 | 56.53% |

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

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 | | | | |
| 2016 | \$ 5.54 | \$ 1.00 | \$ 1.07 | \$ 7.61 | \$ 6.26 | \$ 2.86 | \$ 2.02 | \$ 18.75 |
| 2017 | 5.54 | 1.00 | 1.06 | 7.60 | 5.61 | 2.86 | 2.05 | 18.12 |
| 2018 | 5.53 | 1.14 | 1.08 | 7.75 | 5.81 | 2.86 | 2.04 | 18.46 |
| 2019 | 5.50 | 1.26 | 1.18 | 7.94 | 7.06 | 2.84 | 2.02 | 19.86 |
| 2020 | 5.47 | 1.15 | 1.23 | 7.85 | 6.85 | 2.83 | 2.01 | 19.54 |
| 2021 | 5.48 | 1.17 | 1.19 | 7.84 | 6.97 | 2.84 | 2.01 | 19.66 |
| 2022 | 5.61 | 0.73 | 0.99 | 7.33 | 6.22 | 2.89 | 1.82 | 18.26 |
| 2023 | 5.47 | 1.16 | 1.20 | 7.83 | 6.97 | 2.83 | 2.02 | 19.65 |
| 2024 | 5.42 | 1.17 | 1.28 | 7.87 | 6.95 | 2.80 | 2.01 | 19.63 |
| 2025 | 5.39 | 1.21 | 1.43 | 8.03 | 6.86 | 2.78 | 1.96 | 19.63 |

Source: Marion County Summary of Tax Roll

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SCHEDULE 7

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

| Property Taxpayers | 2025 | | 2016 | | | |
|-------------------------------------|----------------------------|------|---|----------------------------|------|---|
| | 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 | \$ 161,594,000 | 1 | 0.96% | 94,881,221 | 1 | 0.83% |
| Northwest Natural Gas Company | 124,693,000 | 2 | 0.74% | 71,215,700 | 2 | 0.62% |
| Comcast Corporation | 86,919,288 | 3 | 0.52% | 32,819,880 | 9 | 0.29% |
| Bit Investment Ninety-Seven LLC | 85,460,280 | 4 | 0.51% | | | 0.00% |
| Pacific Reality Hills LLC | 63,823,050 | 5 | 0.38% | | | 0.00% |
| State Accident Insurance Fund | 62,385,490 | 6 | 0.37% | 31,333,530 | 10 | 0.27% |
| Lancaster Development Company LLC | 59,709,410 | 7 | 0.36% | 58,833,290 | 3 | 0.52% |
| Snyders-Lance Inc | 50,539,390 | 8 | 0.30% | | | 0.00% |
| State Investments LLC | 43,102,230 | 9 | 0.26% | 37,076,432 | 6 | 0.32% |
| Newport Hill LLC | 42,318,470 | 10 | 0.25% | | | 0.00% |
| Wal-Mart Real Estate Business | | | | 33,706,160 | 7 | 0.30% |
| Metropolitan Life Insurance Company | | | | 45,385,410 | 4 | 0.40% |
| CenturyLink | | | | 42,287,000 | 5 | 0.37% |
| HD Salem OR Landlord LLC | | | | 33,954,000 | 8 | 0.30% |
| All other taxpayers | 15,970,044,845 | | 95.33% | 10,939,239,061 | | 95.78% |
| Total | \$ 16,750,589,453 | | 99.98% | \$ 11,420,731,684 | | 100.00% |

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

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SCHEDULE 8

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

| Fiscal Year of Levy | Taxes Levied for the Fiscal Year (Original Levy) | Adjustments and Discounts | Total Adjusted Levy | Collected within the Fiscal Year of the Levy | | Collections, Discounts, and Adjustments in Subsequent Years | Total Collections to Date | | Outstanding Taxes Levied by Fiscal Year |
|---------------------|--|---------------------------|---------------------|--|--------------------------|---|---------------------------|--------------------------|---|
| | | | | Amount Collected | Percent of Original Levy | | Amount | Percent of Adjusted Levy | |
| 2018-19 | 101,644,856 | 2,862,986 | 98,781,870 | 96,762,295 | 95.20% | 1,971,407 | 98,733,702 | 99.95% | 48,168 |
| 2019-20 | 104,952,393 | 2,923,310 | 102,029,083 | 99,954,690 | 95.24% | 2,012,040 | 101,966,730 | 99.94% | 62,353 |
| 2020-21 | 109,396,127 | 3,105,856 | 106,290,271 | 104,409,545 | 95.44% | 1,800,366 | 106,209,911 | 99.92% | 80,360 |
| 2021-22 | 114,695,165 | 3,304,445 | 111,390,720 | 109,388,269 | 95.37% | 1,780,389 | 111,168,658 | 99.80% | 222,062 |
| 2022-23 | 119,423,525 | 3,478,736 | 115,944,789 | 113,866,777 | 95.35% | 1,559,650 | 115,426,427 | 99.55% | 518,362 |
| 2023-24 | 126,792,791 | 3,659,447 | 123,133,344 | 120,565,023 | 95.09% | 1,613,566 | 122,178,588 | 99.22% | 954,756 |
| 2024-25 | 132,005,102 | 3,881,057 | 128,124,046 | 125,505,394 | 95.08% | - | 125,505,394 | 97.96% | 2,618,651 |

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 Type¹
Last Ten Fiscal Years

| Governmental Activities | | | | | | |
|---------------------------|---------------------------------------|--------------------------------------|---------------------|--------------|-----------------------------|------------------------------|
| Fiscal Year Ended June 30 | General Obligation Bonds ³ | Limited Tax Pension Obligation Bonds | Urban Renewal Bonds | Notes | Leases Payable ⁴ | SBITA's Payable ⁵ |
| 2016 | \$ 82,108,916 | \$ 49,020,000 | \$ 5,975,000 | \$ 8,305,501 | \$ - | \$ - |
| 2017 | 71,650,013 | 46,750,000 | 2,128,000 | 8,445,555 | - | - |
| 2018 | 149,857,523 | 44,180,000 | 1,730,000 | 9,578,919 | - | - |
| 2019 | 138,815,050 | 41,290,000 | 1,470,000 | 9,845,923 | - | - |
| 2020 | 127,044,888 | 38,055,000 | 1,200,000 | 9,568,735 | - | - |
| 2021 | 113,209,627 | 34,460,000 | 10,588,000 | 8,773,901 | - | - |
| 2022 | 99,911,534 | 30,465,000 | 9,464,000 | 7,931,645 | 875,388 | - |
| 2023 | 192,921,404 | 26,040,000 | 8,241,000 | 7,285,501 | 708,450 | 938,774 |
| 2024 | 182,007,397 | 21,155,000 | 6,987,000 | 6,690,778 | 566,061 | 452,263 |
| 2025 | 168,478,160 | 15,780,000 | 6,037,000 | 2,291,834 | 2,860,419 | 285,308 |

Source: City of Salem Finance Department

Notes:

1. Details regarding the City's outstanding debt can be found in the notes to the financial statements.
2. See Statistical Schedule 14 *Demographic and Economic Statistics* for total personal income and population.
3. Matches general obligation bonds plus premium found in the notes to the financial statements.
4. Lease payable information not available prior to FY22 when GASB 87 was implemented
5. SBITA payable information not available prior to FY23 when GASB 96 was implemented

Continued

SCHEDULE 9

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

| Business-type Activities | | | | | | | |
|---------------------------|---|--------------|-----------------------------|------------------------------|----------------|---|-------------------------|
| Water/Sewer Revenue Bonds | Water/Sewer Revenue / Full Faith and Credit Bonds | Notes | Leases Payable ⁴ | SBITA's Payable ⁵ | Total | Percent of Total Personal Income ² | Per Capita ² |
| \$ 63,970,361 | \$ 74,180,000 | \$ 4,797,035 | \$ - | \$ - | \$ 288,356,813 | 4.54% | \$ 1,794 |
| 48,980,000 | 73,145,410 | - | - | - | 251,098,978 | 3.77% | 1,549 |
| 101,701,286 | 4,660,000 | - | - | - | 311,707,728 | 4.43% | 1,907 |
| 89,872,744 | - | - | - | - | 281,293,717 | 3.81% | 1,702 |
| 134,622,164 | - | - | - | - | 310,490,787 | 3.89% | 1,855 |
| 119,992,920 | - | - | - | - | 287,024,448 | 3.51% | 1,699 |
| 104,448,676 | - | - | 2,303,711 | - | 255,399,954 | 2.71% | 1,437 |
| 88,339,433 | - | 384,054 | 1,367,682 | 1,011,153 | 327,237,451 | 2.71% | 1,822 |
| 73,371,188 | - | 370,602 | 1,205,149 | 681,796 | 293,487,234 | N/A | 1,606 |
| 60,739,944 | - | - | 1,032,456 | 678,591 | 258,183,712 | N/A | 1,435 |

Concluded

SCHEDULE 10

City of Salem, Oregon
Ratios of General Bonded Debt Outstanding¹
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Population | Assessed Value | General Obligation bonds ² | Limited Tax Pension Obligation bonds ³ | Full Faith and Credit backed revenue bonds ⁴ | Less: Amounts Available in General Debt Service Fund | Total | Percentage of Estimated Actual Taxable Value of Property | General Bonded Debt Per Capita |
|---------------------------|------------|-------------------|---------------------------------------|---|---|--|----------------|--|--------------------------------|
| 2016 | 160,690 | \$ 11,420,731,864 | \$ 82,108,916 | \$ 49,020,000 | \$ 74,180,000 | \$ 1,718,328 | \$ 203,590,588 | 1.35% | \$ 962 |
| 2017 | 162,060 | 11,933,809,181 | 71,850,013 | 46,750,000 | 69,870,000 | 584,441 | 187,885,572 | 1.18% | 870 |
| 2018 | 163,480 | 12,338,595,882 | 149,857,523 | 44,180,000 | 923,686 | 4,660,000 | 197,773,837 | 1.25% | 940 |
| 2019 | 165,265 | 12,875,560,229 | 138,815,050 | 41,290,000 | - | 1,843,785 | 178,261,265 | 1.06% | 829 |
| 2020 | 167,400 | 13,463,164,493 | 127,044,888 | 38,055,000 | - | 1,356,099 | 163,743,789 | 0.93% | 752 |
| 2021 | 168,970 | 14,028,199,032 | 113,209,627 | 34,460,000 | - | 1,187,877 | 146,481,750 | 0.80% | 664 |
| 2022 | 177,694 | 14,634,130,755 | 99,911,534 | 30,465,000 | - | 2,112,149 | 128,264,385 | 0.67% | 552 |
| 2023 | 179,605 | 15,304,254,900 | 192,921,404 | 26,040,000 | - | 2,886,980 | 216,074,424 | 1.24% | 1,059 |
| 2024 | 182,726 | 16,097,211,387 | 182,007,397 | 21,155,000 | - | 3,554,606 | 199,607,791 | 1.24% | 1,092 |
| 2025 | 179,977 | 16,750,589,453 | 168,478,160 | 15,780,000 | - | 4,050,277 | 180,207,883 | 1.08% | 1,001 |

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. Unlimited tax General Obligation bonds, including unamortized issuance premium, supported by debt service levy.
 3. Limited tax general obligation of the City, not supported by a debt service levy.
 4. Full Faith and Credit, Series 2009 bond and Full Faith and Credit, Series 2017 Refunding bonds payable solely from net revenues of the water/sewer utility per the 2012 Master Water and Sewer system Revenue Bond Declaration.

SCHEDULE 11

City of Salem, Oregon
Computation of Direct and Overlapping Debt
As of June 30, 2025
(dollars in thousands)

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable ¹ | Estimated Share of Overlapping Debt |
|---|------------------|--|-------------------------------------|
| Debt repaid with property taxes | | | |
| Chemeketa Community College | \$ 58,315 | 32.42% | \$ 18,907 |
| Marion County | 32,878 | 40.62% | 13,356 |
| Marion County School District 24J | 761,342 | 65.91% | 501,811 |
| Marion County School District 5 | 8,340 | 0.19% | 16 |
| Polk County | 10,880 | 32.80% | 3,569 |
| Willamette ESD | 4,236 | 29.56% | 1,252 |
| Subtotal, overlapping debt | | | 538,911 |
| General obligation bonds ² | | | 168,478 |
| Limited tax pension obligation bonds ³ | | | 15,780 |
| Urban renewal bonds ⁴ | | | 6,037 |
| Notes ⁵ | | | 2,292 |
| Subtotal, City direct debt ⁶ | | | 192,587 |
| | | | <u>\$ 731,498</u> |

Sources: City of Salem Finance Department
 Oregon State Treasury

Notes:

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

1. For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.
2. Direct, general obligations of the City. Includes issuance premium.
3. The limited tax pension obligation bond is funded by all City departments that have personnel.
4. Urban renewal bonds are obligations of the Urban Renewal Agency, not the City. They are solely payable by tax increment revenues.
5. All governmental activities notes. These are currently all Urban Renewal Agency notes and therefore are not obligations of the City.
6. "City direct debt" on this schedule includes all governmental activities debt, including notes and Urban Renewal Agency debt per GASB statement 44. Urban Renewal Agency debt is not a general obligation of the City of Salem under Oregon Revised Statutes. Notes are also not general obligations of the City. Includes unamortized premiums on City debt schedules.

