



Mary Taylor, CPA
Auditor of State

CITY OF SALEM
COLUMBIANA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Salem
Columbiana County
231 South Broadway Avenue
Salem, Ohio 44460

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem, Columbiana County, (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the City's management in a separate letter dated June 15, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Government's management in a separate letter dated June 15, 2007.

We intend this report solely for the information and use of the audit committee, management, City Council. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 15, 2007

The City of Salem, Ohio



Comprehensive Annual Financial Report
For the Year Ended December 31, 2006



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2006

Prepared by the Auditor's Office

James A. Armeni
City Auditor



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COLUMBIANA COUNTY, OHIO

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INTRODUCTORY SECTION





CITY OF SALEM

231 South Broadway Avenue • Salem, Ohio 44460
James A. Armeni, City Auditor

phone (330) 332-4482

fax (330)-332-3001

June 16, 2007

To The Members of City Council and
All Citizens of the City of Salem, Ohio

We are pleased to submit for your review the Comprehensive Annual Financial Report of the City of Salem, Ohio for the year ended December 31, 2006. The report has been prepared in accordance with generally accepted accounting principles established by statements of the Governmental Accounting Standards Board (GASB), other authoritative pronouncements and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

While there is no legal requirement for the preparation of this report, it represents a commitment by the City of Salem (the "City") to conform to nationally recognized standards of excellence in financial reporting. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data, as presented, is accurate in all material respects; is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and presents all disclosures necessary to enable the reader to gain an understanding of the City's financial activity.

Generally Accepted Accounting Principles require 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 MD&A and should be read in conjunction with it. The City of Salem's MD&A can be found immediately following the independent accountants' report.

The Reporting Entity:

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all the organizations, activities, functions and component units for which the City is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide financial benefit to, or impose a financial burden on, the City.

Based on the foregoing, the reporting entity of the City has no component units but includes the following services: police and fire protection, parks and recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and operates the water treatment and distribution system and the wastewater treatment and collection system, each of which is reported as an enterprise fund.

***Letter of Transmittal
For the Year Ended December 31, 2006***

Historical Information:

City of Peace

Around 1800, after the Northwest Territory Ordinance of 1787 was passed outlawing slavery in the territory north of the Ohio River, members of the Society of Friends (Quakers) began migrating to the area. They came from New Jersey, Pennsylvania, Maryland and Virginia, and found a wilderness inhabited by Native Americans and an abundance of game.

Zadok Street Sr., a retired clockmaker from Salem, N.J., and John Straughan, a pottery maker from Buck County, Pennsylvania plotted a settlement in 1806. The settlement was named “Salem” after Salem, New Jersey. The name is derived from the word “Jerusalem”, which means “city of peace.” Inducements were offered to those coming into the area, and the settlement slowly grew. Newcomers arrived with a wide variety of special skills and trades (from blacksmiths to tinsmiths), which enriched the community.

Salem had a post office in 1807 and was on a stage coach route by 1824. A foundry was built in the City in the 1830’s, a factory in 1841 and a bank in 1846. Train service arrived in 1851.

The settlement was incorporated in 1830 and became the Incorporated Village of Salem in 1852. Salem became a City in 1887 when the population reached 5,704.

Salem was the western headquarters of the Anti-Slavery Society, participated in the Underground Railroad, hosted Ohio’s first Woman’s Suffrage Convention in 1850, and was the early seat of the label industry where the first gummed labels in the U.S. were produced.

The town has long been a major industrial center for the area, providing jobs for thousands of workers from miles around. Companies like Mullins, Deming, Silver, Eljer, American Standard, Bliss, Hunt, Butech, Lowry Tool, Quaker Manufacturing, Barclay Rolls, Sekely, and Salem Label are internationally know, and have for many decades been an important part of Salem’s economy.

The City of Salem has two industrial parks with a total of 145 acres that has provided for future industrial expansion. At this time no lots are available.

Salem has struggled to keep on a positive course in areas of endeavor; economic, educational and social. Residents, with the help of sound, well managed local government, have been able to maintain a normal standard of living, and are satisfied with the public services provided by their local officials.

They are able to choose from a wide variety of church denominations, and can involve themselves in many social and civic organizations. All this is provided in a safe and peaceful atmosphere characteristic of small town America.

***Letter of Transmittal
For the Year Ended December 31, 2006***

Form of Government:

Statutory

Salem is a statutory Mayor-Council form of government as prescribed by Title Seven of the Ohio Revised Code. Elected officials serving four-year terms are the Mayor, Auditor, Treasurer, and Law Director. Each of these officials has appointing authority for their office, and there is no limit on the number of terms that may be served. Seven City Council members, including the Council president, are elected to staggered four year terms.

Municipal Services:

The City of Salem provides a variety of services including police and fire protection, street construction, maintenance and repair, parks and recreation, and the Shade Tree Commission tree planting service and maintenance. The City does not operate hospitals or schools, nor is it responsible for public assistance programs.

The City also operates two enterprise activities: water treatment and distribution and wastewater collection and treatment. Funds from these enterprises are set up in accounts for the operation of these facilities. The facilities are operated in a manner similar to a private business. It is the mission of the City that the costs of providing water services to business, industry and the general public on a permanent basis be financed or recovered primarily through user fees.

The enterprise activities are not subject to rate review or determination by the Public Utilities Commission of Ohio or any similar regulatory body. The City Council has the necessary authority to establish and amend appropriate user rates as required. The rates are reviewed on an on-going basis to insure their adequacy. The City Council exercises sole authority regarding the frequency and amount of rate change for these services.

ECONOMIC OUTLOOK

Local Economy:

The City's local economy has been in somewhat of a modest recession over the last five years. Along with the City, the economy of Columbiana County and the State of Ohio as a whole is poised for a steady recovery, in light of continued pressure on the City's ability to contain increases in general fund expenditures. The local economy does not depend upon any one single industry, although several local industries are tied to housing, building and automotive companies. Local products are sold in a global market. Major industries include tool and die manufacturing, a local hospital, a stamping plant, sanitary ware fabrication, plastic extrusion, printing companies, machine building companies, a meat processing plant and several machine shops. The industrial base accounts for 80% of the income of the City of Salem. Approximately 50% of the employees live within a 10 mile radius of the City limits.

***Letter of Transmittal
For the Year Ended December 31, 2006***

The City is continually striving to expand its industrial base. Private developers are actively building residential and commercial units. The local economy is due for recovery and positive growth with the addition of new commercial and retail stores and upscale housing units. Local companies are becoming more diversified, expanding into global markets. Local officials are actively pursuing the expansion of the City's local industrial base by identifying vacant land contiguous to the City and by promoting the long term industrial needs of the community.

MAJOR INITIATIVES

During 2006, continuing efforts were made to upgrade services and improve the quality of life for the citizens of Salem.

The Parks Commission approved engineering and design on resurfacing the parking lot by Sunset Drive for a cost of approximately \$190,000. The tentative date of start up of construction is winter of 2007.

The Centennial Park Drainage Project was started in the summer of 2006 with upgrades to storm sewers and the construction of a dam with a retention basin. This project will be completed in the spring of 2007 at an approximate cost of \$368,000.

This year 29 asphalt streets were resurfaced or repaired. Instead of grinding out the entire street we ground the asphalt and replaced only the bad areas. We were able to repair 29 streets this way. If we would have resurfaced an entire street, we would have only been able to do 10 streets. Total cost for the street project was \$399,660.

The 2006 Sidewalk Project consisted of the following:

- 965 lineal feet along the east side of N. Lincoln Avenue from 5th street to Salem High School
- 496 lineal feet along the west side of N. Lincoln Avenue
- 1296 lineal feet along the north side of E. 6th street from N. Ellsworth Avenue to Lincoln Avenue

The total cost of the sidewalk project was \$52,013.

Cunningham Road Project Phase IV extended north from State Route 14 to Home Depot's west entrance. In addition, the traffic signal was upgraded at this intersection. The approximate cost of this project was \$128,000. The City of Salem, South Range Schools and Home Depot formed a Tax Increment Financing plan for 10 years at 75%. The property taxes generated from improvements made to the land will go towards the debt of the project.

***Letter of Transmittal
For the Year Ended December 31, 2006***

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System:

Development of the City's accounting system included substantial consideration of the adequacy of the internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance that:

1. The City's assets are protected against loss and unauthorized use or disposition; and
2. Reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

The concept of reasonable assurance states that internal controls should be evaluated applying the following criteria:

1. The expense associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation; and
2. The evaluation of the offsetting costs and benefits involves estimates and judgment by the City administration and members of the finance office.

All internal control evaluations occur within this framework. It is the belief of the administrative and financial management personnel that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions. The City Auditor's Office is responsible for the auditing and analysis of all purchase orders and vouchers of the City. The Auditor's Office personnel review the purchase orders and vouchers very carefully to ensure the availability of monies in the proper funds and accounts prior to certification and payment of approved invoices. The City utilizes a fully automated accounting system, as well as an automated system of controls for capital asset accounting and payroll. These systems coupled with the review and examination performed by the City Auditor's Office ensure that the financial information generated is both accurate and reliable.

Budgetary control is maintained at the object level for each function within each fund by legislation approved by City Council. The various objects are:

- | | |
|-------------------------|------------------------------|
| * Personal services | * Materials and Supplies |
| * Contractual services | * Capital Outlay |
| * Other (Miscellaneous) | * Debt Service:
Principal |
| * Transfers | Interest |

***Letter of Transmittal
For the Year Ended December 31, 2006***

Lower levels within each object are accounted for and reported internally. Such lower levels are referred to as line items of expenditure. Estimated amounts must be encumbered prior to final approval of purchase orders or other contracts to vendors. Encumbrances in excess of the available object level appropriations are not approved unless additional appropriations are authorized. Unencumbered appropriations at year end return (lapse) to the unappropriated balances in the individual funds at the end of each fiscal year which coincides with the calendar year.

OTHER INFORMATION

Independent Audit:

The basic financial statements of the City of Salem were audited by Auditor of State, Mary Taylor CPA. The independent accountant's unqualified opinion has been included in this report.

Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Salem, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in state and local government financial reporting. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity.

A Certificate of Achievement is valid for a period of one year only. The City of Salem has received a Certificate of Achievement for six consecutive years (2000 - 2005). We believe this current report continues to conform to the Certificate of Achievement for Excellence in Financial Reporting program requirements and are submitting it to the GFOA.

Public Disclosure

The publication of this Comprehensive Annual Financial Report is indicative of the City's commitment to provide significantly enhanced financial information and accountability to its citizens. In addition to the citizens of Salem, the recipients of this report include city, state and federal officials, schools, libraries, newspapers, investment banking firms, banks and rating agencies. The report is made available to any person or organization requesting it. The extensive effort to prepare and distribute this report is indicative of the continued efforts of the City to improve its overall financial accounting, management and reporting capabilities.

***Letter of Transmittal
For the Year Ended December 31, 2006***

Acknowledgments:

Sincere appreciation is extended to the individuals who have contributed their time and effort in gathering data for this report, particularly the staff of the Columbiana County Auditor's Office, Salem Community Hospital, Superintendent's Office of Salem City Schools and the Salem Chamber of Commerce.

Special acknowledgment is extended to the staff of Donald J. Schonhardt and Associates, Inc., for their continued guidance in the preparation of this report, and Dale Shaffer, local historian, on the brief history of the City of Salem.

Special thanks to the members of City Council and the City Administration whose support is necessary for the City of Salem to conform to reporting requirements established for municipal governments to maintain the sound financial position the City has enjoyed for many years. Also, to Lyle Printing for their expertise in the printing of this publication.

Respectfully,



James Armeni
City Auditor



Barbara Hasson
Chief Deputy Auditor



Sue Laughlin
Administrative Assistant

CITY OF SALEM, OHIO

**List of Principal Officials
For the Year Ended December 31, 2006**

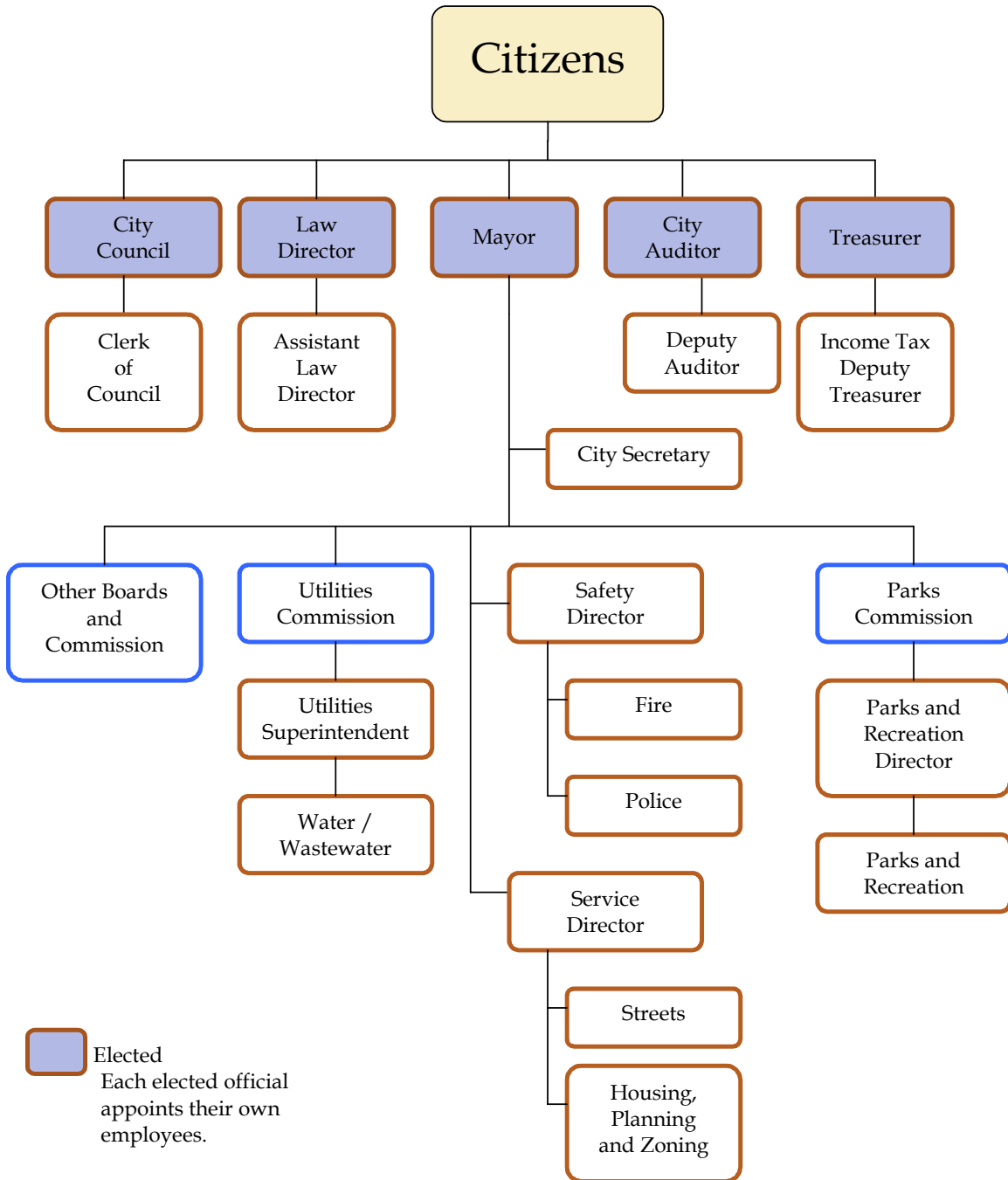
<i>ELECTED OFFICIALS</i>	<i>OFFICE</i>	<i>TERM EXPIRES</i>
Tod Mumpire	President of Council	12/31/09
Mary Lou Popa	Council Member - Ward 1	12/31/07
Steven Andres	Council Member - Ward 2	12/31/07
Greg Oesch	Council Member - Ward 3	12/31/07
Walter Bezeredi	Council Member - Ward 4	12/31/07
Justine Palmer	Council Member at Large	12/31/09
Clyde Brown	Council Member at Large	12/31/09
Earl Bud Schory	Council Member at Large	12/31/09
Larry D. DeJane	Mayor	12/31/07
James A. Armeni	Auditor	12/31/07
Robert Tullis	Treasurer	12/31/09
C. Brooke Zellers	Law Director	12/31/07

<i>ADMINISTRATIVE PERSONNEL</i>	<i>TITLE</i>	<i>TERM OF OFFICE</i>
Robert W. Floor	Police Chief	Indefinite
Walt Greenamyre	Fire Chief	Indefinite
Barbara Hasson	Chief Deputy Auditor	Indefinite
Fred Pamer	Income Tax Administrator	Indefinite
Patrick Morrissey	Housing-Planning-Zoning Inspector	Indefinite
Steven Faber	Parks & Recreation Director	Indefinite
Donald Weingart	Utilities Director	Indefinite
Scott R. Cranmer	Safety Director	Indefinite
Joseph S. Julian	Service Director	Indefinite

City Address:

Salem City Hall
231 South Broadway Avenue
Salem, Ohio 44460

*City Organizational Chart
For the Year Ended December 31, 2006*



*Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting*

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Salem
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION





Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Salem
Columbiana County
231 South Broadway Avenue
Salem, Ohio 44460

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem, Columbiana County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem, Columbiana County, Ohio, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General, Municipal Income Tax, Parks and Community Housing Improvement funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining non-major fund statements and schedules and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining non-major fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 15, 2007

This discussion and analysis of the City of Salem's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 are as follows:

- ❑ In total, net assets increased \$1,358,573. Net assets of governmental activities increased \$259,182, which represents a 1% increase from 2005. Net assets of business-type activities increased \$1,099,391 or 4% from 2005.
- ❑ General revenues accounted for \$6,354,626 in revenue or 52% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,931,185, or 48% of total revenues of \$12,285,811.
- ❑ The City had \$7,171,671 in expenses related to governmental activities; only \$1,790,594 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$6,354,626 and net assets were adequate to provide for these programs.
- ❑ The general fund had \$5,079,420 in revenues and other financing sources and \$5,142,400 in expenditures and other financing uses. The general fund's fund balance decreased from \$1,111,513 to \$1,022,812.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis*, the *basic financial statements*, and an optional section that presents *combining and individual statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets

The government-wide financial statements of the City are divided into two categories:

- Governmental Activities – Most of the City's program's and services are reported here including security of persons and property, leisure time activities, community environment, transportation and general government.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and wastewater services are reported as business-type activities.

Fund Financial Statements

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Management's Discussion and Analysis
For the Year Ended December 31, 2006***

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The proprietary fund financial statements provide separate information for the Water and Wastewater funds, both of which are considered major funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2006 compared to 2005.