SCHEDULE 12

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

| <u>As of June 30,</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Real market value (RMV) | \$ 13,697,349,090 | \$ 14,782,421,957 | \$ 16,198,654,069 | \$ 17,807,968,607 | \$ 19,617,175,751 |
| Legal debt margin: | | | | | |
| Debt limit (3% of RMV) ¹ | 410,920,473 | 443,472,659 | 485,959,622 | 534,239,058 | 588,515,273 |
| Debt applicable to limit: | | | | | |
| General Obligation Bonds | 82,108,916 | 71,650,013 | 149,857,523 | 138,815,050 | 127,044,888 |
| Less: | | | | | |
| Funds applicable to the payment of principal ² | (1,680,942) | (533,726) | (850,650) | (1,732,365) | (1,206,431) |
| Premium received on issuance for Streets-Bridges, Police Facility, and Library Facility, Community Improvement Series 2013, 2017, 2018 & 2023 | (3,294,213) | (2,818,866) | (10,966,105) | (9,880,842) | (8,904,888) |
| Total net debt applicable to limit | <u>77,133,761</u> | <u>68,297,421</u> | <u>138,040,768</u> | <u>127,201,843</u> | <u>116,933,569</u> |
| Legal debt margin ³ | <u>\$ 333,786,712</u> | <u>\$ 375,175,238</u> | <u>\$ 347,918,854</u> | <u>\$ 407,037,215</u> | <u>\$ 471,581,704</u> |
| Total net debt applicable to limit as a percentage of limit | <u>18.77%</u> | <u>15.40%</u> | <u>28.41%</u> | <u>23.81%</u> | <u>19.87%</u> |

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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>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Real market value (RMV) | \$ 20,690,976,632 | \$ 25,909,453,452 | \$ 26,937,456,385 | \$ 28,703,411,226 | \$ 29,594,561,737 |
| Legal debt margin: | | | | | |
| Debt limit (3% of RMV) ¹ | 620,729,299 | 777,283,604 | 808,123,692 | 861,102,337 | 887,836,852 |
| Debt applicable to limit: | | | | | |
| General Obligation Bonds | 113,209,627 | 99,911,534 | 192,921,404 | 182,007,397 | 168,478,160 |
| Less: | | | | | |
| Funds applicable to the payment of principal ² | (1,011,103) | (1,916,920) | (2,646,401) | (3,243,203) | (4,050,277) |
| Premium received on issuance for Streets-Bridges, Police Facility, and Library Facility, Community Improvement Series 2013, 2017, 2018 & 2023 | (9,539,627) | (15,731,469) | (14,326,404) | (12,707,397) | (11,393,160) |
| Total net debt applicable to limit | <u>102,658,897</u> | <u>82,263,145</u> | <u>175,948,599</u> | <u>166,056,797</u> | <u>153,034,723</u> |
| Legal debt margin ³ | <u>\$ 518,070,402</u> | <u>\$ 695,020,459</u> | <u>\$ 632,175,093</u> | <u>\$ 695,045,540</u> | <u>\$ 734,802,129</u> |
| Total net debt applicable to limit as a percentage of limit | <u>16.54%</u> | <u>10.58%</u> | <u>21.77%</u> | <u>19.28%</u> | <u>17.24%</u> |
| | | | | | <u>Concluded</u> |

Sources: City of Salem Finance Department
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.

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SCHEDULE 13

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

| Water and Sewer Revenue Bonds | | | | | | |
|---------------------------------|--|---|-----------------------------|------------------------|----------|-----------------------|
| Fiscal Year Ended June 30 | Utility Service Charges ² | Less: Operating Expenses ³ | Net Available Revenue | Debt Service | | Coverage ¹ |
| | | | | Principal ⁴ | Interest | |
| 2016 | \$ 91,241 | \$ 55,663 | \$ 35,578 | \$ 11,326 | \$ 1,451 | 2.78 |
| 2017 | 94,762 | 62,001 | 32,761 | 11,442 | 1,341 | 2.56 |
| 2018 | 100,502 | 65,657 | 34,845 | 12,025 | 3,443 | 2.25 |
| 2019 | 103,334 | 65,365 | 37,969 | 10,613 | 3,480 | 2.69 |
| 2020 | 105,440 | 68,788 | 36,652 | 14,806 | 3,202 | 2.04 |
| 2021 | 110,825 | 70,434 | 40,391 | 13,508 | 5,570 | 2.12 |
| 2022 | 112,360 | 71,879 | 40,481 | 14,423 | 4,637 | 2.12 |
| 2023 | 120,708 | 74,107 | 46,601 | 14,988 | 4,067 | 2.45 |
| 2024 | 123,688 | 83,015 | 40,673 | 13,847 | 3,471 | 2.35 |
| 2025 | 131,989 | 90,916 | 41,073 | 12,605 | 2,888 | 2.65 |

Source: City of Salem Finance Department

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 debt issuance.
3. Expenses do not include capital improvement costs, interest expense, or debt service.
4. Excludes defeased debt.

SCHEDULE 14

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

| Fiscal Year Ended June 30 | Population ¹ | Per Capita Personal Income ² | Total Personal Income (dollars in thousands) | Area (square miles) ³ | Average density (persons/ square mile) | Average Unemployment ⁴ |
|------------------------------|-------------------------|---|---|--|---|--------------------------------------|
| 2016 | 160,690 | \$ 39,521 | \$ 6,350,629 | 49 | 3,279 | 5.5% |
| 2017 | 162,060 | 41,055 | 6,653,373 | 49 | 3,307 | 4.6% |
| 2018 | 163,480 | 43,030 | 7,034,544 | 49 | 3,336 | 4.3% |
| 2019 | 165,265 | 44,709 | 7,388,833 | 49 | 3,373 | 4.2% |
| 2020 | 167,400 | 47,638 | 7,974,601 | 49 | 3,416 | 5.8% |
| 2021 | 168,970 | 48,377 | 8,174,262 | 49 | 3,448 | 6.2% |
| 2022 | 177,694 | 52,971 | 9,412,629 | 49 | 3,626 | 6.2% |
| 2023 | 179,605 | 53,589 | 9,624,852 | 49 | 3,665 | 3.2% |
| 2024 | 182,726 | 57,774 | 10,556,812 | 49 | 3,729 | 4.4% |
| 2025 | 179,977 | N/A | N/A | 49 | 3,673 | 4.4% |

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

²U.S. Department of Commerce, Bureau of Economic Analysis - Salem, OR (MSA)

- includes Marion and Polk Counties.

³City of Salem Public Works, Engineering Division through 2012-13.

City of Salem Geographical Information System beginning 2013-14.

⁴U.S. Department of Labor, Bureau of Labor Statistics - Salem, OR (MSA)

- includes Marion and Polk Counties.

N/A = Information not available.

SCHEDULE 15

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

| Employer | 2025 | | | 2016 | | |
|---|---------------------|------|--|---------------------|------|--|
| | Number of Employees | Rank | Percentage of Salem (MSA) Labor Force ¹ | Number of Employees | Rank | Percentage of Salem (MSA) Labor Force ² |
| State of Oregon | 23,600 | 1 | 25.65% | 23,100 | 1 | 29.75% |
| Salem Health/Salem Hospital ³ | 6,409 | 2 | 6.97% | 3,900 | 3 | 5.02% |
| Salem-Keizer School District ³ | 3,194 | 3 | 3.47% | 4,557 | 2 | 5.87% |
| Marion County ² | 1,834 | 4 | 1.99% | 1,511 | 5 | 1.95% |
| Federal Government | 1,500 | 5 | 1.63% | 1,500 | 6 | 1.93% |
| City of Salem ³ | 1,401 | 6 | 1.52% | 1,327 | 7 | 1.71% |
| Chemeketa Community College ³ | 1,250 | 7 | 1.36% | 1,584 | 4 | 2.04% |
| Wal-Mart | 700 | 10 | 0.76% | | | |
| Amazon Fulfillment Center | 1,000 | 9 | 1.09% | | | |
| State Accident Insurance Fund (SAIF) | 1,219 | 8 | 1.33% | 945 | 10 | 1.22% |
| Kaiser Permanente | | | | 1,200 | 8 | 1.55% |
| Norpac Foods Incorporated ³ | | | | 1,200 | 9 | 1.55% |
| Total | 42,107 | | 45.77% | 40,824 | | 52.58% |

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

Notes: 1. U.S. Department of Labor, Bureau of Labor, Salem, OR (MSA) - The average labor force for fiscal year 2024-25 was 91,993
2. U.S. Department of Labor, Bureau of Labor, Salem, OR (MSA) - The average labor force for fiscal year 2015-16 was 77,643
3. Includes full and part-time positions.

SCHEDULE 16

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

| Function / Program | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Governmental activities | | | | | | | | | | |
| General government | | | | | | | | | | |
| City manager's office | 9 | 12 | 7 | 8 | 7 | 7 | 9 | 10 | 6 | 6 |
| Human resources ³ | 8 | 8 | 9 | 9 | 9 | 10 | 10 | 15 | 18 | 15 |
| Legal | 15 | 15 | 15 | 15 | 14 | 14 | 14 | 14 | 16 | 14 |
| Facilities | 27 | 27 | 27 | 27 | 27 | 32 | 32 | 33 | 36 | 35 |
| Customer service center ² | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8 | 8 | 8 |
| Finance ^{2,3} | 33 | 30 | 32 | 32 | 32 | 31 | 31 | 23 | 25 | 24 |
| Municipal court | 14 | 14 | 14 | 14 | 15 | 15 | 15 | 15 | 15 | 15 |
| City services | 29 | 29 | 29 | 26 | 26 | 26 | 26 | 26 | 26 | 25 |
| Self insurance | 7 | 7 | 8 | 9 | 9 | 10 | 10 | 12 | 13 | 14 |
| Information technology | 40 | 42 | 47 | 50 | 48 | 54 | 55 | 56 | 62 | 60 |
| Public safety | | | | | | | | | | |
| Police | 228 | 230 | 233 | 234 | 233 | 241 | 247 | 254 | 257 | 253 |
| Fire | 152 | 164 | 165 | 177 | 177 | 177 | 177 | 180 | 184 | 186 |
| Community and Urban development | | | | | | | | | | |
| Administrative/planning ⁴ | 30 | 31 | 31 | 34 | 33 | 36 | 33 | 44 | 0 | 0 |
| Airport | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 9 | 9 |
| Building and safety | 21 | 23 | 25 | 25 | 27 | 29 | 29 | 34 | 34 | 34 |
| Community development ⁴ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 45 | 40 |
| Urban development ⁴ | 33 | 33 | 33 | 32 | 31 | 31 | 31 | 20 | 21 | 20 |
| Public works transportation ^{1,2} | 48 | 53 | 53 | 56 | 57 | 60 | 60 | 64 | 65 | 65 |
| Library services ⁵ | 45 | 45 | 44 | 43 | 41 | 45 | 45 | 44 | 45 | 37 |
| Parks & recreation services ¹ | 42 | 49 | 50 | 50 | 50 | 51 | 51 | 56 | 72 | 69 |
| Business-type activities | | | | | | | | | | |
| Utility | 300 | 304 | 310 | 317 | 323 | 332 | 333 | 334 | 338 | 346 |
| Emergency services | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| WVPS center | 73 | 73 | 73 | 73 | 73 | 76 | 76 | 76 | 79 | 79 |
| Total | 1,160 | 1,195 | 1,211 | 1,237 | 1,238 | 1,282 | 1,290 | 1,323 | 1,375 | 1,356 |

Source: City of Salem Budget

Notes:

1. Parks maintenance moved from Public Works to Recreation services in FY 2016.
2. Customer service center separated from Finance (4 FTE) and Public Works (4 FTE) in FY 2023.
3. Payroll staff (4 FTE) moved from Finance to Human resources in FY 2023.
4. Community Development and Urban Development reorganized in FY 2023.

SCHEDULE 17

City of Salem, Oregon
 Operating Indicators by Function/Program
 Last Ten Fiscal Years
 As of June 30, 2025

| Function / Program | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|-----------|-----------|-----------|-----------|-----------|
| Public safety | | | | | |
| Police | | | | | |
| F.B.I. Index Crimes reported ¹ | 7,417 | 7,386 | 8,596 | 8,081 | 8,058 |
| F.B.I. Index Crimes cleared by arrest | 1,882 | 1,832 | 1,861 | 1,773 | N/A7 |
| Citations and warnings issued | 30,785 | 30,913 | 32,202 | 28,205 | 24,250 |
| Fire | | | | | |
| Emergency & non-emergency responses | 20,927 | 22,862 | 24,093 | 26,311 | 25,039 |
| Fires extinguished | 477 | 468 | 565 | 564 | 482 |
| Inspections-buildings, hazardous use, etc | 1,201 | 1,965 | 479 | 907 | 591 |
| Community development | | | | | |
| Plan checks | 4,262 | 4,791 | 5,161 | 5,310 | 5,605 |
| Inspections completed | 22,097 | 24,884 | 26,980 | 28,791 | 25,611 |
| Building permits issued | 1,979 | 2,135 | 2,294 | 2,356 | 2,375 |
| Community services | | | | | |
| Recreation participant/registrations ^{2,5} | 246,390 | 251,091 | 253,663 | 269,972 | 269,972 |
| Special activities permits issued ^{3,5} | 1,174 | 1,562 | 1,734 | 1,056 | 1,356 |
| Senior Center average daily attendance | 856 | 851 | 854 | 904 | 800 |
| Ball fields and gymnasiums (hrs used) ⁵ | 59,324 | 65,351 | 58,281 | 30,437 | 42,359 |
| Transportation | | | | | |
| Street cut permit inspections | 477 | 523 | 519 | 520 | 432 |
| Street resurfacing (miles) | 3 | 3 | 4 | 3 | 3 |
| Potholes repaired | 1,764 | 2,868 | 1,531 | 2,510 | 2,271 |
| Library services | | | | | |
| Volumes in collection | 341,088 | 337,373 | 323,808 | 314,724 | 301,170 |
| Items in circulation | 1,203,686 | 1,226,790 | 1,334,705 | 1,351,684 | 1,063,744 |
| Utility | | | | | |
| Citizens served-water | 192,835 | 194,440 | 196,050 | 197,500 | 199,820 |
| Water utility accounts | 52,725 | 52,895 | 55,446 | 55,931 | 54,641 |
| New water connections | 308 | 420 | 407 | 478 | 493 |
| Water lines repaired | 267 | 154 | 83 | 122 | 118 |
| Average daily consumption | 26 | 26 | 29 | 28 | 28 |
| Citizens served-sewer | 232,855 | 234,820 | 237,040 | 238,905 | 241,413 |
| Sewer utility accounts | 63,320 | 63,547 | 65,229 | 65,925 | 66,772 |
| New sewer connections | 79 | 95 | 122 | 131 | 145 |
| Sewer lines repaired | 244 | 442 | 292 | 245 | 267 |
| Average daily sewage treatment (ccf) | 55,614 | 64,856 | 52,403 | 47,797 | 47,594 |
| Citizens served-stormwater ⁶ | - | - | - | - | - |
| Stormwater utility accounts | 43,625 | 43,625 | 44,048 | 44,508 | 44,918 |
| Emergency services | | | | | |
| Total medical aid responses | 15,490 | 17,214 | 17,840 | 19,588 | 18,613 |
| Billings ⁴ | \$ 42,844 | \$ 56,151 | \$ 84,262 | \$ 94,089 | \$ 73,085 |
| WVPS communications center ⁸ | | | | | |
| Emergency calls taken | 182,487 | 214,040 | 217,788 | 214,267 | 218,192 |
| Dispatches issued | 331,356 | 325,628 | 334,012 | 342,162 | 341,057 |

Continued

Source: Various City of Salem departments

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

- F.B.I. Index Crimes include:
 - the violent crimes of murder, forcible rape, robbery and aggravated assault, and
 - the property crimes of burglary, larceny-theft, motor vehicle theft, and arson.
 - Change in data categorization in FY22.
- Program registrations from Recreation, Teen Programs, and Center 50+.
- Permits issued for public use of city parks, streets, senior center, and open spaces.

SCHEDULE 17

City of Salem, Oregon
 Operating Indicators by Function/Program
 Last Ten Fiscal Years
 As of June 30, 2025

| Function / Program | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|------------|--------------|--------------|--------------|--------------|
| Public safety | | | | | |
| Police | | | | | |
| F.B.I. Index Crimes reported ¹ | 7,906 | 18,214 | 1,951 | 16,635 | 10,091 |
| F.B.I. Index Crimes cleared by arrest | 7,119 | 6492 | 6,824 | 6,594 | 7,313 |
| Citations and warnings issued | 22,226 | 32,054 | 24,283 | 23,585 | 29,933 |
| Fire | | | | | |
| Emergency & non-emergency responses | 27,788 | 30,441 | 32,077 | 32,994 | 32,935 |
| Fires extinguished | 791 | 747 | 781 | 728 | 955 |
| Inspections-buildings, hazardous use, etc | 537 | 531 | 1,169 | 1,249 | 1,111 |
| Community development | | | | | |
| Plan checks | 4,716 | 3,792 | 5,050 | 4,917 | 5,378 |
| Inspections completed | 30,934 | 28,304 | 27,770 | 26,763 | 25,778 |
| Building permits issued | 2,033 | 1,802 | 2,005 | 1,914 | 1,948 |
| Community services | | | | | |
| Recreation participant/registrations ^{2,5} | 176,533 | 172,915 | 71,989 | 4,858 | 9,549 |
| Special activities permits issued ^{3,5} | 93 | 538 | 586 | 2,056 | 2,166 |
| Senior Center average daily attendance | 800 | 287 | 588 | 715 | 734 |
| Ball fields and gymnasiums (hrs used) ⁵ | 3,767 | 12,716 | 14,015 | 13,893 | 16,572 |
| Transportation | | | | | |
| Street cut permit inspections | 506 | 729 | 415 | 393 | 912 |
| Street resurfacing (miles) | 3 | 3 | 8 | 3 | 3 |
| Potholes repaired | 1,699 | 1,699 | 2,022 | 2,367 | 2,194 |
| Library services | | | | | |
| Volumes in collection | 312,863 | 403,488 | 205,238 | 266,748 | 268,455 |
| Items in circulation | 611,610 | 1,065,333 | 287,164 | 680,213 | 642,559 |
| Utility | | | | | |
| Citizens served-water | 202,770 | 212,643 | 215,084 | 218,148 | 213,124 |
| Water utility accounts | 55,407 | 55,666 | 55,886 | 56,237 | 57,588 |
| New water connections | 479 | 462 | 345 | 394 | 362 |
| Water lines repaired | 93 | 109 | 108 | 142 | 119 |
| Average daily consumption | 28 | 27 | 26 | 27 | 29 |
| Citizens served-sewer | 245,275 | 255,698 | 258,098 | 259,850 | 254,778 |
| Sewer utility accounts | 67,527 | 67,813 | 68,540 | 68,989 | 69,569 |
| New sewer connections | 115 | 132 | 267 | 78 | 64 |
| Sewer lines repaired | 490 | 846 | 1,110 | 281 | 1,548 |
| Average daily sewage treatment (ccf) | 50,382 | 57,282 | 52,097 | 56,324 | 54,194 |
| Citizens served-stormwater ⁶ | - | 177,694 | 177,694 | 182,726 | 177,567 |
| Stormwater utility accounts | 45,644 | 45,816 | 46,027 | 46,423 | 47,220 |
| Emergency services | | | | | |
| Total medical aid responses | 19,636 | 30,441 | 23,174 | 23,635 | 23,700 |
| Billings ⁴ | \$ 148,515 | \$ 2,186,097 | \$ 3,894,479 | \$ 6,641,871 | \$ 7,004,573 |
| WVPS communications center ⁸ | | | | | |
| Emergency calls taken | 203,253 | 220,569 | 227,571 | 212,259 | 217,369 |
| Dispatches issued | 306,544 | 305,193 | 307,020 | 325,541 | 343,646 |

Concluded

Source: Various City of Salem departments

- Ambulance transport services are contracted to a private company.
- Includes use of Soap Box Derby track, cross country meets, and tennis courts.
- WVPS served Marion and Polk counties through FY 2012. Lincoln county added in FY 2013.
- F.B.I. Index Crimes cleared by arrest statistic for FY20 is unavailable.
- Stormwater statistic added in FY22, previous years not available.

SCHEDULE 18

City of Salem, Oregon
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years
 As of June 30, 2025

| Function / Program | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---------|---------|---------|---------|---------|
| Public safety | | | | | |
| Police | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 53 | 53 | 48 | 48 | 52 |
| Fire | | | | | |
| Fire stations | 11 | 11 | 11 | 11 | 11 |
| Fire trucks ¹ | 17 | 17 | 17 | 17 | 17 |
| Community services | | | | | |
| Parks and recreation areas ² | 93 | 93 | 93 | 94 | 89 |
| Parks and recreation acreage ² | 2,238 | 2,265 | 2,265 | 2,310 | 2,326 |
| Senior community centers | 1 | 1 | 1 | 1 | 1 |
| Transportation | | | | | |
| Streets (miles) ⁴ | 663 | 637 | 640 | 645 | 651 |
| Bridges | 57 | 57 | 57 | 57 | 57 |
| Street lights | 11,543 | 11,626 | 11,453 | 11,408 | 12,093 |
| Traffic signals | 266 | 259 | 261 | 266 | 265 |
| Library services | | | | | |
| Buildings | 2 | 2 | 2 | 2 | 2 |
| Utility | | | | | |
| Water main (miles) | 754 | 758 | 761 | 765 | 814 |
| Fire hydrants | 4,963 | 4,963 | 5,056 | 5,136 | 5,231 |
| Water storage capacity (ccf) | 181,818 | 181,818 | 181,818 | 181,818 | 181,818 |
| Sanitary sewer lines (miles) | 785 | 796 | 799 | 802 | 817 |
| Storm sewer (miles) ⁵ | 611 | 633 | 662 | 651 | 493 |
| Treatment capacity winter (ccf) | 274,064 | 274,064 | 274,064 | 274,064 | 274,064 |
| Emergency services | | | | | |
| Ambulances - reserve ³ | 2 | 2 | 2 | 2 | 2 |
| WVPS communications center | | | | | |
| Mobiles | 10 | 10 | 10 | 10 | 10 |
| Base stations | 3 | 3 | 3 | 3 | 3 |

Continued

Source: 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.

SCHEDULE 18

City of Salem, Oregon
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years
 As of June 30, 2025

| Function / Program | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---------|---------|---------|---------|---------|
| Public safety | | | | | |
| Police | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 48 | 49 | 49 | 44 | 45 |
| Fire | | | | | |
| Fire stations | 11 | 11 | 11 | 11 | 11 |
| Fire trucks ¹ | 17 | 17 | 17 | 17 | 17 |
| Community services | | | | | |
| Parks and recreation areas ² | 90 | 90 | 90 | 90 | 90 |
| Parks and recreation acreage ² | 2,338 | 2,338 | 2,338 | 2,338 | 2,338 |
| Senior community centers | 1 | 1 | 1 | 1 | 1 |
| Transportation | | | | | |
| Streets (miles) ⁴ | 651 | 652 | 647 | 647 | 647 |
| Bridges | 58 | 58 | 58 | 58 | 58 |
| Street lights | 12,265 | 12,265 | 13,366 | 13,527 | 13,644 |
| Traffic signals | 269 | 269 | 268 | 269 | 271 |
| Library services | | | | | |
| Buildings | 2 | 2 | 2 | 2 | 2 |
| Utility | | | | | |
| Water main (miles) | 817 | 820 | 781 | 787 | 790 |
| Fire hydrants | 5,258 | 5,404 | 5,399 | 5,463 | 5,515 |
| Water storage capacity (ccf) | 181,818 | 181,818 | 181,818 | 181,818 | 181,818 |
| Sanitary sewer lines (miles) | 821 | 825 | 829 | 832 | 833 |
| Storm sewer (miles) ⁵ | 501 | 503 | 508 | 514 | 521 |
| Treatment capacity winter (ccf) | 274,064 | 274,064 | 274,064 | 274,064 | 274,064 |
| Emergency services | | | | | |
| Ambulances - reserve ³ | 2 | 2 | 2 | 2 | 2 |
| WVPS communications center | | | | | |
| Mobiles | 10 | 25 | 25 | 25 | 25 |
| Base stations | 3 | 7 | 7 | 11 | 11 |

Concluded

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

4. Street measurement method was improved in 2016.

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



SEC Rule 15c2-12 Disclosures

SCHEDULE A

GENERAL INFORMATION

General Obligation Bonds

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

BASIS OF ACCOUNTING

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

FISCAL YEAR

July 1 through June 30.