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$6,056,762	\$5,801,896	\$14,262,371	\$15,379,856	\$20,319,133	\$21,181,752
Capital assets, Net	19,969,052	19,180,675	18,340,436	19,030,176	38,309,488	38,210,851
Total assets	26,025,814	24,982,571	32,602,807	34,410,032	58,628,621	59,392,603
Long-term debt outstanding	3,158,856	3,296,401	326,345	738,044	3,485,201	4,034,445
Other liabilities	2,836,358	1,914,752	118,249	2,613,166	2,954,607	4,527,918
Total liabilities	5,995,214	5,211,153	444,594	3,351,210	6,439,808	8,562,363
Net assets						
Invested in capital assets, net of related debt	15,852,058	15,594,269	18,063,686	16,022,926	33,915,744	31,617,195
Restricted	1,970,727	1,937,554	0	0	1,970,727	1,937,554
Unrestricted	2,207,815	2,239,595	14,094,527	15,035,896	16,302,342	17,275,491
Total net assets	<u>\$20,030,600</u>	<u>\$19,771,418</u>	<u>\$32,158,213</u>	<u>\$31,058,822</u>	<u>\$52,188,813</u>	<u>\$50,830,240</u>

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**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2006 compared to 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for Services and Sales	\$247,372	\$232,639	\$4,140,591	\$4,279,708	\$4,387,963	\$4,512,347
Operating Grants and Contributions	1,543,222	806,685	0	0	1,543,222	806,685
Total Program Revenues	1,790,594	1,039,324	4,140,591	4,279,708	5,931,185	5,319,032
General revenues:						
Property Taxes	1,125,110	937,547	0	0	1,125,110	937,547
Income Taxes	4,010,806	3,975,087	0	0	4,010,806	3,975,087
Other Local Taxes	11,812	13,838	0	0	11,812	13,838
Intergovernmental Revenues, Unrestricted	363,593	557,635	0	0	363,593	557,635
Investment Earnings	772,133	462,465	0	0	772,133	462,465
Miscellaneous	71,172	149,986	0	0	71,172	149,986
Total General Revenues	6,354,626	6,096,558	0	0	6,354,626	6,096,558
Total Revenues	8,145,220	7,135,882	4,140,591	4,279,708	12,285,811	11,415,590
Program Expenses						
Security of Persons and Property	3,569,615	3,474,795	0	0	3,569,615	3,474,795
Leisure Time Activities	386,183	355,535	0	0	386,183	355,535
Community Environment	488,304	593,717	0	0	488,304	593,717
Transportation	1,421,650	1,364,558	0	0	1,421,650	1,364,558
General Government	1,142,076	1,262,857	0	0	1,142,076	1,262,857
Interest and Fiscal Charges	163,843	183,709	0	0	163,843	183,709
Water	0	0	1,760,567	1,801,247	1,760,567	1,801,247
Wastewater	0	0	1,995,000	1,934,577	1,995,000	1,934,577
Total expenses	7,171,671	7,235,171	3,755,567	3,735,824	10,927,238	10,970,995
Change in Net Assets before transfers	973,549	(99,289)	385,024	543,884	1,358,573	444,595
Transfers	(714,367)	(300,594)	714,367	300,594	0	0
Total Change in Net Assets	259,182	(399,883)	1,099,391	844,478	1,358,573	444,595
Beginning Net Assets-Restated	19,771,418	20,171,301	31,058,822	30,214,344	50,830,240	50,385,645
Ending Net Assets	\$20,030,600	\$19,771,418	\$32,158,213	\$31,058,822	\$52,188,813	\$50,830,240

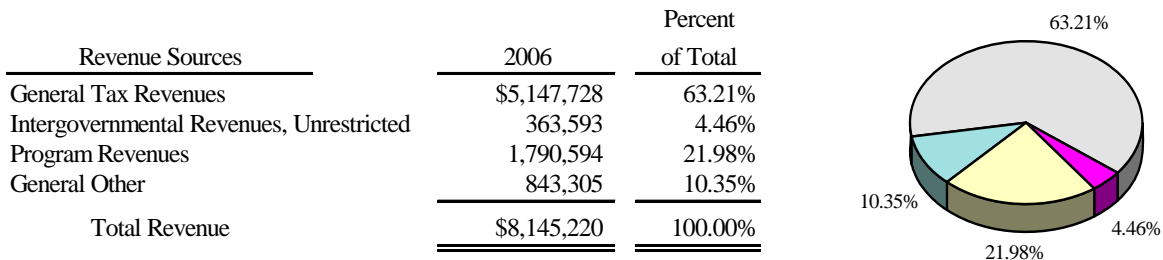
Governmental Activities

Net assets of the City's governmental activities remained very stable during 2006, increasing \$259,182. This represents a 1% change from 2005. Operating grants and contributions increased significantly due to increases in community housing improvement grants. Investment earnings increased due to increases in interest rates while miscellaneous revenue decreased due to decreases in loan repayments.

***Management's Discussion and Analysis
For the Year Ended December 31, 2006***

Unaudited

Income taxes and property taxes made up 49% and 14% respectively of revenues for governmental activities for the City in fiscal year 2006. The City's reliance upon tax revenues is demonstrated by the following graph indicating 63% of total revenues from general tax revenues:



Business-Type Activities

Net assets of the business-type activities increased \$1,099,391. Overall, revenues and expenses of the business-type activities remained very stable, with revenues continuing to outpace expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$1,904,279, which is a decrease from last year's balance of \$2,987,652. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2006 and 2005:

	Fund Balance/(Deficit) December 31, 2006	Fund Balance/(Deficit) December 31, 2005	Increase (Decrease)
General	\$1,022,812	\$1,111,513	(\$88,701)
Municipal Income Tax	536,326	505,268	31,058
Parks	335,789	189,462	146,327
Community Housing Improvement	10,821	(4,314)	15,135
Tax Increment Financing	(627,227)	0	(627,227)
Income Tax Capital Improvement	(268,768)	373,752	(642,520)
Other Governmental	894,526	811,971	82,555
Total	\$1,904,279	\$2,987,652	(\$1,083,373)

***Management's Discussion and Analysis
For the Year Ended December 31, 2006***

Unaudited

General Fund – The City's General Fund balance decrease is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2006 Revenues	2005 Revenues	Increase (Decrease)
Taxes	\$692,149	\$694,180	(\$2,031)
Intergovernmental Revenue	503,536	512,870	(9,334)
Charges for Services	63,373	61,965	1,408
Licenses, Permits and Fees	135,744	122,070	13,674
Investment Earnings	687,577	457,046	230,531
Special Assessments	3,471	3,418	53
Fines and Forfeitures	22,738	22,137	601
All Other Revenue	11,617	41,507	(29,890)
Total	<u>\$2,120,205</u>	<u>\$1,915,193</u>	<u>\$205,012</u>

General Fund revenues in 2006 increased approximately 11% when compared to revenues in fiscal year 2005. This increase in revenue was almost entirely the result of increases in investment earnings, which was caused by increases in interest rates.

	2006 Expenditures	2005 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,957,254	\$2,910,408	\$46,846
Community Environment	169,687	162,452	7,235
Transportation	23,135	12,064	11,071
General Government	930,384	964,400	(34,016)
Total	<u>\$4,080,460</u>	<u>\$4,049,324</u>	<u>\$31,136</u>

Overall, General Fund expenditures in 2006 remained very stable, increasing \$31,136, or less than 1%. Security of persons and property increased due to costs for street lights. General government decreased due to decreases in litigation from 2005.

Municipal Income Tax Fund – The City's Municipal Income Tax Fund balance increased approximately 6%. This increase was mainly the result of a decrease in the amount of income tax revenues being transferred out to other funds.

Parks Fund – The Parks Fund balance increased significantly due to an increase in real estate taxes. This increase in tax revenues was the result of the passage of an additional levy.

***Management's Discussion and Analysis
For the Year Ended December 31, 2006***

Unaudited

Community Housing Improvement Fund - The Community Housing Improvement Fund reported a large increase in assets due to CHIP grants receivable.

Tax Increment Financing Fund – The TIF fund reported general obligation notes payable and capital expenditures for land improvements related to Home Depot.

Income Tax Capital Improvement Fund - The Income Tax Capital Improvement Fund balance decreased significantly due to increases in capital expenditures.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2006 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$2.3 million was 25% higher than the original budget estimates of \$1.8 million. This increase in budgeted revenues can be attributed to increases in amounts received for taxes, intergovernmental revenues, and investment earnings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006 the City had \$38,309,488 net of accumulated depreciation invested in land, buildings, improvements, machinery, equipment and vehicles. Of this total, \$19,969,052 was related to governmental activities and \$18,340,436 to the business-type activities. The following table shows fiscal year 2006 and 2005 balances:

	Governmental Activities		Increase (Decrease)
	2006	2005	
Land	\$4,397,703	\$4,378,281	\$19,422
Construction In Progress	1,232,670	409,568	823,102
Buildings	2,749,433	2,749,433	0
Improvements Other than Buildings	229,661	229,661	0
Machinery and Equipment	3,225,529	3,189,862	35,667
Infrastructure	20,648,997	20,138,579	510,418
Less: Accumulated Depreciation	(12,514,941)	(11,914,709)	(600,232)
Totals	<u>\$19,969,052</u>	<u>\$19,180,675</u>	<u>\$788,377</u>

An increase in infrastructure was the result of the City's summer street improvement program as well as new street construction, while increases in construction in progress can be attributed to TIF land improvements at Home Depot and storm water upgrades at Centennial Park.

**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2006	2005	
Land	\$564,419	\$465,457	\$98,962
Construction in Progress	739,361	815,991	(76,630)
Buildings and Improvements	19,020,744	19,020,744	0
Machinery and Equipment	7,850,315	7,801,462	48,853
Infrastructure	8,729,579	8,559,029	170,550
Less: Accumulated Depreciation	(18,563,982)	(17,632,507)	(931,475)
Totals	<u>\$18,340,436</u>	<u>\$19,030,176</u>	<u>(\$689,740)</u>

Bentley Drive water and sewer main extensions contributed to the increases in infrastructure. Land purchases at Sell Road and North Roosevelt Avenue resulted in the increase in land. Additional information on the City's capital assets can be found in Note 9.

Debt

At December 31, 2006, the City had \$2.4 million in General Obligation bonds outstanding, \$85,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2006 and 2005:

	2006	2005
Governmental Activities:		
General Obligation Bonds	\$2,400,201	\$2,480,212
Special Assessment Bonds	100,000	112,000
Ohio Public Works Commission Loans	434,621	469,406
Capital Lease Payable	7,172	14,059
Compensated Absences	216,862	220,724
Total Governmental Activities	<u>3,158,856</u>	<u>3,296,401</u>
Business-Type Activities:		
General Obligation Bonds	0	400,000
Ohio Public Works Commission Loans	276,750	297,250
Compensated Absences	49,595	40,794
Total Business-Type Activities	<u>326,345</u>	<u>738,044</u>
Totals	<u>\$3,485,201</u>	<u>\$4,034,445</u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2006, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

ECONOMIC FACTORS

During these volatile economic times over the last five years, the administration and City Council have worked diligently to maintain services at a normal level without a reduction in workforce. The unemployment rate for Columbiana County in 2006 averaged out to be 6.5%. Income tax receipts for 2006 were up 1.43% year to date. In 2006, 80% of tax receipts goes to the General Fund, and 20% to the Bond Retirement and Capital Improvement funds for payments on debt and to upgrade the City's infrastructure.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. James Armeni, City Auditor of the City of Salem.



CITY OF SALEM, OHIO

**Statement of Net Assets
December 31, 2006**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 2,594,673	\$ 5,997,356	\$ 8,592,029
Investments	20,000	7,130,000	7,150,000
Receivables:			
Taxes	1,817,531	0	1,817,531
Accounts	30,989	589,324	620,313
Intergovernmental	1,195,644	0	1,195,644
Interest	149,415	0	149,415
Special Assessments	81,016	356,899	437,915
Inventory of Supplies	130,021	165,110	295,131
Prepaid Items	37,473	23,682	61,155
Non-Depreciable Capital Assets	5,630,373	1,303,780	6,934,153
Depreciable Capital Assets, Net	14,338,679	17,036,656	31,375,335
Total Assets	26,025,814	32,602,807	58,628,621
Liabilities:			
Accounts Payable	311,035	60,377	371,412
Accrued Wages and Benefits	240,342	57,872	298,214
Due to Others	764	0	764
Deferred Revenue	1,068,835	0	1,068,835
Accrued Interest Payable	40,382	0	40,382
General Obligation Notes Payable	1,175,000	0	1,175,000
Long Term Liabilities:			
Amounts due in less than one year	236,390	27,564	263,954
Amounts due in more than one year	2,922,466	298,781	3,221,247
Total Liabilities	5,995,214	444,594	6,439,808
Net Assets:			
Invested in Capital Assets, Net of Related Debt	15,852,058	18,063,686	33,915,744
Restricted For:			
Debt Service	168,997	0	168,997
Street Improvements	436,995	0	436,995
Parks	377,337	0	377,337
Law Enforcement	260,926	0	260,926
Community Environment	620,731	0	620,731
Other Purposes	105,741	0	105,741
Unrestricted	2,207,815	14,094,527	16,302,342
Total Net Assets	\$ 20,030,600	\$ 32,158,213	\$ 52,188,813

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Activities
For the Year Ended December 31, 2006**

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Security of Persons and Property	\$ 3,569,615	\$ 3,653	\$ 80,610
Leisure Time Activities	386,183	17,789	0
Community Environment	488,304	137,448	647,955
Transportation	1,421,650	0	814,657
General Government	1,142,076	88,482	0
Interest and Fiscal Charges	163,843	0	0
Total Governmental Activities	7,171,671	247,372	1,543,222
Business-Type Activities:			
Water	1,760,567	1,787,867	0
Wastewater	1,995,000	2,352,724	0
Total Business-Type Activities	3,755,567	4,140,591	0
Totals	\$ 10,927,238	\$ 4,387,963	\$ 1,543,222

General Revenues

Property Taxes Levied for:
 General Purposes
 Special Purposes
 Income Tax
 Other Local Taxes
 Intergovernmental Revenues, Unrestricted
 Investment Earnings
 Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,485,352)	\$ 0	\$ (3,485,352)
(368,394)	0	(368,394)
297,099	0	297,099
(606,993)	0	(606,993)
(1,053,594)	0	(1,053,594)
(163,843)	0	(163,843)
<u>(5,381,077)</u>	<u>0</u>	<u>(5,381,077)</u>
0	27,300	27,300
0	357,724	357,724
<u>0</u>	<u>385,024</u>	<u>385,024</u>
<u>(5,381,077)</u>	<u>385,024</u>	<u>(4,996,053)</u>
615,838	0	615,838
509,272	0	509,272
4,010,806	0	4,010,806
11,812	0	11,812
363,593	0	363,593
772,133	0	772,133
71,172	0	71,172
<u>(714,367)</u>	<u>714,367</u>	<u>0</u>
<u>5,640,259</u>	<u>714,367</u>	<u>6,354,626</u>
259,182	1,099,391	1,358,573
<u>19,771,418</u>	<u>31,058,822</u>	<u>50,830,240</u>
<u>\$ 20,030,600</u>	<u>\$ 32,158,213</u>	<u>\$ 52,188,813</u>

CITY OF SALEM, OHIO

**Balance Sheet
Governmental Funds
December 31, 2006**

	General	Municipal Income Tax	Parks
Assets:			
Cash and Cash Equivalents	\$ 856,074	\$ 0	\$ 331,375
Investments	0	0	0
Receivables:			
Taxes	644,240	630,123	404,793
Accounts	30,989	0	0
Intergovernmental	255,580	0	15,000
Interest	149,415	0	0
Special Assessments	0	0	0
Interfund Loans Receivable	0	0	0
Inventory of Supplies	68,048	0	0
Prepaid Items	33,333	2,407	1,733
Total Assets	\$ 2,037,679	\$ 632,530	\$ 752,901
Liabilities:			
Accounts Payable	\$ 17,492	\$ 3,213	\$ 313
Accrued Wages and Benefits Payable	128,971	3,854	7,273
Due to Others	764	0	0
Interfund Loans Payable	0	0	0
Deferred Revenue	867,640	89,137	409,526
Accrued Interest Payable	0	0	0
General Obligation Notes Payable	0	0	0
Total Liabilities	1,014,867	96,204	417,112
Fund Balance:			
Reserved for Encumbrances	31,963	2,965	166,144
Reserved for Prepaid Items	33,333	2,407	1,733
Reserved for Supplies Inventory	68,048	0	0
Reserved for Debt Service	0	0	0
Undesignated, Unreserved in:			
General Fund	889,468	0	0
Special Revenue Funds (Deficit)	0	530,954	167,912
Capital Projects Funds (Deficit)	0	0	0
Total Fund Balance	1,022,812	536,326	335,789
Total Liabilities and Fund Balance	\$ 2,037,679	\$ 632,530	\$ 752,901

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

Community Housing Improvement	Tax Increment Financing	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 16,908	\$ 128,000	\$ 424,661	\$ 837,655	\$ 2,594,673
0	0	0	20,000	20,000
0	0	0	138,375	1,817,531
0	0	0	0	30,989
566,500	0	0	358,564	1,195,644
0	0	0	0	149,415
0	0	0	81,016	81,016
0	0	0	162	162
0	0	0	61,973	130,021
0	0	0	0	37,473
<u>\$ 583,408</u>	<u>\$ 128,000</u>	<u>\$ 424,661</u>	<u>\$ 1,497,745</u>	<u>\$ 6,056,924</u>
\$ 20,587	\$ 112,981	\$ 129,218	\$ 27,231	\$ 311,035
0	0	0	100,244	240,342
0	0	0	0	764
0	0	0	162	162
552,000	0	0	475,582	2,393,885
0	16,746	14,711	0	31,457
0	625,500	549,500	0	1,175,000
<u>572,587</u>	<u>755,227</u>	<u>693,429</u>	<u>603,219</u>	<u>4,152,645</u>
137,990	15,019	146,822	12,515	513,418
0	0	0	0	37,473
0	0	0	61,973	130,021
0	0	0	96,906	96,906
0	0	0	0	889,468
(127,169)	0	0	555,325	1,127,022
0	(642,246)	(415,590)	167,807	(890,029)
<u>10,821</u>	<u>(627,227)</u>	<u>(268,768)</u>	<u>894,526</u>	<u>1,904,279</u>
<u>\$ 583,408</u>	<u>\$ 128,000</u>	<u>\$ 424,661</u>	<u>\$ 1,497,745</u>	<u>\$ 6,056,924</u>

CITY OF SALEM, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2006***

Total Governmental Fund Balances \$ 1,904,279

***Amounts reported for governmental activities in the
statement of net assets are different because***

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 19,969,052

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 1,325,050

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds.

General Obligation Bonds	(2,305,000)
Premium on Bonds Issued	(95,201)
Special Assessment Bonds Payable	(100,000)
Compensated Absences Payable	(216,862)
OPWC Loan Payable	(434,621)
Capital Leases Payable	(7,172)
Accrued Interest Payable	(8,925)

(3,167,781)

Net Assets of Governmental Activities

\$ 20,030,600

See accompanying notes to the basic financial statements



CITY OF SALEM, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006**

	General	Municipal Income Tax	Parks
Revenues:			
Taxes	\$ 692,149	\$ 3,925,674	\$ 379,843
Intergovernmental Revenues	503,536	0	29,805
Charges for Services	63,373	0	10,362
Licenses, Permits and Fees	135,744	0	0
Investment Earnings	687,577	0	0
Special Assessments	3,471	0	0
Fines and Forfeitures	22,738	0	0
All Other Revenue	11,617	0	44,065
Total Revenue	2,120,205	3,925,674	464,075
Expenditures:			
Current:			
Security of Persons and Property	2,957,254	0	0
Leisure Time Activities	0	0	317,748
Community Environment	169,687	0	0
Transportation	23,135	0	0
General Government	930,384	195,597	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	4,080,460	195,597	317,748
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,960,255)	3,730,077	146,327
Other Financing Sources (Uses):			
Sale of Capital Assets	0	0	0
Transfers In	2,959,215	0	0
Transfers Out	(1,061,940)	(3,699,019)	0
Total Other Financing Sources (Uses)	1,897,275	(3,699,019)	0
Net Change in Fund Balance	(62,980)	31,058	146,327
Fund Balance (Deficit) at Beginning of Year	1,111,513	505,268	189,462
Decrease in Inventory Reserve	(25,721)	0	0
Fund Balance (Deficit) End of Year	\$ 1,022,812	\$ 536,326	\$ 335,789

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

Community Housing Improvement	Tax Increment Financing	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 25,057	\$ 132,022	\$ 5,154,745
232,996	0	0	776,911	1,543,248
0	0	0	0	73,735
0	0	0	7,427	143,171
0	0	0	15,691	703,268
0	0	0	19,370	22,841
0	0	0	2,553	25,291
0	0	6,121	9,369	71,172
<u>232,996</u>	<u>0</u>	<u>31,178</u>	<u>963,343</u>	<u>7,737,471</u>
0	0	0	466,048	3,423,302
0	0	0	20,568	338,316
226,157	0	0	90,922	486,766
0	0	0	700,782	723,917
0	0	0	0	1,125,981
0	595,481	1,121,827	0	1,717,308
0	0	0	121,785	121,785
0	31,746	21,062	124,930	177,738
<u>226,157</u>	<u>627,227</u>	<u>1,142,889</u>	<u>1,525,035</u>	<u>8,115,113</u>
6,839	(627,227)	(1,111,711)	(561,692)	(377,642)
0	0	10,500	25,380	35,880
8,296	0	458,691	722,573	4,148,775
0	0	0	(102,183)	(4,863,142)
<u>8,296</u>	<u>0</u>	<u>469,191</u>	<u>645,770</u>	<u>(678,487)</u>
15,135	(627,227)	(642,520)	84,078	(1,056,129)
(4,314)	0	373,752	811,971	2,987,652
0	0	0	(1,523)	(27,244)
<u>\$ 10,821</u>	<u>\$ (627,227)</u>	<u>\$ (268,768)</u>	<u>\$ 894,526</u>	<u>\$ 1,904,279</u>

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2006***

Net Change in Fund Balances - Total Governmental Funds \$ (1,056,129)

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	1,722,652	
Depreciation Expense	<u>(898,636)</u>	824,016

Governmental Funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

This is the amount of the loss on the disposal of capital assets net of proceeds received.		(35,639)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 407,749

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, the payment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Governmental Activities.

General Obligation Bond Principal Payment	75,000	
Bond Premium Amortization	5,011	
Special Assessment Bond Principal Payment	12,000	
OPWC Loan Principal Payment	34,785	
Capital Lease Principal Payment	<u>6,887</u>	133,683

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 8,884

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	3,862	
Change in Inventory	<u>(27,244)</u>	<u>(23,382)</u>

Change in Net Assets of Governmental Activities \$ 259,182

See accompanying notes to the basic financial statements



CITY OF SALEM, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 596,387	\$ 716,228	\$ 699,818	\$ (16,410)
Intergovernmental Revenue	419,736	504,080	524,265	20,185
Charges for Services	52,612	63,184	63,373	189
Licenses and Permits	107,998	129,700	132,855	3,155
Investment Earnings	612,351	735,400	814,645	79,245
Special Assessments	3,106	3,730	3,471	(259)
Fines and Forfeitures	22,607	27,150	22,664	(4,486)
All Other Revenues	6,766	8,126	11,578	3,452
Total Revenues	<u>1,821,563</u>	<u>2,187,598</u>	<u>2,272,669</u>	<u>85,071</u>
Expenditures:				
Current:				
Security of Persons and Property	2,832,278	3,166,890	2,972,681	194,209
Community Environment	166,794	186,499	181,181	5,318
Transportation	66,839	74,735	22,631	52,104
General Government	948,210	1,060,234	968,735	91,499
Total Expenditures	<u>4,014,121</u>	<u>4,488,358</u>	<u>4,145,228</u>	<u>343,130</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,192,558)	(2,300,760)	(1,872,559)	428,201
Other Financing Sources (Uses):				
Sale of Capital Assets	1,665	2,000	0	(2,000)
Transfers In	2,472,058	2,968,808	2,969,215	407
Transfers Out	(1,203,290)	(1,203,290)	(1,071,940)	131,350
Total Other Financing Sources (Uses):	<u>1,270,433</u>	<u>1,767,518</u>	<u>1,897,275</u>	<u>129,757</u>
Net Change in Fund Balance	(922,125)	(533,242)	24,716	557,958
Fund Balance at Beginning of Year	735,355	735,355	735,355	0
Prior Year Encumbrances	49,528	49,528	49,528	0
Fund Balance at End of Year	<u>\$ (137,242)</u>	<u>\$ 251,641</u>	<u>\$ 809,599</u>	<u>\$ 557,958</u>

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Municipal Income Tax Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 3,600,000	\$ 3,900,000	\$ 3,893,539	\$ (6,461)
Total Revenues	<u>3,600,000</u>	<u>3,900,000</u>	<u>3,893,539</u>	<u>(6,461)</u>
Expenditures:				
General Government	213,780	214,152	200,698	13,454
Total Expenditures	<u>213,780</u>	<u>214,152</u>	<u>200,698</u>	<u>13,454</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,386,220	3,685,848	3,692,841	6,993
Other Financing Sources (Uses):				
Transfers Out	(3,692,084)	(3,698,511)	(3,699,019)	(508)
Total Other Financing Sources (Uses)	<u>(3,692,084)</u>	<u>(3,698,511)</u>	<u>(3,699,019)</u>	<u>(508)</u>
Net Change in Fund Balance	(305,864)	(12,663)	(6,178)	6,485
Fund Balance at Beginning of Year	(6,019)	(6,019)	(6,019)	0
Prior Year Encumbrances	6,019	6,019	6,019	0
Fund Balance at End of Year	<u>\$ (305,864)</u>	<u>\$ (12,663)</u>	<u>\$ (6,178)</u>	<u>\$ 6,485</u>

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Parks Fund
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 200,431	\$ 394,078	\$ 383,213	\$ (10,865)
Intergovernmental Revenues	10,935	21,500	29,805	8,305
Charges for Services	6,205	12,200	10,362	(1,838)
All Other Revenues	21,006	41,300	44,065	2,765
Total Revenues	<u>238,577</u>	<u>469,078</u>	<u>467,445</u>	<u>(1,633)</u>
Expenditures:				
Leisure Time Activities	<u>500,929</u>	<u>500,929</u>	<u>484,807</u>	<u>16,122</u>
Total Expenditures	<u>500,929</u>	<u>500,929</u>	<u>484,807</u>	<u>16,122</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(262,352)	(31,851)	(17,362)	14,489
Fund Balance at Beginning of Year	173,394	173,394	173,394	0
Prior Year Encumbrances	8,887	8,887	8,887	0
Fund Balance at End of Year	<u>\$ (80,071)</u>	<u>\$ 150,430</u>	<u>\$ 164,919</u>	<u>\$ 14,489</u>

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Community Housing Improvement Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 252,018	\$ 223,183	\$ (28,835)
Total Revenues	<u>0</u>	<u>252,018</u>	<u>223,183</u>	<u>(28,835)</u>
Expenditures:				
Community Environment	143,259	403,089	403,087	2
Total Expenditures	<u>143,259</u>	<u>403,089</u>	<u>403,087</u>	<u>2</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(143,259)	(151,071)	(179,904)	(28,833)
Other Financing Sources (Uses):				
Transfers In	0	0	8,296	8,296
Advances In	0	30,000	50,539	20,539
Advances Out	0	(50,540)	(50,539)	1
Total Other Financing Sources (Uses)	<u>0</u>	<u>(20,540)</u>	<u>8,296</u>	<u>28,836</u>
Net Change in Fund Balance	(143,259)	(171,611)	(171,608)	3
Fund Balance at Beginning of Year	(110,605)	(110,605)	(110,605)	0
Prior Year Encumbrances	140,544	140,544	140,544	0
Fund Balance at End of Year	<u>\$ (113,320)</u>	<u>\$ (141,672)</u>	<u>\$ (141,669)</u>	<u>\$ 3</u>

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2006**

	Water	Wastewater	Total
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 3,160,613	\$ 2,836,743	\$ 5,997,356
Investments	1,120,000	6,010,000	7,130,000
<i>Receivables:</i>			
Accounts	262,679	326,645	589,324
Special Assessments	0	356,899	356,899
Inventory of Supplies at Cost	163,078	2,032	165,110
Prepaid Items	11,841	11,841	23,682
Total Current Assets	4,718,211	9,544,160	14,262,371
<i>Noncurrent Assets:</i>			
Non-Depreciable Capital Assets	765,160	538,620	1,303,780
Depreciable Capital Assets, Net	7,954,147	9,082,509	17,036,656
Total Noncurrent Assets	8,719,307	9,621,129	18,340,436
Total Assets	13,437,518	19,165,289	32,602,807
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	22,259	38,118	60,377
Accrued Wages and Benefits	30,649	27,223	57,872
OPWC Loans Payable - Current	20,500	0	20,500
Total Current Liabilities	73,408	65,341	138,749
<i>Noncurrent Liabilities:</i>			
OPWC Loans Payable	256,250	0	256,250
Compensated Absences Payable	23,057	26,538	49,595
Total Noncurrent Liabilities	279,307	26,538	305,845
Total Liabilities	352,715	91,879	444,594
Net Assets:			
Invested in Capital Assets, Net of Related Debt	8,442,557	9,621,129	18,063,686
Unrestricted	4,642,246	9,452,281	14,094,527
Total Net Assets	\$ 13,084,803	\$ 19,073,410	\$ 32,158,213

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2006**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$ 1,690,720	\$ 2,326,442	\$ 4,017,162
Other Operating Revenue	97,147	4,249	101,396
Total Operating Revenues	<u>1,787,867</u>	<u>2,330,691</u>	<u>4,118,558</u>
Operating Expenses:			
Personal Services	630,156	824,660	1,454,816
Contractual Services	308,332	543,225	851,557
Materials and Supplies	268,697	201,273	469,970
Depreciation	526,203	405,272	931,475
Total Operating Expenses	<u>1,733,388</u>	<u>1,974,430</u>	<u>3,707,818</u>
Operating Income	54,479	356,261	410,740
Nonoperating Revenue (Expenses):			
Investment Earnings	0	22,033	22,033
Interest Expense	(23,833)	(20,158)	(43,991)
Other Nonoperating Expense	(3,346)	(412)	(3,758)
Total Nonoperating Revenues (Expenses)	<u>(27,179)</u>	<u>1,463</u>	<u>(25,716)</u>
Income Before Transfers	27,300	357,724	385,024
Transfers In	236,493	477,874	714,367
Change in Net Assets	263,793	835,598	1,099,391
Net Assets Beginning of Year	12,821,010	18,237,812	31,058,822
Net Assets End of Year	<u>\$ 13,084,803</u>	<u>\$ 19,073,410</u>	<u>\$ 32,158,213</u>

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006***

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,725,560	\$2,315,399	\$4,040,959
Cash Payments for Goods and Services	(572,129)	(791,675)	(1,363,804)
Cash Payments to Employees	(671,506)	(789,928)	(1,461,434)
Net Cash Provided by Operating Activities	<u>481,925</u>	<u>733,796</u>	<u>1,215,721</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	<u>236,493</u>	<u>477,874</u>	<u>714,367</u>
Net Cash Provided by Noncapital Financing Activities	<u>236,493</u>	<u>477,874</u>	<u>714,367</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Retirement of General Obligation Notes	0	(2,310,000)	(2,310,000)
Acquisition and Construction of Assets	(304,745)	(28,194)	(332,939)
Principal Paid on General Obligation Bonds	(400,000)	0	(400,000)
Principal Paid on Ohio Public Works Commission Loan	(20,500)	0	(20,500)
Interest Paid on All Debt	(26,000)	(70,455)	(96,455)
Net Cash Used for Capital and Related Financing Activities	<u>(751,245)</u>	<u>(2,408,649)</u>	<u>(3,159,894)</u>
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	1,006,000	1,771,000	2,777,000
Receipt of Interest	0	22,033	22,033
Net Cash Provided by Investing Activities	<u>1,006,000</u>	<u>1,793,033</u>	<u>2,799,033</u>
Net Increase in Cash and Cash Equivalents	973,173	596,054	1,569,227
Cash and Cash Equivalents at Beginning of Year	<u>2,187,440</u>	<u>2,240,689</u>	<u>4,428,129</u>
Cash and Cash Equivalents at End of Year	<u>\$3,160,613</u>	<u>\$2,836,743</u>	<u>\$5,997,356</u>

(Continued)

CITY OF SALEM, OHIO

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<u>Reconciliation of Operating Income to Net Cash</u> <u>Provided by Operating Activities:</u>			
Operating Income	\$54,479	\$356,261	\$410,740
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	526,203	405,272	931,475
Miscellaneous Nonoperating Expense	(3,346)	(412)	(3,758)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(62,307)	(31,772)	(94,079)
(Increase) Decrease in Inventory	(29,238)	711	(28,527)
Decrease in Prepaid Items	7,919	7,919	15,838
Decrease in Special Assessment Receivable	0	16,480	16,480
Decrease in Accounts Payable	(19,357)	(18,203)	(37,560)
Increase (Decrease) in Accrued Wages and Benefits	3,204	(6,893)	(3,689)
Increase in Compensated Absences	4,368	4,433	8,801
Total Adjustments	<u>427,446</u>	<u>377,535</u>	<u>804,981</u>
Net Cash Provided by Operating Activities	<u>\$481,925</u>	<u>\$733,796</u>	<u>\$1,215,721</u>

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2006***

	Total Agency Funds
Assets:	
Cash and Cash Equivalents	\$ 19,651
Total Assets	<u>\$ 19,651</u>
Liabilities:	
Due to Others	\$ 19,651
Total Liabilities	<u>\$ 19,651</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Salem, Ohio (the "City") was incorporated in 1887 and is a statutory municipal corporation under the laws of the State of Ohio. The City operates under a Council-Mayor form of government.

The financial statements are presented as of December 31, 2006 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with provisions of the GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, parks and recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and operates a water treatment and distribution system and a wastewater treatment and collection system which are reported as enterprise funds.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Municipal Income Tax Fund – To account for the collection of the municipal income tax as required by City Ordinance.

Parks Fund – To account for property taxes levied in support of the operation and maintenance of City parks.

Community Housing Improvement Fund – To account for state grants restricted in use for a comprehensive program of housing related activities for low and moderate income households.

Tax Increment Financing Fund – To account for land improvements for Home Depot by implementing tax increment financing.

Income Tax Capital Improvement Fund – To account for income tax receipts which are restricted in use for the major capital projects undertaken by the City.

Proprietary Funds

The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

Water Fund – This fund is used to account for the operation of the City's water service.

Wastewater Fund – This fund is used to account for the operation of the City's sanitary sewer service.

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's only fiduciary funds are its agency funds, and are used to account for deposits from individuals who intend to excavate City streets and from developers involved in subdivision construction. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments and state levied locally shared taxes (including motor vehicle license fees, gasoline tax, and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2006 but which are not intended to finance 2006 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the government-wide statements, proprietary funds and agency funds. Revenues are recognized when they are earned and expenses recognized when incurred.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. Budgetary control is maintained by not permitting expenditures to exceed appropriations at the major object level for each department within each fund without the approval of City Council. Administrative control is maintained through the establishment of more detailed line item budgets. The primary level of budgetary control is at the object level within each department. Budgetary modifications above the major object level by department, by fund, may only be made by ordinance of the City Council.

1. Tax Budget

The Mayor submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources (Continued)

amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2006.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. During 2006, several supplemental appropriations were necessary to budget for unanticipated expenditures. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council.

The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual for the General Fund and Major Special Revenue Funds" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General and major Special Revenue funds:

	Net Change in Fund Balance			
	General Fund	Municipal Income Tax Fund	Parks Fund	Community Housing Improvement Fund
GAAP Basis (as reported)	(\$62,980)	\$31,058	\$146,327	\$15,135
Increase (Decrease):				
Accrued Revenues at December 31, 2006 received during 2007	(212,584)	(540,986)	(10,267)	(14,500)
Accrued Revenues at December 31, 2005 received during 2006	365,087	508,851	13,637	4,687
Accrued Expenditures at December 31, 2006 paid during 2007	146,424	7,067	7,586	20,587
Accrued Expenditures at December 31, 2005 paid during 2006	(180,179)	(4,044)	(9,407)	(38,940)
2005 Prepays for 2006	48,756	461	2,951	0
2006 Prepays for 2007	(33,333)	(2,407)	(1,733)	0
Outstanding Encumbrances	(46,475)	(6,178)	(166,456)	(158,577)
Budget Basis	<u>\$24,716</u>	<u>(\$6,178)</u>	<u>(\$17,362)</u>	<u>(\$171,608)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, repurchase agreements and the State Treasury Asset Reserve (STAR Ohio). Repurchase agreements and STAR Ohio are considered investments for purposes of GASB Statement No. 3, but are reported as cash equivalents in the basic financial statements because they are highly liquid instruments which are readily convertible to cash.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash, including the investment instruments described above, represents the balance on hand as if each fund maintains its own cash and investments account. For purposes of the statement of cash flows, the proprietary funds share of equity in pooled repurchase agreements is considered to be a cash equivalent. See Note 4, "Cash, Cash Equivalents, and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

The City had invested funds in the STAR Ohio during 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2006.

H. Inventory

Inventory is stated at cost (first in, first out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	20 - 50
Improvements other than Buildings	50 - 67
Machinery and Equipment	3 - 20
Infrastructure	50 - 100

K. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Debt Retirement Fund Water Fund
Special Assessment Bond	Special Assessment Debt Retirement Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund Municipal Income Tax Fund Parks Fund Water Fund Wastewater Fund
OPWC Loan	General Obligation Debt Retirement Fund, Water Fund
Capital Lease	Drug Enforcement Agency Equitable Share Fund

L. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

Employees of the City earn vacation and sick leave at various rates within limits specified under collective bargaining agreements or under statute. At termination or retirement, employees are paid at their full rate for 100% of their unused vacation leave and 25% or 50% of unused sick leave up to specified limits depending upon the bargaining agreement.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies, prepaid items, debt service and encumbrances (excluding encumbered amounts reflected as payables).

Q. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution and wastewater collection and treatment. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items to report during fiscal year 2006.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

The fund deficits at December 31, 2006 of \$33,541 in the Police Pension Fund, \$27,909 in the Fire Pension Fund, and \$90 in the Community Development Block Grant Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The General Fund provides transfers when cash is required, not when accruals occur. The fund deficits of \$627,227 in the Tax Increment Financing Fund and \$268,768 in the Income Tax Capital Improvement Fund (capital projects funds) are the result of recording notes payable amounts in the individual fund balance sheets.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 3 – RESTATEMENT OF NET ASSETS

Certain adjustments were made to the Governmental Activities beginning net asset balance to account for the correction of errors in capital asset reporting. As a result of the restatement, the City's Governmental Activities net asset balance at December 31, 2005 decreased \$56,155, to a restated amount of \$19,771,418.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories.

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$6,971,849 and the bank balance was \$7,253,820. Federal depository insurance covered \$200,000 of the bank balance and \$7,053,820 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

Uninsured and collateralized with securities held by	<u>Balance</u>
the pledging institution's trust department not in the City's name	<u>\$7,053,820</u>
Total Balance	<u><u>\$7,053,820</u></u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments at December 31, 2006 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$6,942,000	AAAm ¹	\$6,942,000	\$0	\$0
Repurchase Agreement	1,847,831	N/A	1,847,831	0	0
Total Investments	<u>\$8,789,831</u>		<u>\$8,789,831</u>	<u>\$0</u>	<u>\$0</u>

¹ Standard & Poor's

Interest Rate Risk – City ordinance generally limits security purchases to those that mature within three years of the settlement date.

Custodial Credit Risk – The City's balance of investments are held by the trust department of it's banking institution in the City's name.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Investments with an original maturity of three months or less are treated as cash and cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note is based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the financial statements and the classifications per items A and B of this note are as follows:

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$8,611,680	\$7,150,000
Certificates of Deposit (with maturities of more than 3 months)	7,150,000	(7,150,000)
Investments:		
STAR Ohio	(6,942,000)	6,942,000
Repurchase Agreements	(1,847,831)	1,847,831
Per GASB Statement No. 3	<u>\$6,971,849</u>	<u>\$8,789,831</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2006 were levied after October 1, 2005 on assessed values as of January 1, 2005, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2004. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 18.75 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually: the first payment is due April 30; the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Salem. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2006 was \$5.40 per \$1,000 of assessed value. The assessed value upon which the 2006 tax receipts were based was \$235,173,250. This amount constitutes \$180,858,680 in real property assessed value, \$5,303,490 in public utility assessed value and \$49,011,080 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .54% (5.4 mills) of assessed value.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 5 - TAXES (Continued)

B. Income Tax

The City levies a tax of 1% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

All income tax proceeds are received by the Municipal Income Tax Fund and Income Tax Capital Improvement Fund.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2006 consisted of taxes, accounts, interest, special assessments and intergovernmental receivables arising from shared revenues.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2006:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$2,959,215	\$1,061,940
Municipal Income Tax Fund	0	3,699,019
Community Housing Improvement Fund	8,296	0
Income Tax Capital Improvement Fund	458,691	0
Other Governmental Funds	<u>722,573</u>	<u>102,183</u>
Total Governmental Funds	4,148,775	4,863,142
Water Fund	236,493	0
Wastewater Fund	<u>477,874</u>	<u>0</u>
Total Proprietary Funds	<u>714,367</u>	<u>0</u>
Totals	<u>\$4,863,142</u>	<u>\$4,863,142</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of interfund loans receivable and payable for all funds for 2006:

Fund	Interfund Loans Receivable	Interfund Loans Payable
Other Governmental Funds	\$162	\$162
Totals	\$162	\$162

These Interfund Loans are short-term loans to cover a temporary cash deficit.