AUDITS

The Oregon Municipal Audit Law (ORS 297.405 – 297.555) requires an audit 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 2024-25 was performed by REDW, LLC. The auditors did not review the statistical tables or the information provided in the SEC 15c2-12 disclosure section, and therefore offer no opinion regarding this information. A complete copy of the City's annual financial statements is available on the City of Salem website, www.cityofsalem.net.

DEBT INFORMATION – AS OF JUNE 30, 2025

Debt Summary

Outstanding debt

Long-term:

| | |
|---|-----------------------|
| Gross bonded debt (certain debt with a general obligation excluding issuance premium) | \$ 157,085,000 |
| Net direct debt (debt paid in whole or in part by taxes) | 157,085,000 |
| Net overlapping debt | 538,910,901 |
| Total net direct and overlapping debt | <u>\$ 695,995,901</u> |

Debt Ratio

| | Values | Per Capita | Percent of RMV |
|--|--------------------------|-------------------|----------------|
| 2025 estimated population | <u>179,977</u> | | |
| 2024-25 real market value | <u>\$ 29,594,561,737</u> | <u>\$ 164,435</u> | |
| Net direct debt (G.O. debt excluding issuance premium) | \$ 157,085,000 | \$ 873 | 0.53% |
| Net overlapping debt | 538,910,901 | 2,994 | 1.82% |
| Net direct debt (G.O.) and overlapping debt | <u>\$ 695,995,901</u> | <u>\$ 3,867</u> | <u>2.35%</u> |

Continued



SCHEDULE A

Debt Limitations

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

Debt Limitation

| | |
|---------------------------------|-----------------------|
| 2024-25 RMV | \$ 29,594,561,737 |
| Debt limitation (3.00 % of RMV) | <u>\$ 887,836,852</u> |
| Applicable bonded debt | 153,034,723 |
| Debt margin | <u>\$ 734,802,129</u> |
| Percent of limit issued | 17% |

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__ __):

| | | |
|------|------|------|
| 2017 | 2018 | 2021 |
| U63 | W95 | Y36 |
| U71 | X29 | |
| U89 | X37 | |
| U97 | X45 | |
| V21 | X52 | |
| V39 | | |
| V47 | | |
| V54 | | |
| V62 | | |
| V70 | | |
| V88 | | |
| V96 | | |

Concluded

Source: City of Salem

SCHEDULE B

TAX COLLECTION RECORD

| Fiscal Year | Assessed Value | | | Percent change | Total Levy ¹ | Tax Rate | Percent Collected | Percent Collected |
|-------------|------------------|-----------------|-------------------|----------------|-------------------------|------------|-------------------|----------------------|
| | Marion County | Polk County | Total | | | Per \$1000 | Year of Levy | to Date ² |
| 2016 | \$ 9,536,890,110 | \$1,883,841,574 | \$ 11,420,731,684 | 4.16% | \$74,406,467 | \$ 6.52 | 94.75% | N/A |
| 2017 | 9,930,071,244 | 2,003,737,937 | 11,933,809,181 | 4.49% | 77,766,683 | 6.52 | 94.73% | N/A |
| 2018 | 10,250,553,534 | 2,088,042,348 | 12,338,595,882 | 3.39% | 82,193,282 | 6.66 | 94.93% | 99.95% |
| 2019 | 10,733,515,398 | 2,142,044,831 | 12,875,560,229 | 4.35% | 86,852,570 | 6.75 | 95.20% | 99.92% |
| 2020 | 11,227,739,757 | 2,235,424,736 | 13,463,164,493 | 4.56% | 88,828,322 | 6.60 | 95.24% | 99.80% |
| 2021 | 11,667,575,355 | 2,360,623,677 | 14,028,199,032 | 4.20% | 93,026,123 | 6.63 | 95.44% | 99.59% |
| 2022 | 12,173,810,178 | 2,460,320,577 | 14,634,130,755 | 4.32% | 97,415,806 | 6.66 | 95.37% | 99.28% |
| 2023 | 12,767,029,712 | 2,537,225,188 | 15,304,254,900 | 4.58% | 101,164,855 | 6.61 | 95.35% | 98.21% |
| 2024 | 13,472,808,518 | 2,624,402,869 | 16,097,211,387 | 5.18% | 106,009,665 | 6.59 | 95.09% | 97.91% |
| 2025 | 14,042,519,927 | 2,708,069,526 | 16,750,589,453 | 4.06% | 110,262,704 | 6.58 | 95.08% | 97.96% |

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

N/A = Information not available

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

City of Salem, Oregon

SCHEDULE C

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

*2024-25 REPRESENTATIVE CONSOLIDATED
TAX RATE FOR MARION COUNTY CODE AREA
924-01-00-0*

| Municipal Corporation | Tax Rate For Operations | Tax Rate For Bonds | Total |
|----------------------------|----------------------------|-----------------------|-------------------|
| Schools | \$ 5.0306 | \$ 2.9212 | \$ 7.9518 |
| Local government | 10.2458 | 1.2140 | 11.4598 |
| Urban Renewal Special Levy | 0.0000 | 0.2227 | 0.2227 |
| Totals | \$ 15.2764 | \$ 4.3579 | \$ 19.6343 |

Source: Marion County Assessor's Office

*2024-25 REPRESENTATIVE CONSOLIDATED
TAX RATE FOR POLK COUNTY CODE AREA
3201*

| Municipal Corporation | Tax Rate For Operations | Tax Rate For Bonds | Total |
|----------------------------|----------------------------|-----------------------|-------------------|
| Schools | \$ 5.0306 | \$ 2.9212 | \$ 7.9518 |
| Local government | 9.4566 | 1.2140 | 10.6706 |
| Urban Renewal Special Levy | 0.0000 | 0.2227 | 0.2227 |
| Totals | \$ 14.4872 | \$ 4.3579 | \$ 18.8451 |

Source: Polk County Assessor's Office

City of Salem, Oregon

SCHEDULE D

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

| As of June 30, | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assets | | | | | |
| Cash and investments | \$ 30,537,407 | \$ 41,392,394 | \$ 39,473,894 | \$ 35,993,561 | \$ 31,635,678 |
| Receivables | 8,618,326 | 9,736,756 | 10,244,398 | 12,091,315 | 13,081,772 |
| Leases receivable | - | 350,182 | 339,536 | 337,498 | 335,386 |
| Due from other agencies | - | - | 229,387 | 253,779 | 212,989 |
| Advances to other funds | - | - | - | 625,758 | 12,208 |
| Prepaid items | 135,214 | 90,144 | 45,073 | - | - |
| Total assets | \$ 39,290,947 | \$ 51,569,476 | \$ 50,332,288 | \$ 49,301,911 | \$ 45,278,033 |
| Liabilities | | | | | |
| Accounts payable | \$ 2,062,627 | \$ 1,962,881 | \$ 2,548,363 | \$ 2,295,723 | \$ 3,264,454 |
| Accrued payroll liabilities | 3,899,440 | 4,348,944 | 7,685,170 | 8,281,149 | 6,511,239 |
| Due to other funds | - | - | - | - | - |
| Due to other agencies | 21,599 | 62,986 | 91,880 | 47,367 | 38,084 |
| Security deposit payable | 1,734 | 11,054 | 9,971 | 11,596 | 14,526 |
| Unearned revenue | - | 1,415,892 | - | - | - |
| Total liabilities | 5,985,400 | 7,801,757 | 10,335,384 | 10,635,835 | 9,828,303 |
| Deferred inflows of resources | | | | | |
| Related to leases | - | 345,758 | 331,248 | 320,301 | 2,245,612 |
| Unavailable revenue | 2,260,826 | 2,649,361 | 3,032,719 | 3,295,734 | 3,480,712 |
| Total deferred inflows of resources | 2,260,826 | 2,995,119 | 3,363,967 | 3,616,035 | 5,726,324 |
| Fund balance | | | | | |
| Nonspendable | 135,214 | 90,144 | 45,073 | - | - |
| Assigned | 1,091,940 | 1,352,350 | 696,170 | 284,800 | 377,140 |
| Unassigned | 29,817,567 | 39,330,106 | 35,891,694 | 34,765,241 | 29,346,266 |
| Total fund balance | 31,044,721 | 40,772,600 | 36,632,937 | 35,050,041 | 29,723,406 |
| Total liabilities, deferred inflows of resources, and fund balance | \$ 39,290,947 | \$ 51,569,476 | \$ 50,332,288 | \$ 49,301,911 | \$ 45,278,033 |

*Note this information is for the General fund only, not the General Operating fund that appears in the basic financial statements combined with the Public Art fund.

Source: Derived from audited annual financial statements.

SCHEDULE E

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

| For fiscal year ending June 30, | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenues | | | | | |
| Property taxes | \$ 74,536,268 | \$ 77,817,603 | \$ 81,563,712 | \$ 84,431,400 | \$ 87,126,016 |
| Other taxes | 1,584,048 | 1,777,348 | 1,299,102 | 1,403,095 | 1,374,729 |
| Franchise fees | 18,818,078 | 19,958,970 | 20,894,297 | 21,700,190 | 22,728,833 |
| Licenses and permits | 1,588,726 | 2,068,881 | 1,976,964 | 1,508,616 | 1,869,281 |
| Fees | 664,479 | 1,081,363 | 1,137,053 | 1,316,427 | 1,299,870 |
| Fines and penalties | 1,631,719 | 2,137,929 | 3,295,369 | 3,456,876 | 3,388,840 |
| Special assessments | 1,232 | - | 7,127 | 15,743 | 13,748 |
| Rents | 538,882 | 760,236 | 1,115,420 | 1,041,044 | 1,322,304 |
| Charges for services | 10,460,517 | 12,066,088 | 11,560,163 | 17,039,270 | 18,500,832 |
| Other revenues | 200,570 | 243,396 | 266,407 | 329,428 | 655,961 |
| Intergovernmental | 9,619,997 | 8,956,154 | 10,586,681 | 16,236,987 | 15,261,302 |
| Federal grants | 10,634,332 | 13,567,476 | 1,260,631 | 2,427,852 | 512,017 |
| State grants | 10,230 | 819,000 | 45,878 | 15,850 | 166,907 |
| Intrafund reimbursements | 7,087,614 | 7,149,740 | 7,944,102 | - | - |
| Interest on investments | 503,134 | 385,785 | 1,024,803 | 1,473,935 | 1,555,767 |
| Total revenues | 137,879,826 | 148,789,969 | 143,977,709 | 152,396,713 | 155,776,407 |
| Expenditures | | | | | |
| Personal services | 108,298,680 | 114,491,153 | 124,025,986 | 131,006,248 | 141,727,089 |
| Materials and services | 23,219,611 | 26,352,763 | 24,075,992 | 25,580,587 | 21,613,800 |
| Capital outlay | 764,835 | 859,065 | 1,198,765 | 613,486 | 2,452,502 |
| Debt service | 47,494 | 143,876 | 310,155 | 50,708 | 1,227,833 |
| Total expenditures | 132,330,620 | 141,846,857 | 149,610,898 | 157,251,029 | 167,021,224 |
| Excess (deficiency) of revenues over expenditures | 5,549,206 | 6,943,112 | (5,633,189) | (4,854,316) | (11,244,817) |
| Other financing sources (uses) | | | | | |
| Proceeds from leases | - | 543,147 | - | - | 1,952,279 |
| Sale of capital assets | - | 497,111 | - | 400 | - |
| Proceeds from SBITA's | - | - | 587,062 | - | 290,017 |
| Transfers in | 1,894,460 | 3,102,256 | 3,866,255 | 5,018,668 | 5,677,868 |
| Transfers out | (1,338,789) | (1,357,747) | (2,959,791) | (1,747,648) | (2,001,982) |
| Total other financing sources (uses) | 555,671 | 2,784,767 | 1,493,526 | 3,271,420 | 5,918,182 |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | 6,104,877 | 9,727,879 | (4,139,663) | (1,582,896) | (5,326,635) |
| Fund balance - beginning of year | 24,939,844 | 31,044,721 | 40,772,600 | 36,632,937 | 35,050,041 |
| Fund balance - end of year | \$ 31,044,721 | \$ 40,772,600 | \$ 36,632,937 | \$ 35,050,041 | \$ 29,723,406 |

*Note this information is for the General fund only, not the General Operating fund that appears in the basic financial statements combined with the Public Art fund.