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2006:

<i>Historical Cost:</i>	Restated December 31, 2005	Additions	Deletions	December 31, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$4,378,281	\$19,422	\$0	\$4,397,703
Construction in Progress	409,568	823,102	0	1,232,670
Subtotal	4,787,849	842,524	0	5,630,373
<i>Capital assets being depreciated:</i>				
Buildings	2,749,433	0	0	2,749,433
Improvements Other than Buildings	229,661	0	0	229,661
Machinery and Equipment	3,189,862	316,885	(281,218)	3,225,529
Infrastructure	20,138,579	563,243	(52,825)	20,648,997
Subtotal	26,307,535	880,128	(334,043)	26,853,620
Total Cost	\$31,095,384	\$1,722,652	(\$334,043)	\$32,483,993
<i>Accumulated Depreciation:</i>				
Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings	(\$1,137,195)	(\$88,086)	\$0	(\$1,225,281)
Improvements Other than Buildings	(211,390)	(2,585)	0	(213,975)
Machinery and Equipment	(1,958,808)	(197,987)	255,733	(1,901,062)
Infrastructure	(8,607,316)	(609,978)	42,671	(9,174,623)
Total Depreciation	(\$11,914,709)	(\$898,636) *	\$298,404	(\$12,514,941)
<i>Net Value:</i>	\$19,180,675			\$19,969,052

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 9 - CAPITAL ASSETS (Continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$160,692
Leisure Time Activities	48,971
Community Environment	1,252
Transportation	669,960
General Government	17,761
Total Depreciation Expense	<u>\$898,636</u>

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2006:

Historical Cost:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Capital assets not being depreciated:				
Land	\$465,457	\$98,962	\$0	\$564,419
Construction in Progress	815,991	93,920	(170,550)	739,361
Subtotal	1,281,448	192,882	(170,550)	1,303,780
Capital assets being depreciated:				
Buildings and Improvements	19,020,744	0	0	19,020,744
Machinery and Equipment	7,801,462	48,853	0	7,850,315
Infrastructure	8,559,029	170,550	0	8,729,579
Subtotal	35,381,235	219,403	0	35,600,638
Total Cost	<u>\$36,662,683</u>	<u>\$412,285</u>	<u>(\$170,550)</u>	<u>\$36,904,418</u>

Accumulated Depreciation:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings and Improvements	(\$8,317,877)	(\$590,037)	\$0	(\$8,907,914)
Machinery and Equipment	(6,943,679)	(97,445)	0	(7,041,124)
Infrastructure	(2,370,951)	(243,993)	0	(2,614,944)
Total Depreciation	<u>(\$17,632,507)</u>	<u>(\$931,475)</u>	<u>\$0</u>	<u>(\$18,563,982)</u>
Net Value:	<u>\$19,030,176</u>			<u>\$18,340,436</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 10 – DEFINED BENEFIT PENSION PLANS

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Ohio Public Employees Retirement System (the “Ohio PERS”)

The following information was provided by the Ohio PERS to assist the City in complying with GASB Statement No. 27, “*Accounting for Pensions by State and Local Government Employers.*”

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.0%. The 2006 employer contribution rate for local government employer units was 13.70%, of covered payroll, 9.20% to fund the pension and 4.5% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2006, 2005, and 2004 were \$309,486, \$301,386 and \$291,112, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year 2006 was 4.5% of covered payroll which amounted to \$101,656.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2005. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 358,804. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2005 is \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2006, 2005, and 2004 were \$191,346, \$192,502 and \$186,660 for police and \$164,717, \$174,992 and \$174,881 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2006 covered payroll that was used to fund postemployment health care benefits was \$76,048 representing 7.75% of covered payroll for police and \$65,464 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2005, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,922 for police and 10,537 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2005 were \$108,039,449, which was net of member contributions of \$55,271,881.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 11 – COMPENSATED ABSENCES

All full-time City employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon retirement under the PERS of Ohio or the OP&F System of Ohio, or upon termination in good standing after ten years of continuous service with the City, an employee shall be compensated for a percentage of the total accumulated unused sick leave for which the monetary compensation is the hourly rate of compensation of the employee at the time of retirement or termination.

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. Compensated absences accumulated by governmental fund type and proprietary fund type employees are reported as an expense when earned in the government-wide financial statements. For governmental fund financial statements, that portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid. The noncurrent portion of the liability is not reported.

NOTE 12 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of twenty years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

Following are the notes outstanding in the Capital Projects and Enterprise Funds at December 31, 2006:

	Balance January 1, 2006	Issued (Retired)	Balance December 31, 2006
Capital Projects Fund Notes Payable:			
2.950% Various Purpose	\$625,000	(\$625,000)	\$0
3.950% Various Purpose	0	549,500	549,500
3.950% Various Purpose	0	625,500	625,500
Total Capital Projects Fund Notes Payable	<u>625,000</u>	<u>550,000</u>	<u>1,175,000</u>
Enterprise Fund Note Payable:			
3.050% North East Sanitary Sewer Project	2,310,000	(2,310,000)	0
Total Enterprise Fund Notes Payable	<u>2,310,000</u>	<u>(2,310,000)</u>	<u>0</u>
Total Notes Payable	<u>\$2,935,000</u>	<u>(\$1,760,000)</u>	<u>\$1,175,000</u>

CITY OF SALEM, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 13 - LONG-TERM DEBT OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2006 were as follows:

		Balance December 31, 2005	Additions	Deductions	Balance December 31, 2006	Amount Due Within One Year	
Governmental Activities:							
General Obligation Bond:							
3.1-4.15%	Various Purpose	2025	\$2,380,000	\$0	(\$75,000)	\$2,305,000	\$85,000
	Premium		100,212	0	(5,011)	95,201	0
			<u>2,480,212</u>	<u>0</u>	<u>(80,011)</u>	<u>2,400,201</u>	<u>85,000</u>
Special Assessment Bond: (with governmental commitment)							
6.10%	Street Improvement	2011	112,000	0	(12,000)	100,000	20,000
Ohio Public Works Commission Loans							
0.00%	South East Boulevard Improvement	2018	209,470	0	(17,456)	192,014	17,456
0.00%	Cunningham Road and Bentley Drive Improvement	2021	259,936	0	(17,329)	242,607	17,329
	Total Ohio Public Works Commission Loans		<u>469,406</u>	<u>0</u>	<u>(34,785)</u>	<u>434,621</u>	<u>34,785</u>
	Capital Leases Payable		14,059	0	(6,887)	7,172	7,172
	Compensated Absences Payable		220,724	216,862	(220,724)	216,862	89,433
	Total Governmental Activities		<u>3,296,401</u>	<u>216,862</u>	<u>(354,407)</u>	<u>3,158,856</u>	<u>236,390</u>
Business-Type Activities:							
General Obligation Bond:							
4.35-6.50%	Series Water	2006	400,000	0	(400,000)	0	0
Ohio Public Works Commission Loan							
0.00%	Stewart Road Elevated Water Tank	2020	297,250	0	(20,500)	276,750	20,500
	Compensated Absences		40,794	49,595	(40,794)	49,595	7,064
	Total Business-Type Activities		<u>738,044</u>	<u>49,595</u>	<u>(461,294)</u>	<u>326,345</u>	<u>27,564</u>
	Totals		<u>\$4,034,445</u>	<u>\$266,457</u>	<u>(\$815,701)</u>	<u>\$3,485,201</u>	<u>\$263,954</u>

The principal amount of the City's special assessment debt outstanding at December 31, 2006, of \$100,000 is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners.

A. Defeased Debt

In May 1992 the City defeased \$5,895,000 of Sewer System Mortgage Revenue Bonds dated January 1, 1987. Sewer System Mortgage Revenue Bonds dated May 1, 1992 were issued in the amount of \$7,000,000.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 13 - LONG-TERM DEBT OBLIGATIONS (Continued)

A. Defeased Debt (Continued)

At the time of defeasance, funds were deposited with the City's trustee, Society Investment Management and Trust Services. The principal and interest in these reserve accounts are used solely to pay the principal and interest requirements on the original issue bonds as they come due. At December 31, 2006, the refunded bonds had an outstanding balance of \$2,690,000. As the money on deposit with the trustee is adequate to service the defeased debt, the City is not required to service any portion of this debt directly. Therefore, this debt is not included in the "Schedule of Long-Term Debt Obligations" or in the Statement of Net Assets for the Wastewater Fund at December 31, 2006. Similarly, as no obligation is recorded, neither are the funds held on deposit with the trustee that will be used to service the obligation.

B. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2006 follows:

Years	Governmental Activities						Business-Type Activities	
	General Obligation Bonds		OPWC Loans		Special Assessment Bond		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$85,000	\$101,000	\$34,785	\$0	\$20,000	\$6,100	\$20,500	\$0
2008	90,000	98,238	34,785	0	20,000	4,880	20,500	0
2009	90,000	95,088	34,785	0	20,000	3,660	20,500	0
2010	90,000	91,938	34,785	0	20,000	2,440	20,500	0
2011	95,000	88,562	34,785	0	20,000	1,220	20,500	0
2012-2016	530,000	383,800	173,925	0	0	0	102,500	0
2017-2021	665,000	254,602	86,771	0	0	0	71,750	0
2022-2025	660,000	80,038	0	0	0	0	0	0
Totals	<u>\$2,305,000</u>	<u>\$1,193,266</u>	<u>\$434,621</u>	<u>\$0</u>	<u>\$100,000</u>	<u>\$18,300</u>	<u>\$276,750</u>	<u>\$0</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 14 - CAPITAL LEASES

The City has financed the acquisition of a truck through a capital lease. The original cost of the equipment (\$21,527) and the related liability are reported on the Government – wide Statement of Net Assets.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2006:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>
2007	<u>\$7,468</u>
Minimum Lease Payments	<u>7,468</u>
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(296)</u>
Present value of minimum lease payments	<u><u>\$7,172</u></u>

NOTE 15 - CONDUIT DEBT OBLIGATIONS

The City has issued Revenue Bonds to provide financial assistance to the City's hospital facilities. The monies are used primarily for upgrades to these facilities. In addition, the City has issued bonds to provide the necessary funds for the construction of a community recreation center. The City has no obligation for the repayment of this debt. The bonds are not bonded indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 2006, the outstanding bonds have a principal amount payable of \$17,395,000.

NOTE 16 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City of Salem is a participant in the Ohio Municipal League Joint Self-Insurance Pool (the "Pool"). The Pool was established in 1987 and is administered under contract by the Ohio Municipal League to provide a program of property and casualty insurance for its member organizations throughout the State of Ohio.

The Pool's general objectives are to formulate, develop and administer a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool, as well as current members, are subject to a supplemental assessment or a refund, at the discretion of the Board of Trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date there have been no assessments or refunds due to the limited period of time that the Pool has been in existence and the nature of the coverage that is afforded to the participants. The City contributed \$142,018 to the Pool in 2006.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 16 - RISK MANAGEMENT (Continued)

The City of Salem obtained insurance coverage from the Pool beginning in August of 1997 for losses relating to general liability, automobile liability, law enforcement liability, firefighters liability, public officials liability, and property, automobile, computer and contractors' equipment coverage.

Each participant makes an annual "contribution" to the Pool for the coverage they are provided based on rates established by the Pool using anticipated and actual results of operation for the various coverages provided. Participants are also charged a "surplus contribution" used to build the Pools retained earnings account to fund the activities of the Pool.

In the ordinary course of business, the Pool cedes a portion of its exposure to other insurers. These arrangements limit the Pool's maximum net loss on individual risks. Treaty basis casualty excess of loss contracts in force at December 31, 2006 generally protects the Pool against individual losses over \$200,000. Additionally, treaty basis property coverage protects the Pool against losses subject to a deductible of the lesser of \$50,000 per location or \$50,000 per occurrence. Since November 1, 1990, the Pool is limited to an annual aggregate loss of \$300,000. The Pool is, and the participants are, contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

During 2006, the City carried commercial insurance coverage for all other risks as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Cincinnati Insurance Co.	Auditor Bond	\$0
Cincinnati Insurance Co.	Deputy Auditor	0
Cincinnati Insurance Co.	Mayor Bond	0
Cincinnati Insurance Co.	Treasurer	0
Cincinnati Insurance Co.	Income Tax Administrator	0
Cincinnati Insurance Co.	Income Tax Clerk	0
OML – Dawson	General Liability	1,000
OML – Dawson	Law Enforcement Liability	5,000
OML – Dawson	Auto Liability	0
OML – Dawson	Auto Physical Damage	0
OML – Dawson	Public Officials	5,000

Workers' compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs. The City also pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from the above noted risks have not exceeded commercial insurance coverages during the past three years.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 17 - CONSTRUCTION COMMITMENTS

The City had the following contractual commitments at December 31, 2006:

<u>Project</u>	<u>Remaining Contractual Commitment</u>	<u>Expected Date of Completion</u>
Centennial Park Storm Water Project	\$207,476	6/1/2007

NOTE 18 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

*THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS, AND
FIDUCIARY FUNDS.*



Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specified purposes.

Police Pension Fund

To account for taxes levied toward partial payment of the current liability for police disability and pension.

Fire Pension Fund

To account for taxes levied toward partial payment of the current liability for fire disability and pension.

Law Enforcement Fund

To account for mandatory fines collected for drug related offenses and for funds received by the police department for contraband.

D.A.R.E Fund

To account for contributions made in support of the D.A.R.E. program.

Enforcement and Education Fund

To account for the fines levied by the courts and used to educate and treat persons with alcohol related problems and to enhance law enforcement activities as a deterrent to the operation of motor vehicles while under the influence of alcohol.

Drug Enforcement Agency Equitable Share Fund

To account for the City's share of forfeited property obtained by the Federal Government.

Street Construction, Maintenance and Repair Fund

To account for state-levied and controlled gasoline tax and motor vehicle registration fees designated for street maintenance and repair.

State Highway Fund

To account for the portion of the state gasoline tax and motor vehicle registration fees designated for street maintenance and repair of state highways within the City.

Municipal Permissive License Tax Fund

To account for City-levied motor vehicle registration fees designated for street construction, maintenance and repair.

(Continued)

Special Revenue Funds

Municipal Lodging Tax Fund

To account for the collection of Hotel/Motel Excise Tax, otherwise known as Lodge Tax.

Lakes and Grounds Fund

To account for revenues derived from certain licenses and permits that are restricted in use for the operation and maintenance of City Lake.

Youth Services Grant Fund

To account for grant monies received from the County Juvenile Court.

Community Development Block Grant Fund

To account for federal grants administered through the State which are designated for community and environmental improvements.

Rehabilitation Loan Fund

To account for loans issued to home owners through the Community Housing Improvement Program (CHIP) Grant.

Shade Tree Fund

To account for the operation and activities of the Shade Tree Board. Revenue consists of money transferred in from the General Fund.

Economic Development Loan Fund

To account for money received from the Federal Government through the Community Development Block Grant Fund (CDBG) program to be used for "Start up" loans to businesses.

Central Business District Fund

To account for money received from the Federal Government through the CDBG program to provide matching funds to businesses for the improvement of the building facade.

Design Review Board Fund

To account for money received from the Federal Government through CDBG program for Historical properties as designated by the City.

Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment levies when the government is obligated in some manner for the payment.

General Obligation Debt Retirement Fund

To account for the accumulation of resources for the payment of general obligation debt of the City including self-supporting obligations not otherwise paid from proprietary funds.

Special Assessment Debt Retirement Fund

To accumulate special assessment revenues collected by the County Treasurer and remitted to the City by the County Auditor for payment of assessment debt.

Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Industrial Park Development Fund

To account for proceeds from the sale of land located within the Industrial Park and restricted in use for the development of the Industrial Park.

Industrial Park West Project Fund

To account for note proceeds used for the development of the Industrial Park West.

CITY OF SALEM, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 572,942	\$ 96,906	\$ 167,807	\$ 837,655
Investments	20,000	0	0	20,000
Receivables:				
Taxes	138,375	0	0	138,375
Intergovernmental	358,564	0	0	358,564
Special Assessments	0	81,016	0	81,016
Interfund Loans Receivable	162	0	0	162
Inventory of Supplies, at Cost	61,973	0	0	61,973
Total Assets	\$ 1,152,016	\$ 177,922	\$ 167,807	\$ 1,497,745
Liabilities:				
Accounts Payable	\$ 27,231	\$ 0	\$ 0	\$ 27,231
Accrued Wages and Benefits Payable	100,244	0	0	100,244
Interfund Loans Payable	162	0	0	162
Deferred Revenue	394,566	81,016	0	475,582
Total Liabilities	522,203	81,016	0	603,219
Fund Balance:				
Reserved for Encumbrances	12,515	0	0	12,515
Reserved for Supplies Inventory	61,973	0	0	61,973
Reserved for Debt Service	0	96,906	0	96,906
Undesignated/Unreserved	555,325	0	167,807	723,132
Total Fund Balance	629,813	96,906	167,807	894,526
Total Liabilities and Fund Balance	\$ 1,152,016	\$ 177,922	\$ 167,807	\$ 1,497,745

CITY OF SALEM, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2006**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 132,022	\$ 0	\$ 0	\$ 132,022
Intergovernmental Revenues	776,911	0	0	776,911
Licenses and Permits	7,427	0	0	7,427
Investment Earnings	15,691	0	0	15,691
Special Assessments	0	19,370	0	19,370
Fines and Forfeitures	2,553	0	0	2,553
All Other Revenue	9,369	0	0	9,369
Total Revenue	943,973	19,370	0	963,343
Expenditures:				
Current:				
Security of Persons and Property	466,048	0	0	466,048
Leisure Time Activities	20,568	0	0	20,568
Community Environment	90,922	0	0	90,922
Transportation	700,782	0	0	700,782
Debt Service:				
Principal Retirement	0	121,785	0	121,785
Interest and Fiscal Charges	0	124,930	0	124,930
Total Expenditures	1,278,320	246,715	0	1,525,035
Excess (Deficiency) of Revenues Over (Under) Expenditures	(334,347)	(227,345)	0	(561,692)
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	25,380	25,380
Transfers In	347,573	375,000	0	722,573
Transfers Out	(8,296)	(93,887)	0	(102,183)
Total Other Financing Sources (Uses)	339,277	281,113	25,380	645,770
Net Change in Fund Balance	4,930	53,768	25,380	84,078
Fund Balance at Beginning of Year	626,406	43,138	142,427	811,971
Decrease in Inventory Reserve	(1,523)	0	0	(1,523)
Fund Balance End of Year	\$ 629,813	\$ 96,906	\$ 167,807	\$ 894,526

CITY OF SALEM, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2006**

	Police Pension	Fire Pension	Law Enforcement	D.A.R.E.
Assets:				
Cash and Cash Equivalents	\$ 9,084	\$ 9,084	\$ 4,992	\$ 45
Investments	0	0	0	0
Receivables:				
Taxes	68,935	68,935	0	0
Intergovernmental	2,750	2,750	0	0
Interfund Loans Receivable	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Total Assets	<u>\$ 80,769</u>	<u>\$ 80,769</u>	<u>\$ 4,992</u>	<u>\$ 45</u>
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	44,416	38,784	0	0
Interfund Loans Payable	0	0	0	0
Deferred Revenue	69,894	69,894	0	0
Total Liabilities	<u>114,310</u>	<u>108,678</u>	<u>0</u>	<u>0</u>
Fund Balance:				
Reserved for Encumbrances	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0
Undesignated/Unreserved	(33,541)	(27,909)	4,992	45
Total Fund Balance	<u>(33,541)</u>	<u>(27,909)</u>	<u>4,992</u>	<u>45</u>
Total Liabilities and Fund Balance	<u>\$ 80,769</u>	<u>\$ 80,769</u>	<u>\$ 4,992</u>	<u>\$ 45</u>

CITY OF SALEM, OHIO

Enforcement and Education	Drug Enforcement Agency Equitable Share	Street Construction, Maintenance and Repair	State Highway	Municipal Permissive License Tax	Municipal Lodging Tax
\$ 9,147	\$ 242,830	\$ 152,973	\$ 13,825	\$ 23,114	\$ 5,970
0	20,000	0	0	0	0
0	0	0	0	0	505
233	0	238,247	19,317	37,267	0
0	0	0	0	0	0
0	0	61,973	0	0	0
<u>\$ 9,380</u>	<u>\$ 262,830</u>	<u>\$ 453,193</u>	<u>\$ 33,142</u>	<u>\$ 60,381</u>	<u>\$ 6,475</u>
\$ 0	\$ 1,904	\$ 21,392	\$ 437	\$ 0	\$ 1,831
0	0	17,044	0	0	0
0	0	0	0	0	0
0	0	158,831	12,878	24,845	224
<u>0</u>	<u>1,904</u>	<u>197,267</u>	<u>13,315</u>	<u>24,845</u>	<u>2,055</u>
0	294	11,279	0	100	204
0	0	61,973	0	0	0
<u>9,380</u>	<u>260,632</u>	<u>182,674</u>	<u>19,827</u>	<u>35,436</u>	<u>4,216</u>
<u>9,380</u>	<u>260,926</u>	<u>255,926</u>	<u>19,827</u>	<u>35,536</u>	<u>4,420</u>
<u>\$ 9,380</u>	<u>\$ 262,830</u>	<u>\$ 453,193</u>	<u>\$ 33,142</u>	<u>\$ 60,381</u>	<u>\$ 6,475</u>

(Continued)

CITY OF SALEM, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	Lakes and Grounds	Youth Services Grant	Community Development Block Grant	Rehabilitation Loan
Assets:				
Cash and Cash Equivalents	\$ 14,967	\$ 9,795	\$ 1,739	\$ 35,330
Investments	0	0	0	0
Receivables:				
Taxes	0	0	0	0
Intergovernmental	0	0	58,000	0
Interfund Loans Receivable	0	0	0	162
Inventory of Supplies, at Cost	0	0	0	0
Total Assets	\$ 14,967	\$ 9,795	\$ 59,739	\$ 35,492
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 1,667	\$ 0
Accrued Wages and Benefits Payable	0	0	0	0
Interfund Loans Payable	0	0	162	0
Deferred Revenue	0	0	58,000	0
Total Liabilities	0	0	59,829	0
Fund Balance:				
Reserved for Encumbrances	638	0	0	0
Reserved for Supplies Inventory	0	0	0	0
Undesignated/Unreserved	14,329	9,795	(90)	35,492
Total Fund Balance	14,967	9,795	(90)	35,492
Total Liabilities and Fund Balance	\$ 14,967	\$ 9,795	\$ 59,739	\$ 35,492

CITY OF SALEM, OHIO

<u>Shade Tree</u>	<u>Economic Development Loan</u>	<u>Central Business District</u>	<u>Design Review Board</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 96	\$ 26,362	\$ 11,312	\$ 2,277	\$ 572,942
0	0	0	0	20,000
0	0	0	0	138,375
0	0	0	0	358,564
0	0	0	0	162
0	0	0	0	61,973
<u>\$ 96</u>	<u>\$ 26,362</u>	<u>\$ 11,312</u>	<u>\$ 2,277</u>	<u>\$ 1,152,016</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,231
0	0	0	0	100,244
0	0	0	0	162
0	0	0	0	394,566
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>522,203</u>
0	0	0	0	12,515
0	0	0	0	61,973
96	26,362	11,312	2,277	555,325
<u>96</u>	<u>26,362</u>	<u>11,312</u>	<u>2,277</u>	<u>629,813</u>
<u>\$ 96</u>	<u>\$ 26,362</u>	<u>\$ 11,312</u>	<u>\$ 2,277</u>	<u>\$ 1,152,016</u>

CITY OF SALEM, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	Police Pension	Fire Pension	Law Enforcement	D.A.R.E.
Revenues:				
Taxes	\$ 64,714	\$ 64,715	\$ 0	\$ 0
Intergovernmental Revenues	5,474	5,474	0	0
Licenses and Permits	0	0	0	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	0	0	0	0
Total Revenue	70,188	70,189	0	0
Expenditures:				
Current:				
Security of Persons and Property	191,346	164,716	217	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
Total Expenditures	191,346	164,716	217	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(121,158)	(94,527)	(217)	0
Other Financing Sources (Uses):				
Transfers In	129,563	102,940	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	129,563	102,940	0	0
Net Change in Fund Balance	8,405	8,413	(217)	0
Fund Balance (Deficit) at Beginning of Year	(41,946)	(36,322)	5,209	45
Decrease in Inventory Reserve	0	0	0	0
Fund Balance (Deficit) End of Year	\$ (33,541)	\$ (27,909)	\$ 4,992	\$ 45

CITY OF SALEM, OHIO

Enforcement and Education	Drug Enforcement Agency Equitable Share	Street Construction, Maintenance and Repair	State Highway	Municipal Permissive License Tax	Municipal Lodging Tax
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,593
0	69,710	493,754	39,054	85,295	0
0	0	0	0	0	0
0	15,064	275	62	0	0
2,553	0	0	0	0	0
0	0	0	0	0	0
<u>2,553</u>	<u>84,774</u>	<u>494,029</u>	<u>39,116</u>	<u>85,295</u>	<u>2,593</u>
0	103,550	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	17,562
0	0	566,962	41,411	92,409	0
<u>0</u>	<u>103,550</u>	<u>566,962</u>	<u>41,411</u>	<u>92,409</u>	<u>17,562</u>
2,553	(18,776)	(72,933)	(2,295)	(7,114)	(14,969)
0	0	100,000	0	0	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
2,553	(18,776)	27,067	(2,295)	(7,114)	(14,969)
6,827	279,702	230,382	22,122	42,650	19,389
0	0	(1,523)	0	0	0
<u>\$ 9,380</u>	<u>\$ 260,926</u>	<u>\$ 255,926</u>	<u>\$ 19,827</u>	<u>\$ 35,536</u>	<u>\$ 4,420</u>

(Continued)

CITY OF SALEM, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	Lakes and Grounds	Youth Services Grant	Community Development Block Grant	Rehabilitation Loan
Revenues:				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	10,900	67,250	0
Licenses and Permits	7,427	0	0	0
Investment Earnings	0	0	0	184
Fines and Forfeitures	0	0	0	0
All Other Revenue	9,369	0	0	0
Total Revenue	16,796	10,900	67,250	184
Expenditures:				
Current:				
Security of Persons and Property	0	6,219	0	0
Leisure Time Activities	20,568	0	0	0
Community Environment	0	0	64,000	9,329
Transportation	0	0	0	0
Total Expenditures	20,568	6,219	64,000	9,329
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,772)	4,681	3,250	(9,145)
Other Financing Sources (Uses):				
Transfers In	15,000	0	0	0
Transfers Out	0	0	0	(8,296)
Total Other Financing Sources (Uses)	15,000	0	0	(8,296)
Net Change in Fund Balance	11,228	4,681	3,250	(17,441)
Fund Balance (Deficit) at Beginning of Year	3,739	5,114	(3,340)	52,933
Decrease in Inventory Reserve	0	0	0	0
Fund Balance (Deficit) End of Year	\$ 14,967	\$ 9,795	\$ (90)	\$ 35,492

CITY OF SALEM, OHIO

<u>Shade Tree</u>	<u>Economic Development Loan</u>	<u>Central Business District</u>	<u>Design Review Board</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 132,022
0	0	0	0	776,911
0	0	0	0	7,427
0	106	0	0	15,691
0	0	0	0	2,553
0	0	0	0	9,369
<u>0</u>	<u>106</u>	<u>0</u>	<u>0</u>	<u>943,973</u>
0	0	0	0	466,048
0	0	0	0	20,568
31	0	0	0	90,922
0	0	0	0	700,782
<u>31</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,278,320</u>
(31)	106	0	0	(334,347)
70	0	0	0	347,573
0	0	0	0	(8,296)
<u>70</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>339,277</u>
39	106	0	0	4,930
57	26,256	11,312	2,277	626,406
0	0	0	0	(1,523)
<u>\$ 96</u>	<u>\$ 26,362</u>	<u>\$ 11,312</u>	<u>\$ 2,277</u>	<u>\$ 629,813</u>

CITY OF SALEM, OHIO

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2006**

	General Obligation Debt Retirement	Special Assessment Debt Retirement	Total Nonmajor Debt Service Funds
Assets:			
Cash and Cash Equivalents	\$ 69,121	\$ 27,785	\$ 96,906
Receivables:			
Special Assessments	0	81,016	81,016
Total Assets	<u>\$ 69,121</u>	<u>\$ 108,801</u>	<u>\$ 177,922</u>
Liabilities:			
Deferred Revenue	\$ 0	\$ 81,016	\$ 81,016
Total Liabilities	<u>0</u>	<u>81,016</u>	<u>81,016</u>
Fund Balance:			
Reserved for Debt Service	69,121	27,785	96,906
Total Fund Balance	<u>69,121</u>	<u>27,785</u>	<u>96,906</u>
Total Liabilities and Fund Balance	<u>\$ 69,121</u>	<u>\$ 108,801</u>	<u>\$ 177,922</u>

CITY OF SALEM, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2006***

	General Obligation Debt Retirement	Special Assessment Debt Retirement	Total Nonmajor Debt Service Funds
Revenues:			
Special Assessments	\$ 0	\$ 19,370	\$ 19,370
Total Revenue	<u>0</u>	<u>19,370</u>	<u>19,370</u>
Expenditures:			
Debt Service:			
Principal Retirement	109,785	12,000	121,785
Interest and Fiscal Charges	118,098	6,832	124,930
Total Expenditures	<u>227,883</u>	<u>18,832</u>	<u>246,715</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(227,883)	538	(227,345)
Other Financing Sources (Uses):			
Transfers In	375,000	0	375,000
Transfers Out	(93,887)	0	(93,887)
Total Other Financing Sources (Uses)	<u>281,113</u>	<u>0</u>	<u>281,113</u>
Net Change in Fund Balance	53,230	538	53,768
Fund Balance at Beginning of Year	<u>15,891</u>	<u>27,247</u>	<u>43,138</u>
Fund Balance End of Year	<u>\$ 69,121</u>	<u>\$ 27,785</u>	<u>\$ 96,906</u>

CITY OF SALEM, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2006**

	<u>Industrial Park Development</u>	<u>Industrial Park West Project</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:			
Cash and Cash Equivalents	\$ 155,200	\$ 12,607	\$ 167,807
Total Assets	<u>\$ 155,200</u>	<u>\$ 12,607</u>	<u>\$ 167,807</u>
Liabilities:			
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balance:			
Undesignated/Unreserved	155,200	12,607	167,807
Total Fund Balance	<u>155,200</u>	<u>12,607</u>	<u>167,807</u>
Total Liabilities and Fund Balance	<u>\$ 155,200</u>	<u>\$ 12,607</u>	<u>\$ 167,807</u>

CITY OF SALEM, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006**

	<u>Industrial Park Development</u>	<u>Industrial Park West Project</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues:			
Total Revenue	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Other Financing Sources (Uses):			
Sale of Capital Assets	<u>25,380</u>	<u>0</u>	<u>25,380</u>
Total Other Financing Sources (Uses)	<u>25,380</u>	<u>0</u>	<u>25,380</u>
Net Change in Fund Balance	25,380	0	25,380
Fund Balance at Beginning of Year	<u>129,820</u>	<u>12,607</u>	<u>142,427</u>
Fund Balance End of Year	<u>\$ 155,200</u>	<u>\$ 12,607</u>	<u>\$ 167,807</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 596,387	\$ 716,228	\$ 699,818	\$ (16,410)
Intergovernmental Revenues	419,736	504,080	524,265	20,185
Charges for Services	52,612	63,184	63,373	189
Licenses and Permits	107,998	129,700	132,855	3,155
Investment Earnings	612,351	735,400	814,645	79,245
Special Assessments	3,106	3,730	3,471	(259)
Fines and Forfeitures	22,607	27,150	22,664	(4,486)
All Other Revenues	6,766	8,126	11,578	3,452
Total Revenues	<u>1,821,563</u>	<u>2,187,598</u>	<u>2,272,669</u>	<u>85,071</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,561,250	1,745,700	1,611,524	134,176
Materials and Supplies	75,512	84,433	80,414	4,019
Contractual Services	16,603	18,565	15,897	2,668
Capital Outlay	1,789	2,000	0	2,000
Total Police	<u>1,655,154</u>	<u>1,850,698</u>	<u>1,707,835</u>	<u>142,863</u>
School Patrol:				
Personal Services	20,302	22,700	18,667	4,033
Total School Patrol	<u>20,302</u>	<u>22,700</u>	<u>18,667</u>	<u>4,033</u>
Animal Control:				
Personal Services	7,762	8,679	8,674	5
Total Animal Control	<u>7,762</u>	<u>8,679</u>	<u>8,674</u>	<u>5</u>
Fire Fighting:				
Personal Services	895,901	1,001,745	987,136	14,609
Materials and Supplies	32,286	36,100	32,511	3,589
Contractual Services	16,851	18,842	16,642	2,200
Total Fire Fighting	<u>945,038</u>	<u>1,056,687</u>	<u>1,036,289</u>	<u>20,398</u>
Street Lighting:				
Personal Services	42,239	47,229	45,329	1,900
Materials and Supplies	8,728	9,759	3,627	6,132
Contractual Services	68,286	76,354	67,914	8,440
Total Street Lighting	<u>119,253</u>	<u>133,342</u>	<u>116,870</u>	<u>16,472</u>

(Continued)

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Traffic Safety:				
Personal Services	43,637	48,793	46,002	2,791
Materials and Supplies	13,314	14,887	14,129	758
Contractual Services	16,864	18,856	13,071	5,785
Total Traffic Safety	<u>73,815</u>	<u>82,536</u>	<u>73,202</u>	<u>9,334</u>
Safety Director:				
Personal Services	9,260	10,354	10,211	143
Materials and Supplies	850	950	78	872
Contractual Services	844	944	855	89
Total Safety Director	<u>10,954</u>	<u>12,248</u>	<u>11,144</u>	<u>1,104</u>
Total Security of Persons and Property	<u>2,832,278</u>	<u>3,166,890</u>	<u>2,972,681</u>	<u>194,209</u>
Community Environment:				
Housing Planning and Zoning:				
Personal Services	95,260	106,514	106,287	227
Materials and Supplies	5,439	6,082	5,887	195
Contractual Services	19,771	22,107	19,578	2,529
Other Expenditures	179	200	111	89
Capital Outlay	213	238	238	0
Total Housing Planning and Zoning	<u>120,862</u>	<u>135,141</u>	<u>132,101</u>	<u>3,040</u>
Design Review Board:				
Personal Services	536	600	0	600
Materials and Supplies	224	250	0	250
Total Design Review Board	<u>760</u>	<u>850</u>	<u>0</u>	<u>850</u>
Housing Inspector:				
Personal Services	44,172	49,508	48,173	1,335
Materials and Supplies	1,000	1,000	907	93
Total Housing Inspector	<u>45,172</u>	<u>50,508</u>	<u>49,080</u>	<u>1,428</u>
Total Community Environment	<u>166,794</u>	<u>186,499</u>	<u>181,181</u>	<u>5,318</u>
Transportation:				
Streets:				
Personal Services	22,568	25,235	6,815	18,420
Materials and Supplies	1,342	1,500	0	1,500
Contractual Services	42,929	48,000	15,816	32,184
Total Streets	<u>66,839</u>	<u>74,735</u>	<u>22,631</u>	<u>52,104</u>
Total Transportation	<u>66,839</u>	<u>74,735</u>	<u>22,631</u>	<u>52,104</u>

(Continued)

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Government:				
Mayor:				
Personal Services	59,318	66,326	66,072	254
Materials and Supplies	313	350	71	279
Contractual Services	10,184	11,387	7,146	4,241
Total Mayor	69,815	78,063	73,289	4,774
Auditor:				
Personal Services	137,892	154,183	152,081	2,102
Materials and Supplies	3,846	4,300	4,055	245
Contractual Services	22,032	24,635	21,959	2,676
Capital Outlay	1,788	2,000	1,477	523
Total Auditor	165,558	185,118	179,572	5,546
Treasurer:				
Personal Services	7,648	8,551	8,474	77
Materials and Supplies	224	250	16	234
Contractual Services	657	735	612	123
Capital Outlay	894	1,000	0	1,000
Total Treasurer	9,423	10,536	9,102	1,434
Law Director:				
Personal Services	84,229	94,180	93,482	698
Material and Supplies	1,163	1,300	90	1,210
Contractual Services	38,691	43,263	24,500	18,763
Total Law Director	124,083	138,743	118,072	20,671
Service Director:				
Personal Services	70,907	79,284	79,213	71
Materials and Supplies	894	1,000	624	376
Contractual Services	27,994	31,301	12,274	19,027
Total Service Director	99,795	111,585	92,111	19,474
City Council:				
Personal Services	39,757	44,454	43,894	560
Materials and Supplies	15,103	16,887	1,857	15,030
Contractual Services	5,366	6,000	5,664	336
Total City Council	60,226	67,341	51,415	15,926

(Continued)