Source: Derived from audited annual financial statements.

SCHEDULE F

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

| As of June 30, | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets | | | | | |
| Cash and investments | \$ 1,025,312 | \$ 1,981,631 | \$ 2,735,812 | \$ 3,375,617 | \$ 4,232,624 |
| Receivables | 418,687 | 555,832 | 572,521 | 665,684 | 718,114 |
| Total assets | \$ 1,443,999 | \$ 2,537,463 | \$ 3,308,333 | \$ 4,041,301 | \$ 4,950,738 |
| Deferred inflows of resources | | | | | |
| Unavailable revenue | 256,122 | 425,314 | 421,353 | 486,695 | 519,423 |
| Fund balance | | | | | |
| Restricted for debt service | 1,187,877 | 2,112,149 | 2,886,980 | 3,554,606 | 4,431,315 |
| Total liabilities, deferred inflows of resources, and fund balance | \$ 1,443,999 | \$ 2,537,463 | \$ 3,308,333 | \$ 4,041,301 | \$ 4,950,738 |

Source: Derived from audited annual financial statements.

SCHEDULE G

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

| For fiscal year ending June 30, | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---------------|---------------|---------------|---------------|---------------|
| Revenues | | | | | |
| Property taxes | \$ 16,020,690 | \$ 17,156,291 | \$ 17,329,771 | \$ 18,387,582 | \$ 19,773,528 |
| Interest on investments | 140,840 | 95,139 | 247,421 | 364,819 | 421,807 |
| Intergovernmental | 5,499,520 | 5,719,820 | 5,949,708 | 6,188,100 | 6,433,640 |
| Total revenues | 21,661,050 | 22,971,250 | 23,526,900 | 24,940,501 | 26,628,975 |
| Expenditures | | | | | |
| Debt service | 21,829,272 | 22,046,978 | 22,752,069 | 24,272,875 | 25,752,266 |
| Excess (deficiency) of revenues over expenditures | | | | | |
| | (168,222) | 924,272 | 774,831 | 667,626 | 876,709 |
| Other financing sources (uses) | | | | | |
| Issuance of debt | 24,626,285 | | | | |
| Premium on issuance of debt | 2,843,359 | | | | |
| Payment to refunded bond escrow agent | (27,469,644) | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | (168,222) | 924,272 | 774,831 | 667,626 | 876,709 |
| Fund balance - beginning of year | 1,356,099 | 1,187,877 | 2,112,149 | 2,886,980 | 3,554,606 |
| Fund balance - end of year | \$ 1,187,877 | \$ 2,112,149 | \$ 2,886,980 | \$ 3,554,606 | \$ 4,431,315 |

Source: Derived from audited annual financial statements.

SCHEDULE H

INVESTMENTS

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

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

INVESTMENTS HELD BY THE CITY AS OF JUNE 30, 2025

| | Book Value |
|----------------------------------|-----------------------|
| Corporate Bonds | \$ 53,509,944 |
| Local Government Investment Pool | 116,272,522 |
| U.S. Agencies | 9,388,050 |
| U.S. Treasury | 226,524,243 |
| Total | <u>\$ 405,694,759</u> |

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 2024-25 was performed by REDW, LLC. 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.

COST OF SERVICE RATE STUDY

City Council has been following a cost of service model as the method of establishing utility rates for more than 20 years. Salem provides services to various customer classes and areas inside and outside of Salem city limits. Under a cost of service methodology, the costs to provide treated drinking water, remove and treat wastewater, and collect and convey stormwater to the Willamette River are analyzed, and relevant costs are assigned to the groups of customers in proportion to the service provided. Salem's Cost of Service Analysis (COSA) was updated and adopted by Council in November 2024. Changes in the rate structure resulting from the update were reflected in rates beginning January 1, 2024 and January 1, 2025, and reflect industry standard technical approaches, as well as the local policy framework. Assumptions for the financial planning model were updated in 2022 and are reviewed at least annually.

CUSIP numbers by revenue bond series are as follows (794481 ___):

| | |
|------|------|
| 2017 | 2020 |
| KD2 | KL4 |
| KE0 | KM2 |
| | KN0 |
| | KP5 |
| | KQ3 |
| | KR1 |
| | KS9 |
| | KT7 |
| | KU4 |
| | KV2 |
| | KW0 |
| | KX8 |
| | KY6 |
| | KZ3 |
| | LA7 |

SCHEDULE J

WATER SYSTEM

Service Area and Customers

The system provides water service to a total population of approximately 213,124. The total number of accounts was 57,588 at the end of the fiscal year 2024-25, 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 27.44 million gallons, and peak water use is 46.9 million gallons.

Water Rates

The City reviews its water rates and charges periodically to determine if they are sufficient to cover annual operation and maintenance, capital expenditures, and debt coverage requirements. The most recent change in rates took effect January 1, 2025. The adopted rates for inside-city customers are shown on the facing page. The rates for outside-city customers vary depending on the level of service received.

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

| Customer Class | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 1. Residential | 458,382,200 | 433,552,800 | 453,042,000 | 447,246,000 | 448,516,300 |
| 2. Multiple dwellings | 206,393,700 | 211,557,700 | 208,167,600 | 223,048,900 | 209,829,400 |
| 3. Commercial | 140,022,500 | 148,059,300 | 159,885,500 | 151,073,000 | 150,928,600 |
| 4. Industrial | 37,454,200 | 33,489,300 | 38,323,100 | 34,070,000 | 31,025,400 |
| 5. Institutional | 38,699,800 | 35,332,200 | 34,201,400 | 29,812,600 | 25,290,000 |
| 6. Wholesale ^A | 90,321,570 | 83,143,800 | 91,564,500 | 93,413,400 | 94,835,700 |
| 7. Irrigation | 47,458,000 | 43,218,400 | 53,849,500 | 49,987,600 | 53,503,000 |
| 8. Public building | 12,415,300 | 13,279,800 | 15,946,000 | 14,437,800 | 15,410,300 |
| Total | <u>1,031,147,270</u> | <u>1,001,633,300</u> | <u>1,054,979,600</u> | <u>1,043,089,300</u> | <u>1,029,338,700</u> |

A. East Salem, Orchard Heights, and Turner.

Continued

SCHEDULE J

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

| | Fiscal Year | | | | Council |
|------------------------------------|-------------|----------|----------|----------|--------------------|
| | 2021-22 | 2022-23 | 2023-24 | 2024-25 | Adopted 2025-26 |
| Rates Implemented on: | 1/1/2022 | 1/1/2023 | 1/1/2024 | 1/1/2025 | 1/1/2026 |
| Customer Class: | | | | | |
| Residential, Single Family | | | | | |
| Base Rate - 5/8 - 3/4" Meter | \$ 12.07 | \$ 12.44 | \$ 12.90 | \$ 13.48 | \$ 14.09 |
| Volume rate - per ccf ¹ | 2.70 | 2.87 | 3.02 | 3.16 | 3.30 |
| Monthly Bill @ 11 ccf | 41.77 | 44.01 | 46.12 | 48.24 | 50.39 |
| Multiple Dwellings | | | | | |
| Base Rate - 1" Meter | 16.35 | 17.94 | 18.65 | 19.49 | 20.37 |
| Volume rate - per ccf | 2.27 | 2.37 | 2.49 | 2.60 | 2.72 |
| Complex @ 82 ccf | 202.49 | 212.28 | 222.83 | 232.69 | 243.41 |
| Cost Per Unit | 20.25 | 21.23 | 22.28 | 23.27 | 24.34 |
| Commercial | | | | | |
| Base Rate - 2" Meter | 42.68 | 45.90 | 47.85 | 50.00 | 52.25 |
| Volume rate - per ccf | 2.38 | 2.49 | 2.62 | 2.74 | 2.86 |
| Monthly Bill @ 65 ccf | 197.38 | 207.75 | 218.15 | 228.10 | 238.15 |
| Number of Customers | 55,407 | 55,666 | 55,886 | 56,237 | 57,588 |

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

Ten Largest Water System Customers

| Customer | 2024-25 Annual Revenue | Percent of Total Gross Water System Revenue* |
|---|------------------------------|---|
| Suburban East Salem Water | \$ 1,064,885 | 2.8% |
| Salem-Keizer School District | 599,779 | 1.6% |
| State of Oregon Corrections | 550,566 | 1.4% |
| City Of Turner | 329,749 | 0.9% |
| Salem Hospital | 263,861 | 0.7% |
| Willamette University | 256,789 | 0.7% |
| Creekside Golf Operations LLC | 244,609 | 0.6% |
| Orchard Heights Water Association | 136,539 | 0.4% |
| Pacific Coast Producers | 132,018 | 0.3% |
| State of Oregon, Department of Administra | 124,931 | 0.3% |
| | <u>\$ 3,703,725</u> | <u>9.7%</u> |

*Total gross water system revenue \$38,361,360

Concluded

SCHEDULE K

WASTEWATER SYSTEM

Service Area and Customers

The system provides wastewater service to a population of approximately 259,850, including customers in the City of Salem, the City of Keizer, the City of Turner, Labish Village Sewer District, Eola-Chatnicka Sewer District, and the East Salem Service District. The total number of wastewater accounts billed in fiscal year 2024-25 was 69,569, which includes the City of Keizer, which billed 12,208, and the City of Turner, which billed 1,036.

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, 2025. The following table shows historical and current rates, by customer class, within the City. Industrial and institutional customers are monitored and flows are measured. These customers pay a base rate as well as charges for volume and strength. Volumes for other classifications are set annually based on individual customer's average winter water usage.

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

| | Fiscal Year | | | | Council |
|---|-------------|----------|----------|----------|--------------------|
| | 2021-22 | 2022-23 | 2023-24 | 2024-25 | Adopted 2025-26 |
| Rates implemented on: | 1/1/2022 | 1/1/2023 | 1/1/2024 | 1/1/2025 | 1/1/2026 |
| Customer Class: | | | | | |
| Residential, Single Family | | | | | |
| Base Rate - per account | \$ 15.92 | \$ 17.21 | \$ 18.38 | \$ 19.21 | \$ 20.07 |
| Volume Rate - per ccf ¹ | 3.82 | 3.93 | 4.09 | 4.27 | 4.47 |
| Monthly Bill @ 6.5 ccf ¹ | 40.75 | 42.76 | 44.97 | 46.97 | 49.13 |
| Multiple Dwellings | | | | | |
| Base Rate - per account | 21.34 | 23.16 | 24.75 | 25.86 | 27.03 |
| Additional Base Rate - per unit over five | 1.36 | 1.49 | 1.59 | 1.66 | 1.74 |
| Volume Rate - per ccf ¹ | 3.82 | 3.93 | 4.09 | 4.27 | 4.47 |
| Monthly Billing for 10 unit @ 82 ccf ¹ | 341.38 | 352.87 | 368.08 | 384.30 | 402.27 |
| Cost Per Unit | 34.14 | 35.29 | 36.81 | 38.43 | 40.23 |
| Commercial | | | | | |
| Base Rate - per account | 23.81 | 25.75 | 27.57 | 28.81 | 30.11 |
| Volume Rate - per ccf ¹ | 5.24 | 5.54 | 5.78 | 6.04 | 6.31 |
| Monthly Bill @ 65 ccf ¹ | 364.41 | 385.85 | 403.27 | 421.41 | 440.26 |
| Number of Customers | 67,527 | 67,813 | 68,540 | 68,989 | 69,569 |

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

Continued

SCHEDULE K

Ten Largest Wastewater System Customers

| Customer | 2024-2025 Annual Revenue | Percent of Total Gross Wastewater Revenue ¹ |
|------------------------------|--------------------------------|---|
| City of Keizer | \$ 7,189,137 | 13.0% |
| State of Oregon Corrections | 1,426,819 | 2.6% |
| Pacific Coast Producers | 928,222 | 1.7% |
| Republic Services | 477,649 | 0.9% |
| Kerr Concentrates | 450,108 | 0.8% |
| City of Turner | 407,157 | 0.7% |
| Yamasa | 379,069 | 0.7% |
| Snyders-Lance Inc | 344,785 | 0.6% |
| Salem Hospital | 339,502 | 0.6% |
| Salem-Keizer School District | 194,092 | 0.3% |
| Totals | \$ 12,136,540 | 21.9% |

¹Total gross wastewater revenue **\$ 55,503,142**

Concluded

Source: City of Salem

SCHEDULE L

STORMWATER SYSTEM

Service Area and Customers

The system provides stormwater services to 47,220 stormwater accounts inside the Salem City limits. Of these, 42,696 are single family residential accounts and 4,524 are commercial, public, industrial, institutional, irrigation or multi-family accounts. Stormwater fees are not applied to accounts outside the city limits.