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – General Fund
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Council Clerk:				
Personal Services	4,892	5,470	5,464	6
Materials and Supplies	165	184	106	78
Total Council Clerk	<u>5,057</u>	<u>5,654</u>	<u>5,570</u>	<u>84</u>
Civil Service Commission:				
Personal Services	5,806	6,492	6,433	59
Materials and Supplies	4,933	5,516	5,477	39
Total Civil Service Commission	<u>10,739</u>	<u>12,008</u>	<u>11,910</u>	<u>98</u>
City Hall:				
Personal Services	91,623	102,448	102,171	277
Materials and Supplies	17,195	19,227	12,587	6,640
Contractual Services	112,639	125,946	108,099	17,847
Total City Hall	<u>221,457</u>	<u>247,621</u>	<u>222,857</u>	<u>24,764</u>
General Administrative:				
Personal Services	83,326	93,170	90,956	2,214
Contractual Services	78,027	87,245	90,906	(3,661)
Other Expenditures	20,704	23,150	22,975	175
Total General Administrative	<u>182,057</u>	<u>203,565</u>	<u>204,837</u>	<u>(1,272)</u>
Total General Government	<u>948,210</u>	<u>1,060,234</u>	<u>968,735</u>	<u>91,499</u>
Total Expenditures	<u>4,014,121</u>	<u>4,488,358</u>	<u>4,145,228</u>	<u>343,130</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,192,558)	(2,300,760)	(1,872,559)	428,201
Other Financing Sources (Uses):				
Sale of Capital Assets	1,665	2,000	0	(2,000)
Transfers In	2,472,058	2,968,808	2,969,215	407
Transfers Out	(1,203,290)	(1,203,290)	(1,071,940)	131,350
Total Other Financing Sources (Uses)	<u>1,270,433</u>	<u>1,767,518</u>	<u>1,897,275</u>	<u>129,757</u>
Net Change in Fund Balance	(922,125)	(533,242)	24,716	557,958
Fund Balance at Beginning of Year	735,355	735,355	735,355	0
Prior Year Encumbrances	49,528	49,528	49,528	0
Fund Balance at End of Year	<u>\$ (137,242)</u>	<u>\$ 251,641</u>	<u>\$ 809,599</u>	<u>\$ 557,958</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – Municipal Income Tax Fund - Special Revenue Fund
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 3,600,000	\$ 3,900,000	\$ 3,893,539	\$ (6,461)
Total Revenues	<u>3,600,000</u>	<u>3,900,000</u>	<u>3,893,539</u>	<u>(6,461)</u>
Expenditures:				
General Government:				
Personal Services	121,078	121,289	118,917	2,372
Materials and Supplies	9,994	10,011	5,717	4,294
Contractual Services	20,017	20,052	14,995	5,057
Other Expenditures	61,693	61,800	61,069	731
Capital Outlay	998	1,000	0	1,000
Total Expenditures	<u>213,780</u>	<u>214,152</u>	<u>200,698</u>	<u>13,454</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,386,220	3,685,848	3,692,841	6,993
Other Financing Sources (Uses):				
Transfers Out	<u>(3,692,084)</u>	<u>(3,698,511)</u>	<u>(3,699,019)</u>	<u>(508)</u>
Total Other Financing Sources (Uses)	<u>(3,692,084)</u>	<u>(3,698,511)</u>	<u>(3,699,019)</u>	<u>(508)</u>
Net Change in Fund Balance	(305,864)	(12,663)	(6,178)	6,485
Fund Balance at Beginning of Year	(6,019)	(6,019)	(6,019)	0
Prior Year Encumbrances	<u>6,019</u>	<u>6,019</u>	<u>6,019</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (305,864)</u>	<u>\$ (12,663)</u>	<u>\$ (6,178)</u>	<u>\$ 6,485</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – Parks Fund - Special Revenue Fund
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 200,431	\$ 394,078	\$ 383,213	\$ (10,865)
Intergovernmental Revenues	10,935	21,500	29,805	8,305
Charges for Services	6,205	12,200	10,362	(1,838)
All Other Revenues	21,006	41,300	44,065	2,765
Total Revenues	<u>238,577</u>	<u>469,078</u>	<u>467,445</u>	<u>(1,633)</u>
Expenditures:				
Leisure Time Activities:				
Personal Services	268,495	268,495	262,319	6,176
Materials and Supplies	47,382	47,382	39,555	7,827
Contractual Services	29,552	29,552	27,793	1,759
Other Expenditures	500	500	140	360
Capital Outlay	155,000	155,000	155,000	0
Total Expenditures	<u>500,929</u>	<u>500,929</u>	<u>484,807</u>	<u>16,122</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(262,352)	(31,851)	(17,362)	14,489
Fund Balance at Beginning of Year	173,394	173,394	173,394	0
Prior Year Encumbrances	8,887	8,887	8,887	0
Fund Balance at End of Year	<u>\$ (80,071)</u>	<u>\$ 150,430</u>	<u>\$ 164,919</u>	<u>\$ 14,489</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – Community Housing Improvement Fund - Special Revenue Fund
For the Year Ended December 31, 2006***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 252,018	\$ 223,183	\$ (28,835)
Total Revenues	<u>0</u>	<u>252,018</u>	<u>223,183</u>	<u>(28,835)</u>
Expenditures:				
Community Environment:				
Contractual Services	89,452	251,692	251,691	1
Capital Outlay	53,807	151,397	151,396	1
Total Expenditures	<u>143,259</u>	<u>403,089</u>	<u>403,087</u>	<u>2</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(143,259)	(151,071)	(179,904)	(28,833)
Other Financing Sources (Uses):				
Transfers In	0	0	8,296	8,296
Advances In	0	30,000	50,539	20,539
Advances Out	0	(50,540)	(50,539)	1
Total Other Financing Sources (Uses)	<u>0</u>	<u>(20,540)</u>	<u>8,296</u>	<u>28,836</u>
Net Change in Fund Balance	(143,259)	(171,611)	(171,608)	3
Fund Balance at Beginning of Year	(110,605)	(110,605)	(110,605)	0
Prior Year Encumbrances	140,544	140,544	140,544	0
Fund Balance at End of Year	<u>\$ (113,320)</u>	<u>\$ (141,672)</u>	<u>\$ (141,669)</u>	<u>\$ 3</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – Tax Increment Financing Fund - Capital Projects Fund
For the Year Ended December 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:				
Capital Outlay	610,500	610,500	610,500	0
Debt Service:				
Interest and Fiscal Charges	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Total Expenditures	<u>625,500</u>	<u>625,500</u>	<u>625,500</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(625,500)	(625,500)	(625,500)	0
Other Financing Sources (Uses):				
General Obligation Bonds Issued	<u>0</u>	<u>625,500</u>	<u>625,500</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>625,500</u>	<u>625,500</u>	<u>0</u>
Net Change in Fund Balance	(625,500)	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ (625,500)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – Income Tax Capital Improvement Fund - Capital Projects Fund
For the Year Ended December 31, 2006***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 0	\$ 0	\$ 25,057	\$ 25,057
All Other Revenues	0	0	6,121	6,121
Total Revenues	<u>0</u>	<u>0</u>	<u>31,178</u>	<u>31,178</u>
Expenditures:				
Capital Outlay	<u>1,313,245</u>	<u>1,310,598</u>	<u>1,268,648</u>	<u>41,950</u>
Total Expenditures	<u>1,313,245</u>	<u>1,310,598</u>	<u>1,268,648</u>	<u>41,950</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,313,245)	(1,310,598)	(1,237,470)	73,128
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	10,500	10,500
Transfers In	<u>432,000</u>	<u>364,703</u>	<u>364,804</u>	<u>101</u>
Total Other Financing Sources (Uses)	<u>432,000</u>	<u>364,703</u>	<u>375,304</u>	<u>10,601</u>
Net Change in Fund Balance	(881,245)	(945,895)	(862,166)	83,729
Fund Balance at Beginning of Year	964,092	964,092	964,092	0
Prior Year Encumbrances	<u>46,696</u>	<u>46,696</u>	<u>46,696</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 129,543</u>	<u>\$ 64,893</u>	<u>\$ 148,622</u>	<u>\$ 83,729</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 64,573	\$ 65,489	\$ 916
Intergovernmental Revenues	6,800	5,474	(1,326)
Total Revenues	<u>71,373</u>	<u>70,963</u>	<u>(410)</u>
Expenditures:			
Security of Persons and Property:			
Personal Services	206,076	191,442	14,634
Total Expenditures	<u>206,076</u>	<u>191,442</u>	<u>14,634</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(134,703)	(120,479)	14,224
Other Financing Sources (Uses):			
Transfers In	135,503	129,563	(5,940)
Total Other Financing Sources (Uses)	<u>135,503</u>	<u>129,563</u>	<u>(5,940)</u>
Net Change in Fund Balance	800	9,084	8,284
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$ 800</u>	<u>\$ 9,084</u>	<u>\$ 8,284</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	FIRE PENSION FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Taxes	\$ 64,573	\$ 65,490	\$ 917
Intergovernmental Revenues	6,800	5,474	(1,326)
Total Revenues	<u>71,373</u>	<u>70,964</u>	<u>(409)</u>
Expenditures:			
Security of Persons and Property:			
Personal Services	169,469	164,820	4,649
Total Expenditures	<u>169,469</u>	<u>164,820</u>	<u>4,649</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(98,096)	(93,856)	4,240
Other Financing Sources (Uses):			
Transfers In	98,900	102,940	4,040
Total Other Financing Sources (Uses)	<u>98,900</u>	<u>102,940</u>	<u>4,040</u>
Net Change in Fund Balance	804	9,084	8,280
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$ 804</u>	<u>\$ 9,084</u>	<u>\$ 8,280</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 2,721	\$ 338	\$ (2,383)
Total Revenues	<u>2,721</u>	<u>338</u>	<u>(2,383)</u>
Expenditures:			
Security of Persons and Property:			
Materials and Supplies	1,000	0	1,000
Capital Outlay	<u>3,000</u>	<u>217</u>	<u>2,783</u>
Total Expenditures	<u>4,000</u>	<u>217</u>	<u>3,783</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,279)	121	1,400
Fund Balance at Beginning of Year	<u>4,871</u>	<u>4,871</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,592</u>	<u>\$ 4,992</u>	<u>\$ 1,400</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

D.A.R.E. FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	45	45	0
Fund Balance at End of Year	<u>\$ 45</u>	<u>\$ 45</u>	<u>\$ 0</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 0	\$ 2,320	\$ 2,320
Total Revenues	<u>0</u>	<u>2,320</u>	<u>2,320</u>
Expenditures:			
Security of Persons and Property:			
Materials and Supplies	<u>6,800</u>	<u>0</u>	<u>6,800</u>
Total Expenditures	<u>6,800</u>	<u>0</u>	<u>6,800</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,800)	2,320	9,120
Fund Balance at Beginning of Year	<u>6,827</u>	<u>6,827</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 27</u>	<u>\$ 9,147</u>	<u>\$ 9,120</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 70,000	\$ 69,710	\$ (290)
Investment Earnings	20,000	15,064	(4,936)
Total Revenues	<u>90,000</u>	<u>84,774</u>	<u>(5,226)</u>
Expenditures:			
Security of Persons and Property:			
Materials And Supplies	50,000	6,966	43,034
Contractual Services	15,000	0	15,000
Capital Outlay	238,195	96,878	141,317
Total Expenditures	<u>303,195</u>	<u>103,844</u>	<u>199,351</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(213,195)	(19,070)	194,125
Fund Balance at Beginning of Year	251,007	251,007	0
Prior Year Encumbrances	28,695	28,695	0
Fund Balance at End of Year	<u>\$ 66,507</u>	<u>\$ 260,632</u>	<u>\$ 194,125</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND			
Revenues:			
Intergovernmental Revenues	\$ 479,500	\$ 503,602	\$ 24,102
Investment Earnings	500	275	(225)
Total Revenues	<u>480,000</u>	<u>503,877</u>	<u>23,877</u>
Expenditures:			
Transportation:			
Personal Services	511,629	454,560	57,069
Materials and Supplies	147,664	115,855	31,809
Contractual Services	23,424	18,923	4,501
Total Expenditures	<u>682,717</u>	<u>589,338</u>	<u>93,379</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(202,717)	(85,461)	117,256
Other Financing Sources (Uses):			
Transfers In	<u>120,000</u>	<u>100,000</u>	<u>(20,000)</u>
Total Other Financing Sources (Uses)	<u>120,000</u>	<u>100,000</u>	<u>(20,000)</u>
Net Change in Fund Balance	(82,717)	14,539	97,256
Fund Balance at Beginning of Year	83,952	83,952	0
Prior Year Encumbrances	<u>21,811</u>	<u>21,811</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 23,046</u>	<u>\$ 120,302</u>	<u>\$ 97,256</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 37,000	\$ 39,853	\$ 2,853
Investment Earnings	0	62	62
Total Revenues	<u>37,000</u>	<u>39,915</u>	<u>2,915</u>
Expenditures:			
Transportation:			
Personal Services	39,000	39,000	0
Materials and Supplies	6,325	2,411	3,914
Total Expenditures	<u>45,325</u>	<u>41,411</u>	<u>3,914</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,325)	(1,496)	6,829
Fund Balance at Beginning of Year	<u>14,884</u>	<u>14,884</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 6,559</u>	<u>\$ 13,388</u>	<u>\$ 6,829</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 95,000	\$ 86,317	\$ (8,683)
Total Revenues	<u>95,000</u>	<u>86,317</u>	<u>(8,683)</u>
Expenditures:			
Transportation:			
Personal Services	94,000	81,908	12,092
Materials and Supplies	<u>32,372</u>	<u>15,673</u>	<u>16,699</u>
Total Expenditures	<u>126,372</u>	<u>97,581</u>	<u>28,791</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,372)	(11,264)	20,108
Fund Balance at Beginning of Year	27,743	27,743	0
Prior Year Encumbrances	<u>6,535</u>	<u>6,535</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,906</u>	<u>\$ 23,014</u>	<u>\$ 20,108</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 5,700	\$ 2,742	\$ (2,958)
Total Revenues	<u>5,700</u>	<u>2,742</u>	<u>(2,958)</u>
Expenditures:			
Community Environment:			
Materials and Supplies	100	6	94
Contractual Services	<u>23,400</u>	<u>23,279</u>	<u>121</u>
Total Expenditures	<u>23,500</u>	<u>23,285</u>	<u>215</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,800)	(20,543)	(2,743)
Fund Balance at Beginning of Year	18,928	18,928	0
Prior Year Encumbrances	<u>5,550</u>	<u>5,550</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 6,678</u>	<u>\$ 3,935</u>	<u>\$ (2,743)</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Licenses and Permits	\$ 8,000	\$ 7,427	\$ (573)
All Other Revenues	9,100	9,369	269
Total Revenues	<u>17,100</u>	<u>16,796</u>	<u>(304)</u>
Expenditures:			
Leisure Time Activities:			
Personal Services	19,881	14,574	5,307
Materials and Supplies	7,380	3,193	4,187
Contractual Services	2,320	2,139	181
Capital Outlay	6,000	1,300	4,700
Total Expenditures	<u>35,581</u>	<u>21,206</u>	<u>14,375</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,481)	(4,410)	14,071
Other Financing Sources (Uses):			
Transfers In	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Net Change in Fund Balance	(3,481)	10,590	14,071
Fund Balance at Beginning of Year	3,201	3,201	0
Prior Year Encumbrances	<u>538</u>	<u>538</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 258</u>	<u>\$ 14,329</u>	<u>\$ 14,071</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

YOUTH SERVICES GRANT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 9,200	\$ 10,900	\$ 1,700
Total Revenues	<u>9,200</u>	<u>10,900</u>	<u>1,700</u>
Expenditures:			
Security of Persons and Property:			
Personal Services	7,200	6,099	1,101
Materials and Supplies	2,000	120	1,880
Capital Outlay	<u>2,600</u>	<u>0</u>	<u>2,600</u>
Total Expenditures	<u>11,800</u>	<u>6,219</u>	<u>5,581</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,600)	4,681	7,281
Fund Balance at Beginning of Year	<u>5,114</u>	<u>5,114</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,514</u>	<u>\$ 9,795</u>	<u>\$ 7,281</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 64,000	\$ 67,250	\$ 3,250
Total Revenues	<u>64,000</u>	<u>67,250</u>	<u>3,250</u>
Expenditures:			
Community Environment:			
Contractual Services	15,369	15,297	72
Capital Outlay	<u>53,200</u>	<u>53,200</u>	<u>0</u>
Total Expenditures	<u>68,569</u>	<u>68,497</u>	<u>72</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,569)	(1,247)	3,322
Other Financing Sources (Uses):			
Advances In	6,000	0	(6,000)
Advances Out	<u>(6,000)</u>	<u>0</u>	<u>6,000</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(4,569)	(1,247)	3,322
Fund Balance at Beginning of Year	(3,381)	(3,381)	0
Prior Year Encumbrances	<u>4,700</u>	<u>4,700</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (3,250)</u>	<u>\$ 72</u>	<u>\$ 3,322</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

REHABILITATION LOAN FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Investment Earnings	\$ 350	\$ 184	\$ (166)
Total Revenues	<u>350</u>	<u>184</u>	<u>(166)</u>
Expenditures:			
Community Environment:			
Contractual Services	1,173	417	756
Capital Outlay	8,912	8,912	0
Total Expenditures	<u>10,085</u>	<u>9,329</u>	<u>756</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,735)	(9,145)	590
Other Financing Sources (Uses):			
Transfers Out	(8,300)	(8,296)	4
Advances In	42,000	50,539	8,539
Advances Out	(61,700)	(50,539)	11,161
Total Other Financing Sources (Uses)	<u>(28,000)</u>	<u>(8,296)</u>	<u>19,704</u>
Net Change in Fund Balance	(37,735)	(17,441)	20,294
Fund Balance at Beginning of Year	48,771	48,771	0
Prior Year Encumbrances	4,000	4,000	0
Fund Balance at End of Year	<u>\$ 15,036</u>	<u>\$ 35,330</u>	<u>\$ 20,294</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	SHADE TREE FUND		
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Community Environment:			
Personal Services	100	31	69
Total Expenditures	100	31	69
Excess (Deficiency) of Revenues Over (Under) Expenditures	(100)	(31)	69
Other Financing Sources (Uses):			
Transfers In	70	70	0
Total Other Financing Sources (Uses)	70	70	0
Net Change in Fund Balance	(30)	39	69
Fund Balance at Beginning of Year	57	57	0
Fund Balance at End of Year	<u>\$ 27</u>	<u>\$ 96</u>	<u>\$ 69</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment Earnings	\$ 1,000	\$ 106	\$ (894)
Total Revenues	<u>1,000</u>	<u>106</u>	<u>(894)</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,000	106	(894)
Fund Balance at Beginning of Year	<u>26,256</u>	<u>26,256</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 27,256</u>	<u>\$ 26,362</u>	<u>\$ (894)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	<u>11,312</u>	<u>11,312</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 11,312</u>	<u>\$ 11,312</u>	<u>\$ 0</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2006***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	<u>2,277</u>	<u>2,277</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 2,277</u></u>	<u><u>\$ 2,277</u></u>	<u><u>\$ 0</u></u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2006***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Debt Service:			
Principal Retirement	734,795	734,785	10
Interest and Fiscal Charges	136,540	136,485	55
Total Expenditures	871,335	871,270	65
Excess (Deficiency) of Revenues Over (Under) Expenditures	(871,335)	(871,270)	65
Other Financing Sources (Uses):			
General Obligation Notes Issued	549,500	549,500	0
Transfers In	375,000	375,000	0
Total Other Financing Sources (Uses)	924,500	924,500	0
Net Change in Fund Balance	53,165	53,230	65
Fund Balance at Beginning of Year	15,891	15,891	0
Fund Balance at End of Year	<u>\$ 69,056</u>	<u>\$ 69,121</u>	<u>\$ 65</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2006**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Special Assessments	\$ 20,000	\$ 19,370	\$ (630)
Total Revenues	<u>20,000</u>	<u>19,370</u>	<u>(630)</u>
Expenditures:			
Debt Service:			
Principal Retirement	12,000	12,000	0
Interest and Fiscal Charges	<u>6,982</u>	<u>6,832</u>	<u>150</u>
Total Expenditures	<u>18,982</u>	<u>18,832</u>	<u>150</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,018	538	(480)
Fund Balance at Beginning of Year	<u>27,247</u>	<u>27,247</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 28,265</u>	<u>\$ 27,785</u>	<u>\$ (480)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Other Financing Sources (Uses):			
Sale of Capital Assets	25,400	25,380	(20)
Total Other Financing Sources (Uses)	25,400	25,380	(20)
Net Change in Fund Balance	25,400	25,380	(20)
Fund Balance at Beginning of Year	129,820	129,820	0
Fund Balance at End of Year	\$ 155,220	\$ 155,200	\$ (20)

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2006***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Capital Outlay	<u>12,606</u>	<u>0</u>	<u>12,606</u>
Total Expenditures	<u>12,606</u>	<u>0</u>	<u>12,606</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,606)	0	12,606
Fund Balance at Beginning of Year	<u>12,607</u>	<u>12,607</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1</u>	<u>\$ 12,607</u>	<u>\$ 12,606</u>



Fiduciary Funds

Fiduciary fund types are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Agency Funds

Miscellaneous Agency Fund

To account for various deposits, such as sales tax and Mayor's gratuities, held for payment to appropriate outside parties.

Street Opening Fund

To account for monies deposited with the City by individuals who intend to excavate portions of the City streets or sidewalks.

Developers Fund

To account for monies on deposit as required by City ordinance for subdivision construction.

CITY OF SALEM, OHIO

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2006**

	Balance December 31, 2005	Additions	Deductions	Balance December 31, 2006
<u>Miscellaneous Agency Fund</u>				
Assets:				
Cash and Cash Equivalents	\$99	\$201	(\$184)	\$116
Total Assets	\$99	\$201	(\$184)	\$116
Liabilities:				
Due to Others	\$99	\$201	(\$184)	\$116
Total Liabilities	\$99	\$201	(\$184)	\$116
<u>Street Opening Fund</u>				
Assets:				
Cash and Cash Equivalents	\$1,070	\$0	\$0	\$1,070
Total Assets	\$1,070	\$0	\$0	\$1,070
Liabilities:				
Due to Others	\$1,070	\$0	\$0	\$1,070
Total Liabilities	\$1,070	\$0	\$0	\$1,070
<u>Developers Fund</u>				
Assets:				
Cash and Cash Equivalents	\$36,762	\$23,150	(\$41,447)	\$18,465
Total Assets	\$36,762	\$23,150	(\$41,447)	\$18,465
Liabilities:				
Due to Others	\$36,762	\$23,150	(\$41,447)	\$18,465
Total Liabilities	\$36,762	\$23,150	(\$41,447)	\$18,465
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$37,931	\$23,351	(\$41,631)	\$19,651
Total Assets	\$37,931	\$23,351	(\$41,631)	\$19,651
Liabilities:				
Due to Others	\$37,931	\$23,351	(\$41,631)	\$19,651
Total Liabilities	\$37,931	\$23,351	(\$41,631)	\$19,651

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF SALEM, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2006***

<u>Capital Assets</u>	
Land	\$4,397,703
Construction in Progress	1,232,670
Buildings	2,749,433
Improvements Other than Buildings	229,661
Machinery and Equipment	3,225,529
Infrastructure	<u>20,648,997</u>
Total Capital Assets	<u><u>\$32,483,993</u></u>

<u>Investment in Capital Assets</u>	
General Fund	\$894,681
Special Revenue Funds	19,779,154
Capital Projects Funds	11,800,152
Donations	<u>10,006</u>
Total Investment in Capital Assets	<u><u>\$32,483,993</u></u>

CITY OF SALEM, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2006**

<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings and Improvements</u>	<u>Improvements Other than Buildings</u>
<u>General Government:</u>				
Mayor	\$0	\$0	\$1,041	\$0
Auditor	0	0	1,904	0
Law Director	0	0	0	0
City Hall	323,637	0	598,098	0
Income Tax	0	0	16,692	0
Total	<u>323,637</u>	<u>0</u>	<u>617,735</u>	<u>0</u>
<u>Security of Persons and Property:</u>				
Police	0	0	30,125	0
Fire	0	0	606,509	0
Traffic	0	0	60,300	0
Total	<u>0</u>	<u>0</u>	<u>696,934</u>	<u>0</u>
<u>Transportation:</u>				
Street	<u>3,745,243</u>	<u>823,102</u>	<u>380,490</u>	<u>0</u>
<u>Leisure Time Activities:</u>				
Parks	<u>328,823</u>	<u>409,568</u>	<u>1,044,515</u>	<u>229,661</u>
<u>Public Health and Welfare:</u>				
Health	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Community Environment:</u>				
Housing, Planning, Zoning	<u>0</u>	<u>0</u>	<u>9,759</u>	<u>0</u>
Total Capital Assets	<u><u>\$4,397,703</u></u>	<u><u>\$1,232,670</u></u>	<u><u>\$2,749,433</u></u>	<u><u>\$229,661</u></u>

CITY OF SALEM, OHIO

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$0	\$0	\$1,041
26,435	0	28,339
1,139	0	1,139
21,113	0	942,848
4,656	0	21,348
<u>53,343</u>	<u>0</u>	<u>994,715</u>
335,743	0	365,868
1,193,756	0	1,800,265
86,123	0	146,423
<u>1,615,622</u>	<u>0</u>	<u>2,312,556</u>
<u>1,211,233</u>	<u>20,648,997</u>	<u>26,809,065</u>
<u>318,557</u>	<u>0</u>	<u>2,331,124</u>
<u>6,444</u>	<u>0</u>	<u>6,444</u>
<u>20,330</u>	<u>0</u>	<u>30,089</u>
<u>\$3,225,529</u>	<u>\$20,648,997</u>	<u>\$32,483,993</u>

CITY OF SALEM, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For Year Ended December 31, 2006**

<u>Function and Activity</u>	Restated December 31, 2005	Transfers	Additions	Deletions	December 31, 2006
<u>General Government:</u>					
Mayor	\$1,041	\$0	\$0	\$0	\$1,041
Auditor	28,339	0	0	0	28,339
Law Director	1,139	0	0	0	1,139
City Hall	942,848	0	0	0	942,848
Income Tax	21,348	0	0	0	21,348
Total	<u>994,715</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>994,715</u>
<u>Security of Persons and Property:</u>					
Police	373,326	(1,448)	61,795	(67,805)	365,868
Fire	2,012,379	0	0	(212,114)	1,800,265
Traffic	146,423	0	0	0	146,423
Total	<u>2,532,128</u>	<u>(1,448)</u>	<u>61,795</u>	<u>(279,919)</u>	<u>2,312,556</u>
<u>Transportation:</u>					
Street	<u>25,267,710</u>	<u>(66,677)</u>	<u>1,660,857</u>	<u>(52,825)</u>	<u>26,809,065</u>
<u>Leisure Time Activities:</u>					
Parks	<u>2,264,298</u>	<u>68,125</u>	<u>0</u>	<u>(1,299)</u>	<u>2,331,124</u>
<u>Public Health and Welfare:</u>					
Health	<u>6,444</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,444</u>
<u>Community Environment:</u>					
Housing, Planning, Zoning	<u>30,089</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,089</u>
Total Capital Assets	<u>\$31,095,384</u>	<u>\$0</u>	<u>\$1,722,652</u>	<u>(\$334,043)</u>	<u>\$32,483,993</u>

STATISTICAL SECTION



STATISTICAL TABLES

This part of the City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city’s overall financial health.

Contents

Financial Trends	S 3 – S 11
These schedules contain trend information to help the reader understand how the city’s financial position has changed over time.	
Revenue Capacity	S 12 – S 15
These schedules contain information to help the reader understand and assess the factors affecting the city’s ability to generate its most significant local revenue source, the income tax.	
Debt Capacity	S 16 – S 25
These schedules present information to help the reader assess the affordability of the city’s current levels of outstanding debt and the city’s ability to issue additional debt in the future.	
Economic and Demographic Information	S 26 – S 29
These schedules offer economic and demographic indicators to help the reader understand the environment within which the city’s financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 30 – S 37
These schedules contain service and infrastructure data to help the reader understand how the information in the city’s financial report relates to the services the city provides and the activities it performs.	

Sources Note:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.



City of Salem

*Net Assets by Component
Last Four Years
(accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$13,356,695	\$15,761,739	\$15,594,269	\$15,852,058
Restricted	1,740,310	1,554,073	1,937,554	1,970,727
Unrestricted	1,995,998	2,911,646	2,239,595	2,207,815
Total Governmental Activities Net Assets	<u>\$17,093,003</u>	<u>\$20,227,458</u>	<u>\$19,771,418</u>	<u>\$20,030,600</u>
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	\$15,775,626	\$16,060,544	\$16,022,926	\$18,063,686
Unrestricted	13,369,710	14,064,452	15,035,896	14,094,527
Total Business-type Activities Net Assets	<u>\$29,145,336</u>	<u>\$30,124,996</u>	<u>\$31,058,822</u>	<u>\$32,158,213</u>
Primary Government:				
Invested in Capital Assets, Net of Related Debt	\$29,132,321	\$31,822,283	\$31,617,195	\$33,915,744
Restricted	1,740,310	1,554,073	1,937,554	1,970,727
Unrestricted	15,365,708	16,976,098	17,275,491	16,302,342
Total Primary Government Net Assets	<u>\$46,238,339</u>	<u>\$50,352,454</u>	<u>\$50,830,240</u>	<u>\$52,188,813</u>

Source: City Auditor's Office

City of Salem

*Changes in Net Assets
Last Four Years
(accrual basis of accounting)*

	2003	2004	2005	2006
Expenses				
Governmental Activities:				
Security of Persons and Property	\$3,548,093	\$3,387,791	\$3,474,795	\$3,569,615
Leisure Time Activities	936,681	359,633	355,535	386,183
Community Environment	527,756	556,617	593,717	488,304
Transportation	690,976	1,344,882	1,364,558	1,421,650
General Government	1,009,745	1,082,820	1,262,857	1,142,076
Interest and Fiscal Charges	60,922	64,959	183,709	163,843
<i>Total Governmental Activities Expenses</i>	<u>6,774,173</u>	<u>6,796,702</u>	<u>7,235,171</u>	<u>7,171,671</u>
Business-type Activities:				
Water	1,882,782	1,810,274	1,801,247	1,760,567
Wastewater	1,898,975	1,816,331	1,934,577	1,995,000
<i>Total Business-type Activities Expenses</i>	<u>3,781,757</u>	<u>3,626,605</u>	<u>3,735,824</u>	<u>3,755,567</u>
<i>Total Primary Government Expenses</i>	<u>\$10,555,930</u>	<u>\$10,423,307</u>	<u>\$10,970,995</u>	<u>\$10,927,238</u>
Program Revenues				
Governmental Activities:				
Charges for Services				
Security of Persons and Property	\$3,510	\$2,501	\$4,197	\$3,653
Leisure Time Activities	22,560	14,180	19,669	17,789
Community Environment	68,326	82,290	121,853	137,448
General Government	92,762	87,915	86,920	88,482
Operating Grants and Contributions	124,965	1,317,938	806,685	1,543,222
Capital Grants and Contributions	160,000	0	0	0
<i>Total Governmental Activities Program Revenues</i>	<u>472,123</u>	<u>1,504,824</u>	<u>1,039,324</u>	<u>1,790,594</u>

(continued)

City of Salem

Changes in Net Assets Last Four Years (accrual basis of accounting)

	2003	2004	2005	2006
Business-type Activities:				
Charges for Services				
Water	1,703,843	1,699,131	1,789,364	1,787,867
Wastewater	3,284,389	2,670,091	2,490,344	2,352,724
Operating Grants and Contributions	0	0	0	0
Capital Grants and Contributions	0	0	0	0
<i>Total Business-type Activities Program Revenues</i>	4,988,232	4,369,222	4,279,708	4,140,591
<i>Total Primary Government Program Revenues</i>	5,460,355	5,874,046	5,319,032	5,931,185
Net (Expense)/Revenue				
Governmental Activities	(6,302,050)	(5,291,878)	(6,195,847)	(5,381,077)
Business-type Activities	1,206,475	742,617	543,884	385,024
<i>Total Primary Government Net (Expense)/Revenue</i>	(\$5,095,575)	(\$4,549,261)	(\$5,651,963)	(\$4,996,053)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Property Taxes Levied for:				
(General Purposes)	\$873,943	\$564,322	\$588,819	\$615,838
(Special Purpose)	0	352,351	348,728	509,272
Income Taxes	3,769,725	3,792,306	3,975,087	4,010,806
Other Local Taxes	14,766	18,412	13,838	11,812
Intergovernmental Revenues, Unrestricted	1,315,922	760,483	557,635	363,593
Investment Earnings	307,208	380,984	462,465	772,133
Miscellaneous	87,048	116,436	149,986	71,172
Transfers	(262,484)	(237,043)	(300,594)	(714,367)
<i>Total Governmental Activities</i>	6,106,128	5,748,251	5,795,964	5,640,259
Business-type Activities:				
Transfers	262,484	237,043	300,594	714,367
<i>Total Business-type Activities</i>	262,484	237,043	300,594	714,367
<i>Total Primary Government</i>	\$6,368,612	\$5,985,294	\$6,096,558	\$6,354,626
Change in Net Assets				
Governmental Activities	(\$195,922)	\$456,373	(\$399,883)	\$259,182
Business-type Activities	1,468,959	979,660	844,478	1,099,391
<i>Total Primary Government Change in Net Assets</i>	\$1,273,037	\$1,436,033	\$444,595	\$1,358,573

Source: City Auditor's Office

City of Salem

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Fund				
Reserved	\$102,111	\$131,192	\$145,080	\$125,909
Unreserved	<u>613,498</u>	<u>848,825</u>	<u>1,061,729</u>	<u>895,615</u>
<i>Total General Fund</i>	<u>715,609</u>	<u>980,017</u>	<u>1,206,809</u>	<u>1,021,524</u>
All Other Governmental Funds				
Reserved	632,952	402,012	421,086	935,852
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	849,319	837,238	826,555	1,052,405
Capital Projects Funds	<u>(766,567)</u>	<u>(566,230)</u>	<u>(44,403)</u>	<u>(169,899)</u>
Total All Other Governmental Funds	<u>715,704</u>	<u>673,020</u>	<u>1,203,238</u>	<u>1,818,358</u>
<i>Total Governmental Funds</i>	<u><u>\$1,431,313</u></u>	<u><u>\$1,653,037</u></u>	<u><u>\$2,410,047</u></u>	<u><u>\$2,839,882</u></u>

Source: City Auditor's Office

City of Salem

<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$177,099	\$124,697	\$162,385	\$183,282	\$173,899	\$133,344
<u>547,628</u>	<u>627,689</u>	<u>467,714</u>	<u>722,820</u>	<u>937,614</u>	<u>889,468</u>
<u>724,727</u>	<u>752,386</u>	<u>630,099</u>	<u>906,102</u>	<u>1,111,513</u>	<u>1,022,812</u>
414,477	630,512	1,070,534	438,149	311,693	644,474
1,079,949	518,147	902,091	1,188,086	1,094,962	1,127,022
<u>185,976</u>	<u>(235,035)</u>	<u>(2,159,694)</u>	<u>(1,975,455)</u>	<u>469,484</u>	<u>(890,029)</u>
<u>1,680,402</u>	<u>913,624</u>	<u>(187,069)</u>	<u>(349,220)</u>	<u>1,876,139</u>	<u>881,467</u>
<u>\$2,405,129</u>	<u>\$1,666,010</u>	<u>\$443,030</u>	<u>\$556,882</u>	<u>\$2,987,652</u>	<u>\$1,904,279</u>

City of Salem

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

	1997	1998	1999	2000
Revenues:				
Taxes	\$4,033,823	\$4,408,279	\$4,797,447	\$4,549,651
Intergovernmental Revenues	1,297,926	1,278,362	1,610,766	1,574,008
Charges for Services	58,487	60,718	63,577	59,252
Licenses and Permits	68,587	85,372	68,624	70,483
Investment Earnings	137,644	84,349	148,061	180,146
Special Assessments	19,557	27,905	22,620	30,957
Fines and Forfeitures	64,834	71,409	47,810	44,076
All Other Revenue	359,802	163,087	107,475	85,326
Total Revenue	6,040,660	6,179,481	6,866,380	6,593,899
Expenditures:				
Current:				
Security of Persons and Property	2,250,122	2,347,476	2,488,877	2,767,324
Leisure Time Activities	230,922	278,949	297,182	306,338
Community Environment	669,445	512,734	705,811	510,250
Transportation	557,055	567,995	620,635	629,656
General Government	1,017,101	774,109	896,253	782,365
Capital Outlay	1,983,367	1,104,819	747,261	1,021,276
Debt Service:				
Principal Retirement	259,805	324,414	270,000	160,000
Interest and Fiscal Charges	146,017	129,226	103,362	88,907
Total Expenditures	7,113,834	6,039,722	6,129,381	6,266,116
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,073,174)	139,759	736,999	327,783

City of Salem

2001	2002	2003	2004	2005	2006
\$4,352,963	\$4,485,201	\$4,623,253	\$4,743,926	\$4,903,826	\$5,154,745
1,303,058	2,024,725	2,010,794	1,591,197	1,696,999	1,543,248
61,017	71,803	65,601	72,379	73,591	73,735
65,639	109,586	92,031	86,658	130,113	143,171
148,274	384,637	307,208	380,984	462,465	703,268
19,055	23,175	25,865	22,592	21,557	22,841
34,588	47,027	36,734	23,507	25,734	25,291
275,882	59,130	87,048	116,436	149,986	71,172
<u>6,260,476</u>	<u>7,205,284</u>	<u>7,248,534</u>	<u>7,037,679</u>	<u>7,464,271</u>	<u>7,737,471</u>
2,801,303	2,945,543	3,340,877	3,230,200	3,384,494	3,423,302
332,362	344,476	332,390	307,139	306,464	338,316
566,184	732,774	510,618	557,427	590,321	486,766
651,166	647,798	727,501	694,350	709,471	723,917
972,342	884,549	1,007,890	1,026,015	1,150,530	1,125,981
1,454,517	1,864,668	2,083,258	647,449	1,217,466	1,717,308
160,000	160,000	177,456	177,456	32,456	121,785
69,115	55,215	61,717	65,765	166,546	177,738
<u>7,006,989</u>	<u>7,635,023</u>	<u>8,241,707</u>	<u>6,705,801</u>	<u>7,557,748</u>	<u>8,115,113</u>
(746,513)	(429,739)	(993,173)	331,878	(93,477)	(377,642)

(Continued)

City of Salem

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	7,435	9,345	30,985	58,248
Other Financing Sources - Capital Leases	0	0	0	0
Ohio Public Works Commission Loan	0	0	0	0
General Obligation Bonds Issued	0	0	0	0
Premium on General Obligation Bonds	0	0	0	0
Transfers In	3,745,266	3,765,927	4,187,235	4,132,666
Transfers Out	(3,745,266)	(3,765,927)	(4,187,235)	(4,132,666)
Total Other Financing Sources (Uses)	<u>7,435</u>	<u>9,345</u>	<u>30,985</u>	<u>58,248</u>
Net Change in Fund Balance	<u>(\$1,065,739)</u>	<u>\$149,104</u>	<u>\$767,984</u>	<u>\$386,031</u>
 Debt Service as a Percentage of Noncapital Expenditures	 7.91%	 9.19%	 6.94%	 4.75%

Source: City Auditor's Office

City of Salem

2001	2002	2003	2004	2005	2006
14,855	13,357	6,303	15,310	42,187	35,880
0	0	0	0	21,527	0
212,606	49,232	0	0	259,936	0
0	0	0	0	2,380,000	0
0	0	0	0	100,212	0
4,157,313	4,118,160	4,199,468	3,966,256	6,978,997	4,148,775
<u>(4,157,313)</u>	<u>(4,428,082)</u>	<u>(4,461,952)</u>	<u>(4,203,299)</u>	<u>(7,279,591)</u>	<u>(4,863,142)</u>
<u>227,461</u>	<u>(247,333)</u>	<u>(256,181)</u>	<u>(221,733)</u>	<u>2,503,268</u>	<u>(678,487)</u>
<u>(\$519,052)</u>	<u>(\$677,072)</u>	<u>(\$1,249,354)</u>	<u>\$110,145</u>	<u>\$2,409,791</u>	<u>(\$1,056,129)</u>
4.13%	3.73%	3.90%	4.00%	3.08%	4.69%

City of Salem

Income Tax Revenues by Source, Governmental Funds Last Ten Years

Tax year	1997	1998	1999	2000
Income Tax Rate	1.00%	1.00%	1.00%	1.00%
Total Tax Collected	\$3,402,471	\$3,604,310	\$3,905,950	\$3,713,010
Income Tax Receipts				
Withholding	2,643,570	2,741,047	2,772,435	2,888,182
Percentage	77.70%	76.05%	70.98%	77.79%
Business	355,730	444,447	693,423	366,119
Percentage	10.46%	12.33%	17.75%	9.86%
Individuals	403,171	418,816	440,092	458,709
Percentage	11.85%	11.62%	11.27%	12.35%

Source: City Income Tax Department

City of Salem

2001	2002	2003	2004	2005	2006
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
\$3,659,509	\$3,628,465	\$3,699,668	\$3,715,547	\$3,838,513	\$3,893,538
2,843,044	2,877,596	2,910,992	2,924,481	2,976,895	2,937,396
77.69%	79.31%	78.68%	78.71%	77.55%	75.44%
346,264	247,982	326,910	309,042	327,638	415,317
9.46%	6.83%	8.84%	8.32%	8.54%	10.67%
470,201	502,887	461,766	482,024	533,980	540,825
12.85%	13.86%	12.48%	12.97%	13.91%	13.89%



City of Salem

*Income Tax Statistics
Current Year and Nine Years Ago*

Calendar Year 2006

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable Income</u>	<u>Percent of Income</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.16%	\$133,881,400	34.39%	\$1,338,814	34.39%
All Others	6,202	99.84%	255,472,400	65.61%	2,554,724	65.61%
Total	6,212	100.00%	\$389,353,800	100.00%	\$3,893,538	100.00%

Calendar Year 1997

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable Income</u>	<u>Percent of Income</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.15%	\$127,002,600	37.33%	\$1,270,026	37.33%
All Others	6,582	99.85%	213,244,400	62.67%	2,132,444	62.67%
Total	6,592	100.00%	\$340,247,000	100.00%	\$3,402,470	100.00%

Source: City Income Tax Department

City of Salem

Ratio of Outstanding Debt By Type Last Ten Years

	1997	1998	1999	2000
Governmental Activities ⁽¹⁾				
General Obligation Bonds Payable	\$1,270,000	\$1,010,000	\$750,000	\$600,000
Special Assessment Bonds Payable	192,000	187,000	177,000	167,000
Installment Note Payable	59,414	0	0	0
OPWC Loan Payable	0	0	0	0
Capital Leases	0	0	0	0
Business-type Activities ⁽¹⁾				
Mortgage Revenue Bonds Payable	\$7,375,000	\$1,325,000	\$1,125,000	\$800,000
General Obligation Bonds Payable	2,360,000	2,270,000	2,180,000	2,090,000
OPWC Loan Payable	0	0	0	399,750
Capital Leases	23,962	14,062	3,616	0
Total Primary Government	<u>\$11,280,376</u>	<u>\$4,806,062</u>	<u>\$4,235,616</u>	<u>\$4,056,750</u>
Population ⁽²⁾				
City of Salem	12,233	12,233	12,233	12,197
Outstanding Debt Per Capita	\$922	\$393	\$346	\$333
Income ⁽³⁾				
Personal (in thousands)	241,210	252,061	257,713	267,480
Percentage of Personal Income	4.68%	1.91%	1.64%	1.52%

Sources:

(1) City Auditor's Office

(2) US Bureau of Census, Population Division

(3) US Department of Commerce, Bureau of Economic Analysis

(a) Per Capita Income is only available by County, Total Personal Income is a calculation

City of Salem

2001	2002	2003	2004	2005	2006
\$450,000	\$300,000	\$150,000	\$0	\$2,480,212	\$2,400,201
157,000	147,000	137,000	127,000	112,000	100,000
0	0	0	0	0	0
212,606	261,838	244,382	226,926	469,406	434,621
0	0	0	0	14,059	7,172
\$0	\$0	\$0	\$0	\$0	\$0
2,000,000	1,600,000	1,200,000	800,000	400,000	0
379,250	358,750	338,250	317,750	297,250	276,750
0	0	0	0	0	0
<u>\$3,198,856</u>	<u>\$2,667,588</u>	<u>\$2,069,632</u>	<u>\$1,471,676</u>	<u>\$3,772,927</u>	<u>\$3,218,744</u>