Stormwater Rates

The City reviews its stormwater 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, 2025. The following table shows historical and current rates, by customer class, within the City. The adopted rates for inside-city customers are shown below.

| | Fiscal Year | | | | Council |
|--|-------------|----------|----------|----------|--------------------|
| | 2021-22 | 2022-23 | 2023-24 | 2024-25 | Adopted 2025-26 |
| Rates implemented on: | 1/1/2022 | 1/1/2023 | 1/1/2024 | 1/1/2025 | 1/1/2026 |
| Customer Class: | | | | | |
| Residential, Single Family | | | | | |
| Base Rate - per account | \$ 12.22 | \$ 12.66 | \$ 13.22 | \$ 13.81 | \$ 14.44 |
| Volume Rate - per EDU | 6.70 | 7.10 | 7.49 | 7.83 | 8.18 |
| Monthly Bill @ 1 EDU | 18.92 | 19.76 | 20.71 | 21.64 | 22.62 |
| All Other Classes (Commercial, Multifamily, Industrial, Institutional) | | | | | |
| Base Rate - per account | 12.22 | 12.66 | 13.22 | 13.81 | 14.44 |
| Volume Rate - per EDU | 6.70 | 7.10 | 7.49 | 7.83 | 8.18 |
| Monthly Bill @ 20 EDU | 146.22 | 154.66 | 163.02 | 170.41 | 178.04 |
| Number of Customers | 44,918 | 45,816 | 45,881 | 46,423 | 47,220 |

Ten Largest Stormwater System Customers

| Customer | 2024-25 Annual Revenue | Percent of Total Gross Stormwater Revenue |
|---|------------------------------|--|
| Salem-Keizer School District | \$ 400,318 | 2.3% |
| State of Oregon, Department of Corrections | 125,879 | 0.7% |
| Oregon State Fair | 110,857 | 0.6% |
| Dollar General Distribution Center | 78,289 | 0.4% |
| Lancaster Development Co. | 75,240 | 0.4% |
| State of Oregon, Military Department | 72,941 | 0.4% |
| Amazon.com Services Inc | 65,980 | 0.4% |
| State of Oregon, Department of Administrative Ser | 64,237 | 0.4% |
| River Bend Sand and Gravel | 61,007 | 0.3% |
| Oregon State Hospital | 59,218 | 0.3% |
| Totals | \$ 1,113,968 | 6.3% |

Total gross stormwater revenue **\$ 17,754,635**

Source: City of Salem

SCHEDULE M

| FIVE-YEAR UTILITY FUND CONSECUTIVE NET POSITION | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| As of June 30, | 2021 | 2022 | 2023 | 2024 | 2025 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and investments | \$ 50,808,982 | \$ 59,158,940 | \$ 53,696,656 | \$ 52,188,221 | \$ 47,212,757 |
| Accounts receivable, net | 14,969,775 | 9,579,016 | 17,068,769 | 12,884,958 | 17,027,944 |
| Leases receivable | - | 10,157 | 10,522 | 10,900 | 7,976 |
| Due from other agencies | 11,452 | - | - | - | - |
| Inventories and prepayments | 1,232,787 | 1,220,350 | 1,277,868 | 1,320,011 | 1,205,080 |
| Advances to other funds | 4,318,267 | 3,803,257 | 3,263,426 | 4,400,512 | 3,731,046 |
| Total current assets | <u>71,341,263</u> | <u>73,771,720</u> | <u>75,317,241</u> | <u>70,804,602</u> | <u>69,184,803</u> |
| Noncurrent assets | | | | | |
| Restricted cash and investments ¹ | 73,426,304 | 60,548,564 | 54,863,331 | 52,654,454 | 73,711,126 |
| Leases receivable | - | 107,338 | 96,816 | 85,916 | 77,940 |
| Notes receivable | 804,684 | 707,488 | 650,907 | 618,633 | 590,920 |
| Deferred assessments | 3,373,298 | 3,282,203 | 3,182,711 | 4,624,376 | 1,285,773 |
| OPEB asset | 283,814 | 703,439 | 757,880 | 806,430 | 777,571 |
| Capital assets: | | | | | |
| Land and construction in progress | 119,754,106 | 131,752,451 | 158,392,094 | 179,435,478 | 166,128,511 |
| Other capital assets, net | 589,781,623 | 609,879,415 | 627,727,703 | 620,423,051 | 623,283,927 |
| Total noncurrent assets | <u>787,423,829</u> | <u>806,980,898</u> | <u>845,671,442</u> | <u>858,648,338</u> | <u>865,855,768</u> |
| Total assets | <u>858,765,092</u> | <u>880,752,618</u> | <u>920,988,683</u> | <u>929,452,940</u> | <u>935,040,571</u> |
| Deferred outflows of resources | | | | | |
| Deferred outflows related to OPEB | 1,040,827 | 2,613,475 | 2,090,780 | 1,568,085 | 72,330 |
| Deferred OPEB outflow-City | 111,519 | 13,788,461 | 13,873,204 | 16,180,270 | 806,001 |
| Deferred outflows related to pensions | 14,553,639 | 52,892 | 10,360 | 2,498 | 19,051,298 |
| Deferred charge on refunding | 3,136,170 | 836,160 | 757,506 | 906,934 | 1,045,390 |
| Total deferred outflows of resources | <u>18,842,155</u> | <u>17,290,988</u> | <u>16,731,850</u> | <u>18,657,787</u> | <u>20,975,019</u> |
| Total assets and deferred outflows of resources | <u>\$ 877,607,247</u> | <u>\$ 898,043,606</u> | <u>\$ 937,720,533</u> | <u>\$ 948,110,727</u> | <u>\$ 956,015,590</u> |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 9,249,101 | \$ 8,272,987 | \$ 12,335,673 | \$ 4,600,656 | \$ 3,899,257 |
| SBITA payable | - | - | 163,021 | 49,456 | 148,810 |
| Leases payable | - | 276,872 | - | - | - |
| Interest payable | 369,442 | 323,999 | 276,571 | 3,027 | 10,083 |
| Long-term debt-due within one year | 14,423,000 | 14,988,000 | 13,860,452 | 11,521,175 | 10,940,000 |
| Compensated absences-due within one year | 640,235 | 873,966 | 831,511 | 458,028 | 1,446,271 |
| Total current liabilities | <u>24,681,778</u> | <u>24,735,824</u> | <u>27,467,228</u> | <u>16,632,342</u> | <u>16,444,421</u> |
| Noncurrent liabilities | | | | | |
| Security deposit payable | 36,547 | 36,548 | 36,547 | 36,547 | 36,547 |
| Unearned revenue | 1,555,882 | 1,455,236 | 1,357,656 | 2,780,546 | - |
| SBITA payable | - | - | 140,176 | 90,720 | 155,999 |
| Leases payable | - | 506,349 | - | - | - |
| Developer reimbursement payable ² | 1,692,636 | 1,692,636 | 1,692,636 | 1,692,636 | 1,229,793 |
| Long-term debt | 105,569,921 | 89,460,677 | 74,863,035 | 62,220,616 | 49,799,944 |
| OPEB liability | 4,937,505 | 4,220,096 | 4,397,652 | 4,959,532 | 4,546,126 |
| Net pension liability | 43,833,714 | 24,774,651 | 33,185,101 | 43,535,042 | 47,510,271 |
| Compensated absences payable | 2,281,665 | 2,201,376 | 2,182,565 | 2,658,495 | 5,206,051 |
| Total noncurrent liabilities | <u>159,707,870</u> | <u>124,347,569</u> | <u>117,855,368</u> | <u>117,974,134</u> | <u>108,484,731</u> |
| Total liabilities | <u>184,389,648</u> | <u>149,083,393</u> | <u>145,322,596</u> | <u>134,606,476</u> | <u>124,929,152</u> |
| Deferred inflows of resources | | | | | |
| Deferred inflows related to leases | - | 112,873 | 105,717 | 93,773 | 81,830 |
| Deferred inflows related to pensions | 342,387 | 18,198,420 | 9,729,623 | 3,956,207 | 5,165,281 |
| Deferred inflows related to OPEB | 44,232 | 1,031,469 | 1,123,815 | 883,127 | 1,384,564 |
| Deferred inflows related to pensions | 1,196,499 | 283,301 | 145,913 | 50,363 | 29,516 |
| Total deferred inflows of resources | <u>1,583,118</u> | <u>19,626,063</u> | <u>11,105,068</u> | <u>4,983,470</u> | <u>6,661,191</u> |
| Net position | | | | | |
| Net investment in capital assets | 614,869,075 | 647,424,414 | 703,150,964 | 727,544,647 | 729,413,074 |
| Restricted for: | | | | | |
| Capital projects | 43,096,471 | 57,703,838 | 47,933,979 | 50,683,966 | 73,972,581 |
| OPEB asset | 283,814 | 703,439 | 757,880 | 806,430 | 777,571 |
| Unrestricted | | | | | |
| Water and sewer rate stabilization | 6,900,000 | 6,900,000 | 6,900,000 | 6,900,000 | - |
| Other unrestricted | 26,485,121 | 16,597,459 | 22,550,046 | 22,585,738 | 20,282,021 |
| Total net position | <u>691,634,481</u> | <u>729,329,150</u> | <u>781,292,869</u> | <u>806,520,781</u> | <u>824,425,247</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 877,607,247</u> | <u>\$ 898,038,606</u> | <u>\$ 937,720,533</u> | <u>\$ 948,110,727</u> | <u>\$ 956,015,590</u> |

1. Amount represents bond proceeds, system development charges, and rate payer funds set aside specifically for capital projects.
2. Deferred development - connections for water and sewer.

Source: Derived from audited annual financial statements.

SCHEDULE N

| FIVE-YEAR UTILITY FUND HISTORICAL OPERATING RESULTS | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Reported in Accordance with Bond Master Resolution ¹ | | | | | |
| For fiscal year ending June 30, | 2021 | 2022 | 2023 | 2024 | 2025 |
| Gross Revenues | \$ 110,824,916 | \$ 112,360,061 | \$ 120,707,908 | \$ 123,688,145 | \$ 131,989,509 |
| Operating Expenses | 70,433,956 | 71,878,559 | 74,106,703 | 83,015,401 | 90,916,435 |
| Net Revenues | <u>40,390,960</u> | <u>40,481,502</u> | <u>46,601,205</u> | <u>40,672,744</u> | <u>41,073,074</u> |
| Annual Debt Service | | | | | |
| Parity Obligations | | | | | |
| Series 2012 Bonds A & B (Refinance) | 5,796,104 | 5,777,934 | 5,777,543 | 4,038,488 | 1,119,309 |
| Series 2017 Bonds (Refinance 2009 Full Faith & Credit bond) | 8,995,500 | 8,996,750 | 8,996,000 | 8,997,500 | 8,995,250 |
| Series 2020 Bonds | 4,285,911 | 4,285,450 | 4,281,200 | 4,282,450 | 4,283,700 |
| Total Parity Annual Debt Service | <u>19,077,515</u> | <u>19,060,134</u> | <u>19,054,743</u> | <u>17,318,438</u> | <u>14,398,259</u> |
| Parity Debt Service Coverage ¹ | 2.12 | 2.12 | 2.45 | 2.35 | 2.85 |
| Net Revenues less Parity Debt Service | <u>\$ 21,313,445</u> | <u>\$ 21,421,368</u> | <u>\$ 27,546,462</u> | <u>\$ 23,354,306</u> | <u>\$ 26,674,815</u> |
| Subordinate Obligations | | | | | |
| OECCD | \$ - | \$ - | \$ - | \$ 14,881 | \$ 373,741 |
| Debt Service Coverage (incl. RSA Transfer) ² | N/A | N/A | N/A | 1,569 | 71 |

- 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.
- Subordinate Debt Service Coverage Ratio (Net Revenues Less Parity Debt Service/Total Subordinate Debt Service) is not required by the Master Resolution.

Source: City of Salem

Auditor's Comments and Disclosures

Independent Auditor's Report
Required by Oregon State Regulations

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

We have audited, 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, the basic financial statements of the City of Salem, Oregon (the "City") as of and for the year ended June 30, 2025 and have issued our report thereon dated January 22, 2026.

Compliance and Other Matters

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

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

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

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

Internal Control Over Financial Reporting

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

Restriction on Use

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



Ryan T. Pasquarella, Principal
For REDW LLC
Salem, Oregon
January 22, 2026

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Appendix C

Book Entry Only System

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**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC--bracketed material may apply only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed

by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Appendix D

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

City of Salem, Oregon
General Obligation Bonds
\$5,500,000 Series 2026A (Federally Taxable)
\$94,500,000 Series 2026B (Tax-Exempt)

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the City of Salem, Oregon (the “Issuer”) in connection with the issuance of the above-captioned Bonds (collectively, the “Securities”).

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the Issuer, and constitutes the Issuer’s written undertaking for the benefit of the holders of the Securities and to assist the underwriters of the Securities in complying with paragraph (b)(5) of the United States Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Securities, including persons holding Securities through nominees or depositories.

“Commission” means the United States Securities and Exchange Commission.

“MSRB” means the United States Municipal Securities Rulemaking Board or any successor to its functions.

“Official Statement” means the final official statement for the Securities dated March 24, 2026.

“Rule” means the Commission’s Rule 15c2-12 under the Securities Exchange Act of 1934, as it has been and may be amended.

Section 3. Financial Information. The Issuer, as the “obligated person,” agrees to provide or cause to be provided to the MSRB, the following annual financial information and operating data:

A. the Issuer’s previous fiscal year annual financial statements prepared in accordance with Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors) and generally of the type included in the Official Statement in Appendix B entitled “Financial Statements”;

B. to the extent not included in its annual financial statements, the Issuer shall also provide information, of the type set forth in the Official Statement, containing: (1) the total real market value and total assessed value of property within the Issuer’s boundaries (as indicated in the records of the county assessor), or other statement of property valuation that reflects then current Oregon statutes pertaining to property valuation; (2) the amount or rate of property taxes

levied by the Issuer for the fiscal year, and the amount of property taxes the Issuer received during the fiscal year; (3) the aggregate tax rate for all ad valorem property taxes levied within the boundaries of the Issuer; and, (4) the total principal amount of general obligation bonds and other tax-supported obligations of the Issuer which are outstanding at the end of the fiscal year.

Section 4. Timing. The information described in Section 3 of this Certificate shall be provided on or before nine months after the end of the Issuer's fiscal year, commencing no later than March 31, 2027 for the fiscal year ended June 30, 2026. The information described in Section 3 of this Certificate will be provided in the form of audited financial statements if they are then available, and otherwise will be provided in the form of unaudited financial statements. If the information described in Section 3 of this Certificate is initially provided in the form of unaudited financial statements, the Issuer shall provide audited financial statements promptly after they become publicly available. The Issuer's current fiscal year ends June 30. The Issuer may adjust this fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the Issuer may cross-reference to other documents provided to the MSRB.

Section 5. Material Events. The Issuer agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to the rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the securities, if material;
11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person; (note: for the purposes of the event identified in this paragraph 12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a financial obligation of the obligated person if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; for the purposes of this paragraph 15 and paragraph 16 below, “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii); the term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule;

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

The Issuer may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Issuer, such other event is material with respect to the Securities, but the Issuer does not undertake any commitment to provide such notice of any event except those events listed above.

Section 6. Failure to File Annual Financial Information. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of a failure by the Issuer to provide the annual financial information described in Section 3 of this Certificate on or prior to the time set forth in Section 4 of this Certificate.

Section 7. Termination. The Issuer’s obligation under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. This Certificate, or any provision of this Certificate, shall be null and void if the Issuer (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which

require this Certificate, or any provision of this Certificate, are invalid, have been repealed retroactively or otherwise do not apply to the Securities; and (b) notifies the MSRB of such opinion and the termination of its obligations under this Certificate.

Section 8. Amendment. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate under the following conditions:

- A. the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer or type of business conducted;
- B. this Certificate, as amended, would have complied with the requirements of the Rule at the time of the original issuance of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- C. the amendment does not materially impair the interest of the owners of the Securities, as determined either by parties unaffiliated with the Issuer (such as nationally recognized bond counsel), or by approving vote of the owners of the Securities pursuant to the terms of the governing instrument for the Securities, as it is in effect at the time of the amendment.

In the event of any amendment of a provision of this Certificate, the Issuer shall describe such amendment in its next annual filing pursuant to Section 3 of this Certificate, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of the amendment shall be given in the same manner as for a material event under Section 5 of this Certificate, and (ii) the annual filing pursuant to Section 3 of this Certificate for the first fiscal year that is affected by the change in accounting principles should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Securities Owner's Remedies Under This Certificate. Securities owners may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed a default or an event of default under the documents authorizing issuance of the Securities, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this Certificate in the event of any failure of the Issuer to comply with this Certificate shall be an action to compel performance.

Section 10. Form of Information. All information required to be provided under this certificate will be provided in an electronic format as prescribed by the MSRB.

Section 11. Submitting Information Through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access ("EMMA") continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is emma.msrb.org.

Section 12. Dissemination Agent. The Issuer may, from time to time, engage or appoint an agent to assist the Issuer in disseminating information hereunder (the “Dissemination Agent”). The Issuer may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 13. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of April 7, 2026.

City of Salem, Oregon

Joshua Eggleston, Chief Financial Officer

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Appendix E

Form of Bond Declaration

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BOND DECLARATION

City of Salem, Oregon

General Obligation Bonds

\$5,500,000 Series 2026A (Federally Taxable)

\$94,500,000 Series 2026B (Tax-Exempt)

Executed on behalf of City of Salem, Oregon

as of April 7, 2026

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BOND DECLARATION

THIS BOND DECLARATION is executed as of April 7, 2026, on behalf of City of Salem, Oregon (the “City”) by its City Official to establish the terms of the City’s General Obligation Bonds, Series 2026A (Federally Taxable) and the City’s General Obligation Bonds, Series 2026B (Tax-Exempt), and the covenants of the City relating to those Bonds.

Section 1. Definitions.

Unless the context clearly requires otherwise, the following terms shall have the following meanings:

“BEO” means “book-entry-only” and refers to a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

“Bond Declaration” means this Bond Declaration, including any amendments made in accordance with Section 9 of this Bond Declaration.

“Bonds” means collectively, the City’s General Obligation Bonds, Series 2026A (Federally Taxable) and the City’s General Obligation Bonds, Series 2026B (Tax-Exempt).

“Business Day” means any day except a Saturday, a Sunday, a legal holiday, a day on which the Paying Agent or offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange is closed.

“City Official” means the City Manager, the Chief Financial Officer, or the person designated by the City Manager or the Chief Financial Officer to act on behalf of the City pursuant to the Resolution.

“Code” means the Internal Revenue Code of 1986, as amended.

“DTC” means the Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Bonds.

“Event of Default” refers to an Event of Default listed in Section 10(1) of this Bond Declaration.

“Government Obligations” means direct noncallable obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States.

“Outstanding” refers to all Bonds authorized and delivered pursuant to this Bond Declaration except Bonds which have been defeased pursuant to Section 11 of this Bond Declaration, paid, or canceled, and Bonds which have matured but have not been presented for payment for the payment of which adequate money has been transferred to the Paying Agent.

“Owners” means the person(s) shown on the Bond register maintained by the Paying Agent as the registered owner of a Bond.

“Paying Agent” means the registrar and paying agent for the Bonds, which, at the time of execution of this Bond Declaration, is U.S. Bank Trust Company, National Association.

“Record Date” means the close of business on the 15th day of the month immediately preceding a payment date, whether or not such date is a Business Day.

“Resolution” means Resolution No. 2022-58 adopted by the City Council on December 12, 2022, which authorizes the execution of this Bond Declaration and the issuance and sale of the Bonds.

“Series 2026A Bonds” means the City’s General Obligation Bonds, Series 2026A (Federally Taxable) that are described in Section 2 of this Bond Declaration.

“Series 2026B Bonds” means the City’s General Obligation Bonds, Series 2026B (Tax-Exempt) that are described in Section 3 of this Bond Declaration.

Section 2. Series 2026A Bonds Authorized.

- (1) Pursuant to the authority granted by the voters of the City in Measure 24-474, ORS Section 287A.050 and the other relevant provisions of ORS Chapter 287A, and the Resolution, the City hereby authorizes the issuance, sale and delivery of the Series 2026A Bonds in accordance with this Bond Declaration and in a principal amount of \$5,500,000. The Series 2026A Bonds shall be dated April 7, 2026, shall bear interest which is payable on June 1 and December 1 of each year commencing December 1, 2026, computed on the basis of a 360-day year consisting of twelve 30-day months, and shall mature as follows:

| <u>Maturity Date</u> <u>(June 1)</u> | <u>Principal</u> <u>Amount (\$)</u> | <u>Interest</u> <u>Rate (%)</u> | <u>CUSIP No.</u> <u>(Base 794454)</u> |
|---|--|------------------------------------|--|
| 2027 | 995,000 | 5.000 | 2L1 |
| 2028 | 2,180,000 | 5.000 | 2M9 |
| 2029 | 2,325,000 | 5.000 | 2N7 |

- (2) The Series 2026A Bond proceeds shall be used to finance capital costs as described in Measure 24-474.
- (3) Interest on the Series 2026A Bonds is includable in gross income for federal income tax purposes. Interest on the Series 2026A Bonds is exempt from Oregon personal income taxation.

Section 3. Series 2026B Bonds Authorized.

- (1) Pursuant to the authority granted by the voters of the City in Measure 24-474, ORS Section 287A.050 and other relevant provisions of ORS Chapter 287A, and the Resolution, the City hereby authorizes the issuance, sale and delivery of the Series 2026B Bonds in accordance with this Bond Declaration and in a principal amount of \$94,500,000. The Series 2026B Bonds shall be dated April 7, 2026, shall bear interest which is payable on

June 1 and December 1 of each year commencing December 1, 2026, computed on the basis of a 360-day year consisting of twelve 30-day months, and shall mature as follows:

| <u>Maturity Date</u> <u>(June 1)</u> | <u>Principal</u> <u>Amount (\$)</u> | <u>Interest</u> <u>Rate (%)</u> | <u>CUSIP No.</u> <u>(Base 794454)</u> |
|---|--|------------------------------------|--|
| 2029 | 405,000 | 5.000 | 2Q0 |
| 2030 | 850,000 | 5.000 | 2R8 |
| 2031 | 1,170,000 | 5.000 | 2S6 |
| 2032 | 1,395,000 | 5.000 | 2T4 |
| 2033 | 1,640,000 | 5.000 | 2U1 |
| 2034 | 1,315,000 | 5.000 | 2V9 |
| 2035 | 1,545,000 | 5.000 | 2W7 |
| 2036 | 1,795,000 | 5.000 | 2X5 |
| 2037 | 2,060,000 | 5.000 | 2Y3 |
| 2038 | 2,345,000 | 5.000 | 2Z0 |
| 2039 | 2,650,000 | 5.000 | 3A4 |
| 2040 | 2,975,000 | 5.000 | 3B2 |
| 2041 | 3,325,000 | 5.000 | 3C0 |
| 2044* | 10,830,000 | 4.250 | 3F3 |
| 2047* | 11,185,000 | 4.550 | 3J5 |
| 2050* | 20,175,000 | 4.625 | 3M8 |
| 2053* | 28,840,000 | 5.000 | 3Q9 |

*Term Bonds, subject to mandatory redemption.

- (2) The Series 2026B Bond proceeds shall be used to finance capital costs as described in Measure 24-474.
- (3) The City intends for the interest on the Series 2026B Bonds to be excluded from gross income for federal income tax purposes pursuant to Section 103 and 141 through 150 of the Code, and the applicable Income Tax Regulations. Interest on the Series 2026B Bonds is also exempt from Oregon personal income taxation.

Section 4. Security for Bonds.

- (1) The Bonds shall be general obligations of the City. Pursuant to ORS Section 287A.315, the City hereby pledges its full faith and credit and taxing power to pay the Bonds. The City hereby covenants for the benefit of the Owners to levy annually, as necessary and as provided by law, a direct ad valorem tax upon all of the taxable property within the City which is sufficient, after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes, to pay all Bond principal and interest when due. This tax shall be in addition to all other taxes of the City, and this tax shall not be limited in rate, amount or otherwise, by Sections 11 or 11b of Article XI of the Oregon Constitution.
- (2) This Bond Declaration shall constitute a contract with the Owners and shall be enforceable by the Owners.