12,197	12,197	12,197	12,197	12,197	12,197
\$262	\$219	\$170	\$121	\$309	\$264

269,700	275,628	283,263	293,191	293,606	293,606
1.19%	0.97%	0.73%	0.50%	1.29%	1.10%

City of Salem

Ratios of General Bonded Debt Outstanding Last Ten Years

Year	1997	1998	1999	2000
Population (1)	12,233	12,233	12,233	12,197
Personal Income (2)	\$241,210,294	\$252,060,965	\$257,712,611	\$267,480,210
General Bonded Debt				
General Obligation Bonds	\$3,630,000	\$3,280,000	\$2,930,000	\$2,690,000
Resources Available to Pay Principal	\$212,604	\$124,912	\$126,040	\$136,204
Net General Bonded Debt	\$3,417,396	\$3,155,088	\$2,803,960	\$2,553,796
Ratio of Net Bonded Debt to Total Personal Income	1.42%	1.25%	1.09%	0.95%
Net Bonded Debt per Capita	\$279.36	\$257.92	\$229.21	\$209.38

Source:

(1) U.S. Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis

City of Salem

2001	2002	2003	2004	2005	2006
12,197	12,197	12,197	12,197	12,197	12,197
\$215,757,110	\$275,627,806	\$283,263,128	\$293,191,486	\$293,606,184	\$293,606,184
\$2,450,000	\$1,900,000	\$1,350,000	\$800,000	\$2,880,212	\$2,400,201
\$30,114	\$33,713	\$31,438	\$60,408	\$43,138	\$96,906
\$2,419,886	\$1,866,287	\$1,318,562	\$739,592	\$2,837,074	\$2,303,295
1.12%	0.68%	0.47%	0.25%	0.97%	0.78%
\$198.40	\$153.01	\$108.11	\$60.64	\$232.60	\$188.84



City of Salem

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2006*

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Salem</u>	<u>Amount Applicable to the City of Salem</u>
Direct:			
City of Salem	\$3,480,000	100.00%	\$3,480,000
Overlapping:			
South Range School District	2,415,000	1.46%	35,259
Columbiana County	1,806,000	14.81%	267,469
		Subtotal	<u>302,728</u>
		Total	<u>\$3,782,728</u>

Source: Columbiana County Auditor

City of Salem

Debt Limitations Last Ten Years

	1997	1998	1999	2000
<u>Total Debt</u>				
Net Assessed Valuation	\$162,981,270	\$195,362,185	\$200,874,530	\$197,612,970
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	17,113,033	20,513,029	21,091,826	20,749,362
City Debt Outstanding (2)	2,370,000	1,910,000	1,650,000	1,350,000
Less: Applicable Debt Service Fund Amounts	(98,292)	(93)	(8)	(12)
Net Indebtedness Subject to Limitation	2,271,708	1,909,907	1,649,992	1,349,988
Overall Legal Debt Margin	\$14,841,325	\$18,603,122	\$19,441,834	\$19,399,374
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$162,981,270	\$195,362,185	\$200,874,530	\$197,612,970
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	8,963,970	10,744,920	11,048,099	10,868,713
City Debt Outstanding (2)	2,370,000	1,910,000	1,650,000	1,350,000
Less: Applicable Debt Service Fund Amounts	(98,292)	(93)	(8)	(12)
Net Indebtedness Subject to Limitation	2,271,708	1,909,907	1,649,992	1,349,988
Overall Legal Debt Margin	\$6,692,262	\$8,835,013	\$9,398,107	\$9,518,725

(1) Direct Debt Limitation based upon Section 133, The Uniform Bond Act of the Ohio Revised Code.

(2) City Debt Outstanding includes Non Self-Supporting General Obligation Bonds and Notes only.
Enterprise Debt is not considered in the computation of the Legal Debt Margin.

Source: City Auditor's Office

City of Salem

2001	2002	2003	2004	2005	2006
\$212,504,160	\$215,757,110	\$221,745,930	\$232,940,940	\$235,173,250	\$225,238,610
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
22,312,937	22,654,497	23,283,323	24,458,799	24,693,191	23,650,054
1,050,000	1,100,000	3,192,000	3,190,000	3,005,000	3,480,000
(54)	(55)	0	(28,501)	(15,891)	(69,121)
1,049,946	1,099,945	3,192,000	3,161,499	2,989,109	3,410,879
\$21,262,991	\$21,554,552	\$20,091,323	\$21,297,300	\$21,704,082	\$20,239,175
\$212,504,160	\$215,757,110	\$221,745,930	\$232,940,940	\$235,173,250	\$225,238,610
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
11,687,729	11,866,641	12,196,026	12,811,752	12,934,529	12,388,124
1,050,000	1,100,000	3,192,000	3,190,000	3,005,000	3,480,000
(54)	(55)	0	(28,501)	(15,891)	(69,121)
1,049,946	1,099,945	3,192,000	3,161,499	2,989,109	3,410,879
\$10,637,783	\$10,766,696	\$9,004,026	\$9,650,253	\$9,945,420	\$8,977,245

City of Salem

Pledged Revenue Coverage Last Ten Years

	1997	1998	1999	2000
Water Mortgage Bonds (1)				
Gross Revenues (3)	\$1,858,809	\$0	\$0	\$0
Direct Operating Expenses (4)	914,806	0	0	0
Net Revenue Available for Debt Service	944,003	0	0	0
Annual Debt Service Requirement	418,500	0	0	0
Coverage	2.26	0.00	0.00	0.00
Wastewater Mortgage Bonds (2)				
Gross Revenues (3)	\$2,750,551	\$2,885,903	\$2,772,412	\$2,713,760
Direct Operating Expenses (4)	990,342	1,079,752	1,022,104	1,156,735
Net Revenue Available for Debt Service	1,760,209	1,806,151	1,750,308	1,557,025
Annual Debt Service Requirement	1,130,950	163,725	257,050	370,075
Coverage	1.56	11.03	6.81	4.21
Special Assessment Bonds				
Special Assessment Collections	\$19,557	\$27,905	\$22,620	\$30,957
Debt Service				
Principal	5,000	5,000	10,000	10,000
Interest	15,021	11,712	11,407	10,797
Coverage	0.98	1.67	1.06	1.49

(1) The \$2,400,000 balance of the Water Mortgage Bonds were defeased in April, 1998.

(2) The Wastewater Mortgage Bonds were retired in 2001.

(3) Gross revenues include operating revenues plus interest income.

(4) Direct operating expenses include operating expenses less depreciation.

Source: City Auditor's Office

City of Salem

2001	2002	2003	2004	2005	2006
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0.00	0.00	0.00	0.00	0.00	0.00
\$2,574,897	\$0	\$0	\$0	\$0	\$0
1,149,518	0	0	0	0	0
1,425,379	0	0	0	0	0
818,800	0	0	0	0	0
1.74	0.00	0.00	0.00	0.00	0.00
\$19,055	\$23,175	\$16,747	\$18,961	\$18,139	\$19,370
10,000	10,000	10,000	10,000	15,000	12,000
10,187	9,577	8,967	8,357	7,748	6,832
0.94	1.18	0.88	1.03	0.80	1.03

City of Salem

Demographic and Economic Statistics Last Ten Years

Calendar Year	1997	1998	1999	2000
Population (1)				
City of Salem	12,233	12,233	12,233	12,197
Columbiana County	108,276	108,276	108,276	112,075
Income (2) (a)				
Total Personal (in thousands)	241,210	252,061	257,713	267,480
Per Capita	19,718	20,605	21,067	21,930
Unemployment Rate (3)				
Federal	5.4%	4.9%	4.5%	4.2%
State	4.8%	4.6%	4.3%	4.3%
Columbiana County	5.8%	5.5%	5.8%	5.1%
Civilian Work Force Estimates (3)				
State	5,710,000	5,678,000	5,749,000	5,900,400
Columbiana County	52,600	52,200	52,500	51,700

Sources:

(1) US Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis information is only available through 2005 for the presentation of 2006 statistics, the City is using the latest information available.

(a) Per Capita Income is only available by County, Total Personal Income is a calculation

(3) State Department of Labor Statistics

City of Salem

2001	2002	2003	2004	2005	2006
12,197	12,197	12,197	12,197	12,197	12,197
112,075	112,075	112,075	112,075	110,928	110,928
269,700	275,628	283,263	293,191	293,606	293,606
22,112	22,598	23,224	24,038	24,072	24,072
3.8%	4.8%	5.8%	6.0%	5.5%	5.0%
3.7%	4.3%	5.7%	6.1%	6.0%	5.9%
5.5%	6.8%	7.9%	7.4%	7.1%	6.5%
5,857,000	5,828,000	5,915,000	5,875,300	5,900,400	5,934,000
51,500	50,800	51,900	53,600	53,700	53,500



City of Salem

*Principal Employers
Current Year and Nine Years Ago*

Employer	Nature of Business	2006		
		Number of Employees	Rank	Percentage of Total Employment
	Food Processing	1,175	1	18.08%
	Health Care	1,101	2	16.94%
	Manufacturing	713	3	10.97%
	Retail	551	4	8.48%
	Manufacturing	524	5	8.06%
	Education	429	6	6.60%
	Health Care	399	7	6.14%
	Manufacturing	203	8	3.12%
	Manufacturing	165	9	2.54%
	Manufacturing	144	10	2.22%
Total		<u>5,404</u>		
Total Employment within the City		<u><u>6,500</u></u>		

Employer	Nature of Business	1997		
		Number of Employees	Rank	Percentage of Total Employment
	Health Care	904	1	15.59%
	Manufacturing	845	2	14.57%
	Food Processing	710	3	12.24%
	Manufacturing	544	4	9.38%
	Manufacturing	437	5	7.54%
	Education	423	6	7.29%
	Manufacturing	250	7	4.31%
	Manufacturing	239	8	4.12%
	Manufacturing	224	9	3.86%
	Manufacturing	197	10	3.40%
Total		<u>4,773</u>		
Total Employment within the City		<u><u>5,799</u></u>		

Source: City Income Tax Department

Employer names can not be disclosed due to privacy issues

City of Salem

Full Time Equivalent Employees by Function Last Ten Years

	1997	1998	1999	2000	2001
Governmental Activities					
General Government					
Mayor	1.00	1.00	1.00	1.00	1.00
Auditor's Office					
Treasurer	1.00	1.00	1.00	1.00	1.00
Law Director's Office	3.00	2.50	3.00	3.00	2.00
Service Director	1.00	1.00	1.00	1.00	1.00
City Council	8.00	8.00	8.00	8.00	8.00
Council Clerk	1.00	1.00	1.00	1.00	1.00
Civil Service	4.00	4.00	4.00	4.00	4.00
City Hall	2.00	2.00	2.00	2.00	2.00
Streets/Leaf Pick Up/Seasonal	4.00	4.00	4.00	4.00	4.00
Income Tax Department	2.50	2.50	2.50	2.50	2.50
Security of Persons and Property					
Police Department	22.00	22.00	25.00	25.00	25.00
Part Time Dispatchers	6.00	6.00	6.00	6.00	6.00
Part Time Patrolmen	4.00	4.00			
School Patrol	4.00	4.00	4.00	4.00	4.00
Animal Control	1.00	1.00	1.00	1.00	1.00
Fire Department	16.00	16.00	16.00	16.00	16.00
Street Lighting	1.00	1.00	1.00	1.00	1.00
Traffic and Safety	1.00	2.00	2.00	2.00	2.00
Safety Director	1.00	1.00	1.00	1.00	1.00
Transportation					
Street	10.00	10.00	10.00	10.00	10.00
Leisure Time Activities					
Parks	5.00	5.00	5.00	5.00	5.00
Parks /Seasonal	8.00	8.00	8.00	8.00	8.00
Lakes/Seasonal	4.00	4.00	4.00	4.00	4.00
Community Environment					
Housing, Planning, Zoning	2.00	2.00	2.00	2.00	2.00
Housing Inspectors/ Part Time		2.00	2.00	2.00	2.00
Recycling	1.00				
Business-Type Activities					
Utilities					
Water Plant	4.00	4.00	4.00	4.00	4.00
Wastewater Plant	6.00	6.00	6.00	6.00	6.00
Water and Wastewater Distribution	7.00	7.00	7.00	7.00	7.00
Water and Wastewater Administration	4.00	4.00	4.00	4.00	4.00
<i>Total Employees</i>	<u>134.50</u>	<u>136.00</u>	<u>135.50</u>	<u>135.50</u>	<u>134.50</u>

Source: City Auditor's Office

City of Salem

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
1.00	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00
2.00	2.00	2.00	2.00	2.00
1.00	1.00	1.00	1.00	1.00
8.00	8.00	8.00	8.00	8.00
1.00	1.00	1.00	1.00	1.00
4.00	4.00	4.00	4.00	4.00
2.00	2.00	2.00	2.00	2.00
4.00	4.00	4.00	4.00	4.00
2.50	2.50	2.50	2.50	2.50
25.00	25.00	25.00	25.00	25.00
6.00	6.00	6.00	6.00	6.00
4.00	4.00	4.00	4.00	4.00
1.00	1.00	1.00	1.00	1.00
16.00	16.00	16.00	16.00	16.00
1.00	1.00	1.00	1.00	1.00
2.00	2.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00
10.00	10.00	10.00	10.00	10.00
5.00	5.00	5.00	5.00	5.00
8.00	8.00	8.00	8.00	8.00
4.00	4.00	4.00	4.00	4.00
2.00	2.00	2.00	2.00	2.00
2.00	2.00	2.00	2.00	2.00
4.00	4.00	4.00	4.00	4.00
6.00	6.00	6.00	6.00	6.00
7.00	7.00	7.00	7.00	7.00
4.00	4.00	4.00	4.00	4.00
<u>134.50</u>	<u>134.50</u>	<u>133.50</u>	<u>133.50</u>	<u>133.50</u>

City of Salem

Operating Indicators by Function Last Ten Years

	1997	1998	1999	2000
Governmental Activities				
General Government				
Security of Persons and Property				
Police				
Numbers of Calls for Service	5,817	6,264	6,177	7,606
Thefts	90	52	55	41
Murder/ Homicide	0	0	0	0
MV/Accidents-TTL	376	331	374	399
MV/Accidents-Fatal	1	1	0	1
DUI	38	30	28	25
Arrests	1,541	1,645	1,262	1,243
Fire				
Number of Fire Calls	N/A	71	79	54
Number of EMS Runs	N/A	106	123	166
Number of other Runs	N/A	442	384	430
Number of Inspections	N/A	230	125	127
Number of Demo Permits	N/A	17	22	15
Transportation				
Street				
Number of Streets Resurfaced by feet	7,111	8,285	9,370	15,935
Number of Concrete Streets Repaired by Yards	3,014	2,513	2,723	2,562
Leisure Time Activities				
Parks				
Number of Programs Sports Offered	9	9	9	9
Number of Community Events	11	11	11	11
Community Environment				
Number of Zoning Permits Issued	451	435	350	355
Estimated Cost Value of Construction	11,804,617	6,350,821	6,049,310	5,615,740
Number of Zoning Permits for Residential	N/A	N/A	N/A	N/A
Number of Zoning Permits for Commercial	N/A	N/A	N/A	N/A
Number of Zoning Permits for Industrial	N/A	N/A	N/A	N/A
Number of Contractor Registration	N/A	N/A	N/A	N/A
Number of Occupancy Licenses	N/A	N/A	N/A	N/A

City of Salem

2001	2002	2003	2004	2005	2006
7,343	8,134	8,839	7,943	7,983	7,853
55	58	74	80	78	105
0	0	0	2	0	0
391	431	455	514	444	479
0	0	1	1	0	0
31	60	84	59	72	95
1,179	1,467	1,493	1,126	1,211	1,083
64	59	62	72	53	67
283	331	354	251	393	478
394	449	479	519	457	492
173	120	155	200	196	420
20	11	10	9	18	12
11,709	8,832	25,725	0	31,483	37,300
2,326	0	0	0	1,423	0
9	9	9	9	9	9
11	11	11	11	11	11
441	456	351	359	450	459
30,904,180	11,000,454	7,524,099	31,713,664	10,237,534	23,876,613
N/A	N/A	N/A	N/A	374	374
N/A	N/A	N/A	N/A	67	72
N/A	N/A	N/A	N/A	9	13
N/A	N/A	N/A	N/A	237	530
N/A	N/A	N/A	N/A	1,640	1,704

(Continued)

City of Salem

Operating Indicators by Function Last Ten Years

	1997	1998	1999	2000
Business-Type Activities				
Water				
Number of Service Connections	6,482	6,496	6,547	6,584
Water Main Breaks	20	30	44	43
Daily Average Consumption (thousands of gallons)	2,259	2,329	2,376	2,325
Peak Daily Consumption (thousands of gallons)	3,544	3,488	3,393	3,373
Wastewater				
Number of Sewer Service Connections	5,911	5,926	5,981	6,014
Daily Average Sewage Treatment (thousands of gallons)	3,178	2,937	2,593	2,617

Source: City Auditor's Office

Source: Utilities Superintendent

Source: Service Director

Source: Zoning Department

N/A = Not Available

City of Salem

2001	2002	2003	2004	2005	2006
6,611	6,653	6,685	6,708	6,754	6,833
23	46	42	30	31	17
2,413	2,425	2,401	2,423	2,676	2,421
3,364	3,122	3,314	3,495	3,630	3,565
6,038	6,175	6,228	6,248	6,285	6,360
2,507	2,425	3,176	3,349	2,801	2,825

City of Salem

Capital Asset Statistics by Function Last Ten Years

	1997	1998	1999	2000
Governmental Activities				
General Government				
Public Land and Buildings				
Land (acres)	1,514	1,514	1,514	1,514
Buildings	2	2	2	2
Security of Persons and Property				
Police				
Stations	1	1	1	1
Vehicles	10	10	11	11
Fire				
Stations	1	1	1	1
Vehicles	5	5	5	5
Transportation				
Street				
Streets (lane miles)	60	60	60	60
Street Lights	1,421	1,421	1,421	1,421
Vehicles	9	9	9	9
Heavy Equipment	12	12	12	12
Leisure Time Activities				
Parks				
Land (acres)	335	335	335	335
Buildings	10	10	10	10
Parks	6	6	6	6
Playgrounds	4	4	4	4
Swimming Pools	1	1	1	1
Tennis Courts	6	6	6	6
Baseball/Softball Diamonds	8	8	8	8
Soccer Fields	2	2	2	2
Business-Type Activities				
Utilities				
Water				
Waterlines (Miles)	106.636	106.636	106.636	107.136
Pump Stations	1	1	1	3
Number of Hydrants	720	736	736	740
Average Daily Consumption	2,259	2,329	2,376	2,325
Storage Capacity (thousands of gallons)	3,800	3,800	3,800	3,800
Wastewater				
Sanitary Sewer Mains (miles)	60.844	62.803	64.223	64.223
Sanitary Force Mains (miles)	3.650	4.164	4.525	4.525
Lift Stations	15	15	15	15

Source: City Auditor's Office

City of Salem

2001	2002	2003	2004	2005	2006
1.722	1.722	1.722	1.722	1.722	1.722
2	2	2	2	2	2
1	1	1	1	1	1
11	11	11	11	11	11
1	1	1	1	1	1
5	5	5	6	6	6
62	62	62	62	62	62
1,421	1,421	1,421	1,421	1,421	1,421
9	9	9	9	9	9
12	12	12	12	12	13
335	335	335	335	335	335
10	10	10	10	10	10
6	6	6	6	6	6
4	4	4	4	4	4
1	1	1	1	1	1
6	6	6	6	6	6
8	8	8	8	8	8
2	2	2	2	2	2
107.957	110.581	111.013	111.316	112.782	113.608
3	3	3	3	3	3
753	774	785	791	811	825
2,413	2,425	2,401	2,423	2,676	2,421
3,800	3,800	3,800	3,800	3,800	3,800
65.637	69.384	69.975	70.578	71.471	71.968
4.525	5.197	5.197	6.080	6.080	6.080
15	15	16	16	17	17





Mary Taylor, CPA
Auditor of State

CITY OF SALEM

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 4, 2007**