Section 5. Tax Covenants for the Series 2026B Bonds.

The City covenants for the benefit of the Owners of the 2026B Bonds to comply with all provisions of the Code that are required for interest on the Series 2026B Bonds to be excluded from gross income for federal income tax purposes. The City also covenants for the benefit of the Owners of the 2026B Bonds that it will comply with all of the covenants and agreements that the City makes in the “Tax Certificate” executed in connection with the closing of the Series 2026B Bonds.

Section 6. Book Entry System.

The Bonds shall be initially issued in BEO form and shall be governed by this Section 6. While Bonds are in BEO form no physical Bonds shall be provided to the Owners. A representative of the City has executed and delivered a Blanket Issuer Letter of Representations to DTC (the “Letter of Representations”). While the Bonds are in BEO form, registration and transfer of beneficial interests in the Bonds shall be governed by the Letter of Representations and the Operational Arrangements of DTC, as they may be amended from time to time. So long as Bonds are in BEO form:

- (1) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of Bonds. Bond payments shall be made, and notices shall be given, to DTC in accordance with the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of Bonds or of any other action premised on such notice.
- (2) The City may discontinue maintaining the Bonds in the BEO form at any time. The City shall discontinue maintaining the Bonds in BEO form if DTC determines not to continue to act as securities depository for the Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- (3) If the City discontinues maintaining the Bonds in BEO form, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 8 below, regarding registration, transfer and exchange of Bonds shall apply.
- (4) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
 - (A) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the Bonds;
 - (B) the delivery to any participant or correspondent or any other person of any notice with respect to the Bonds, including any notice of prepayment;
 - (C) the selection by DTC of the beneficial interest in Bonds to be redeemed prior to maturity; or

- (D) the payment to any participant, correspondent, or any other person other than the registered owner of the Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the Bonds.
- (5) The provisions of this Section 6 may be modified without the consent of the beneficial owners in order to conform this section to the standard practices of DTC or any successor depository for Bonds issued in BEO form.

Section 7. Redemption of Bonds.

- (1) Optional Redemption.
 - (A) The Series 2026A Bonds are not subject to optional redemption.
 - (B) The Series 2026B Bonds are subject to optional redemption as outlined in the official statement for the Bonds.
- (2) Mandatory Redemption. The Series 2026B Bonds are subject to mandatory redemption as set forth in the official statement for the Bonds.
- (3) The City reserves the right to purchase Bonds in the open market.
- (4) So long as Bonds are in BEO form, and unless DTC consents to a shorter period the Paying Agent shall notify DTC of any early redemption not less than 20 calendar days nor more than 60 calendar days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by the Letter of Representations. Unless waived by the Paying Agent, the City shall provide written notice of the intended redemption to the Paying Agent not less than 5 Business Days before the notice is required to be given to DTC.
- (5) During any period in which the Bonds are not in BEO form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City as provided in the alternative system established by the City pursuant to Section 8(4) of this Bond Declaration. Unless waived by the Paying Agent, the City shall provide written notice of the intended redemption to the Paying Agent not less than 5 Business Days before the notice is required to be given to the Owners. All such official notices of redemption shall be dated and shall state:
 - (A) the redemption date,
 - (B) the redemption price,
 - (C) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

- (D) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
 - (E) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.
- (6) Conditional Notice. Any notice of optional redemption to the Paying Agent or to the Owners pursuant to this section may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected Owners as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Section 8. Authentication, Registration and Transfer.

- (1) No Bond shall be entitled to any right or benefit under this Bond Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all Bonds to be delivered at closing of the Bonds, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Bond Declaration.
- (2) The ownership of all Bonds shall be entered in the Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the Bond register as the owner of the Bond for all purposes.
- (3) While the Bonds are in BEO form, the Paying Agent shall transfer Bond principal and interest payments in the manner required by DTC.
- (4) If the Bonds cease to be in BEO form, the City shall amend this Bond Declaration to provide for an alternative system of registration and payment for the Bonds that is of general acceptance in the municipal bond market. If no better system is then available, the City shall amend this Bond Declaration to provide that printed, registered Bonds shall be issued to beneficial owners of the Bonds, and shall give notice of those amendments to all Owners.
- (5) Bonds may be exchanged for an equal principal amount of Bonds of the same maturity which are in different denominations, and Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
 - (A) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent; and

- (B) the Bonds to be exchanged or transferred.
- (6) The Paying Agent shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date and ending on the next following payment date; however, such Bonds shall be exchanged or transferred promptly following that payment date.
- (7) The Paying Agent shall note the date of authentication on each Bond. The date of authentication shall be the date on which the Owner's name is listed on the Bond register.
- (8) For purposes of this section, Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 8(5) of this Bond Declaration.
- (9) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 calendar days after notice is mailed.

Section 9. Amendment of Bond Declaration.

- (1) The City may amend this Bond Declaration without the consent of any Owner for any one or more of the following purposes:
 - (A) To cure any ambiguity or formal defect or omission in this Bond Declaration;
 - (B) To add to the covenants and agreements of the City in this Bond Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Bond Declaration as theretofore in effect;
 - (C) To confirm, as further assurance, any security interest or pledge created under this Bond Declaration or any Supplemental Declaration;
 - (D) To provide for the alternative system of registration and payment for the Bonds pursuant to Section 8(4) of this Bond Declaration;
 - (E) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners.
- (2) This Bond Declaration may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected Bonds then Outstanding. However, no amendment shall be valid which:
 - (A) Extends the maturity of any Bonds, reduces the rate of interest upon any Bonds, extends the time of payment of interest on any Bonds, reduces the amount of principal payable on any Bonds, or reduces any premium payable on any Bonds, without the consent of the affected Owner; or

- (B) Reduces the percent of Owners required to approve amendments to this Bond Declaration.

Section 10. Default and Remedies.

- (1) The occurrence of one or more of the following shall constitute an Event of Default under this Bond Declaration:
 - (A) Failure by the City to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Bond has been properly called for redemption); or
 - (B) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of Bonds, for a period of 60 days after written notice to the City by the Owners of fifty-one percent or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this Section 10(1)(B); or
 - (C) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the payments.
- (2) The Owners of fifty-one percent or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default described in Section 10(1)(A) of this Bond Declaration.
- (3) Upon the occurrence and continuance of any Event of Default hereunder the Owners of fifty-one percent or more of the principal amount of Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Bond Declaration or in aid of the exercise of any power granted in this Bond Declaration or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by this Bond Declaration or by law. However, the Bonds shall not be subject to acceleration.
- (4) No remedy in this Bond Declaration conferred upon or reserved to Owners of Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by this Bond Declaration or by law.

Section 11. Defeasance.

The City shall be obligated to pay Bonds which are defeased pursuant to this section solely from the money and Government Obligations deposited with an independent trustee or escrow agent, and the City shall have no further obligation to pay the defeased Bonds from any source except the amounts deposited in the escrow. Bonds shall be deemed defeased if the City:

- (1) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of Bonds which are to be defeased;
- (2) files with the escrow agent or trustee a report from an independent, certified public accountant or registered municipal advisor to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due; and
- (3) if applicable, files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not, in and of itself, cause the interest on the Series 2026B Bonds to be includable in gross income under the Code.

Section 12. Form of Bonds.

The Bonds shall be issued in substantially the form attached to this Bond Declaration as Exhibit A, with any changes that are approved by a City Official. The Bonds shall be executed on behalf of the City with the manual or facsimile signature of a City Official.

Section 13. Rules of Construction.

In determining the meaning of provisions of this Bond Declaration, the following rules shall apply unless the context clearly requires application of a different meaning:

- (1) References to section numbers shall be construed as references to sections of this Bond Declaration unless otherwise indicated.
- (2) References to one gender shall include all genders.
- (3) References to the singular shall include the plural, and references to the plural shall include the singular.

[The remainder of this page is left blank intentionally.]

Dated as of April 7, 2026.

City of Salem, Oregon

By: _____
Joshua Eggleston, Chief Financial Officer

**Exhibit A
Form of Bonds**

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
State of Oregon
Counties of Marion and Polk
City of Salem
General Obligation Bond
[Series 2026A (Federally Taxable)/Series 2026B (Tax-Exempt)]

Dated Date: April 7, 2026

Interest Rate Per Annum: «CouponRate»%

Maturity Date: June 1, «MaturityYear»

CUSIP Number: 794454«CUSIPNumbr»

Registered Owner: -----Cede & Co.-----

Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

City of Salem, Oregon (the “City”), a municipal corporation of the State of Oregon, for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on June 1 and December 1 in each year until maturity or prior redemption, commencing December 1, 2026. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently U.S. Bank Trust Company, National Association (the "Paying Agent") as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be payable in same-day funds on each payment date to the nominee of the securities depository for this Bond. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York (“DTC”), and Cede & Co. is the nominee of DTC. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a duly authorized series of bonds of the City aggregating \$[5,500,000/94,500,000] in principal amount and designated as General Obligation Bonds, [Series 2026A (Federally Taxable/Series 2026B (Tax-Exempt))] (the “Bonds”). The Bonds are issued pursuant to Oregon Revised Statutes (“ORS”) Section 287A.050 and other relevant provisions of ORS Chapter 287A, Measure 24-474 approved by the City’s electors on November 8, 2022, City Resolution No. 2022-58 adopted December 12, 2022, a Bond Declaration dated as of April 7, 2026 (collectively, the “Declaration”), and under the authority of and in full compliance with the Constitution and Statutes of the State of Oregon and the Charter of the City. Capitalized terms used but not defined herein shall have the meanings assigned them in the Declaration.

The Bonds are general obligations of the City. Pursuant to ORS Section 287A.315, the City has pledged its full faith and credit and taxing power to pay the Bonds. The City has covenanted for the benefit of the Owners to levy annually, as necessary and as provided by law, a direct ad valorem tax upon all of the taxable property within the City which is sufficient, after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes, to pay all Bond principal and interest when due. This tax shall be in addition to all other taxes of the City, and this tax shall not be limited in rate, amount or otherwise, by Sections 11 or 11b of Article XI of the Oregon Constitution. The Bonds do not constitute a debt or indebtedness of Marion or Polk Counties, the State of Oregon, or any political subdivision thereof other than the City.

The Bonds are initially issued as a book-entry-only security issue with no certificates provided to the beneficial owners. Records of ownership of beneficial interests in the Bonds will be maintained by DTC and its participants. Should the book-entry-only security system be discontinued, the City shall amend the Declaration to provide for an alternative system of registration and payment for the Bonds that is of general acceptance in the municipal bond market, as described in the Declaration.

The Bonds shall mature and be subject to redemption as set forth in the official statement for the Bonds.

Any exchange or transfer of this Bond must be registered, as provided in the Declaration, upon the Bond register kept for that purpose by the Paying Agent. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Paying Agent and which is executed by the Registered Owner or duly authorized attorney. Upon registration, a new registered Bond, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Declaration. The City and the Paying Agent may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Declaration.

Unless this Bond is presented by an authorized representative of DTC to the City or the Paying Agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entry as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond shall remain in the Paying Agent's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Paying Agent and DTC.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and Statutes of the State of Oregon to exist, to have happened and to have been performed precedent to and in the issuance of this Bond to exist, have happened and have been performed in due time, form and manner as prescribed by law, and that the amount of this Bond, together with all other obligations or indebtedness of the City, does not exceed any constitutional or statutory limitations of indebtedness.

IN WITNESS WHEREOF, City of Salem, Oregon, by its City Council, has caused this Bond to be signed in its name with the facsimile signature of an authorized City Official, all as of the Dated Date indicated above.

City of Salem, Oregon

City Official

THIS BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE PAYING AGENT IN THE SPACE INDICATED BELOW.

CERTIFICATE OF AUTHENTICATION

This Bond is one of a series of the \$[5,500,000/94,500,000] aggregate principal amount of City of Salem, Oregon, General Obligation Bonds, [Series 2026A (Federally Taxable)/Series 2026B (Tax-Exempt)], and is authorized to be issued under the terms of the Declaration described herein.

Date of authentication: April 7, 2026.

U.S. Bank Trust Company, National Association, as Paying Agent

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

(Please insert social security or other identifying number of assignee)

this Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this Bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

- TEN COM -- tenants in common
- TEN ENT -- as tenants by the entireties
- JT TEN -- as joint tenants with right of survivorship and not as tenants in common
- OREGON CUSTODIANS use the following _____ CUST UL OREG _____ MIN
as custodian for (name of minor)
- OR UNIF TRANS MIN ACT
under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.