



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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 19, 2008. 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 a certain matter that we reported to the City's management in a separate letter dated June 19, 2008.

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### **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 matter that we reported to the City's management in a separate letter dated June 19, 2008

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

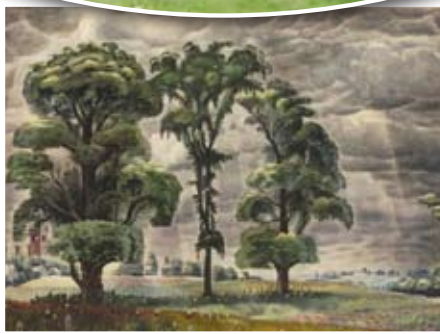
A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 19, 2008

# The City of Salem, Ohio

Comprehensive Annual Financial Report  
For the Fiscal Year Ended December 31, 2007







COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2007

*Prepared by the Auditor's Office*

James A. Armeni  
City Auditor

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CITY OF SALEM  
COLUMBIANA COUNTY, OHIO

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## *INTRODUCTORY SECTION*

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# CITY OF SALEM

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

phone (330) 332-4482

fax (330)-332-3001

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June 19, 2008

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, 2007. 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 a 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, 2007***

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**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, 2007***

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**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 stable over the last several years. Along with the City, the economy of Columbiana County and the State of Ohio as a whole has been in a downward trend. The City continues its efforts to contain expenses, particularly in health care and employee pension costs. 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 City limits.

***Letter of Transmittal  
For the Year Ended December 31, 2007***

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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 seeking to expand 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 2007, 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 at a cost of approximately \$190,000. This project was initiated to increase parking availability for the community center. The tentative date of completion for this project is the summer of 2008.

The Centennial Park Drainage Project was completed in the spring of 2007. The project consisted of upgrades to storm sewers and the construction of a dam with a retention basin. Total cost of the project was approximately \$360,000.

This year 28 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 28 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 \$346,728.

The 2007 Sidewalk Project consisted of the following:

- East Sixth Street from North Lincoln Avenue to North Ellsworth Avenue. (South side only)
- East School Street between Fourth Street and Sixth Street.
- North Lincoln Avenue between Fourth Street and Fifth Street.

The total cost of the sidewalk project was \$52,265 and the total amount of sidewalk replaced was 2,715 lineal feet.

In September of 2007 the City created a Tax Increment Financing (TIF) district on the east side of the City. The property taxes generated from improvements made to the land will go towards the debt of any future improvements to the City's infrastructure. The TIF district is on the north and south side of East State Street.

***Letter of Transmittal  
For the Year Ended December 31, 2007***

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**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:<br>Principal |
| * Transfers             | Interest                     |

***Letter of Transmittal  
For the Year Ended December 31, 2007***

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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, 2006. 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 seven consecutive years (2000 - 2006). 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, 2007***

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**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.

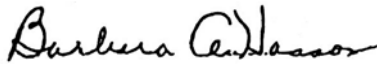
Special acknowledgment is extended to the staff of Donald J. Schonhardt and Associates, Inc., for their continued guidance in the preparation of this report. In addition, our gratitude is extended to Dale Shaffer, local historian, and The Burchfield Homestead Society for their contributions to this report.

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**

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**List of Principal Officials  
For the Year Ended December 31, 2007**

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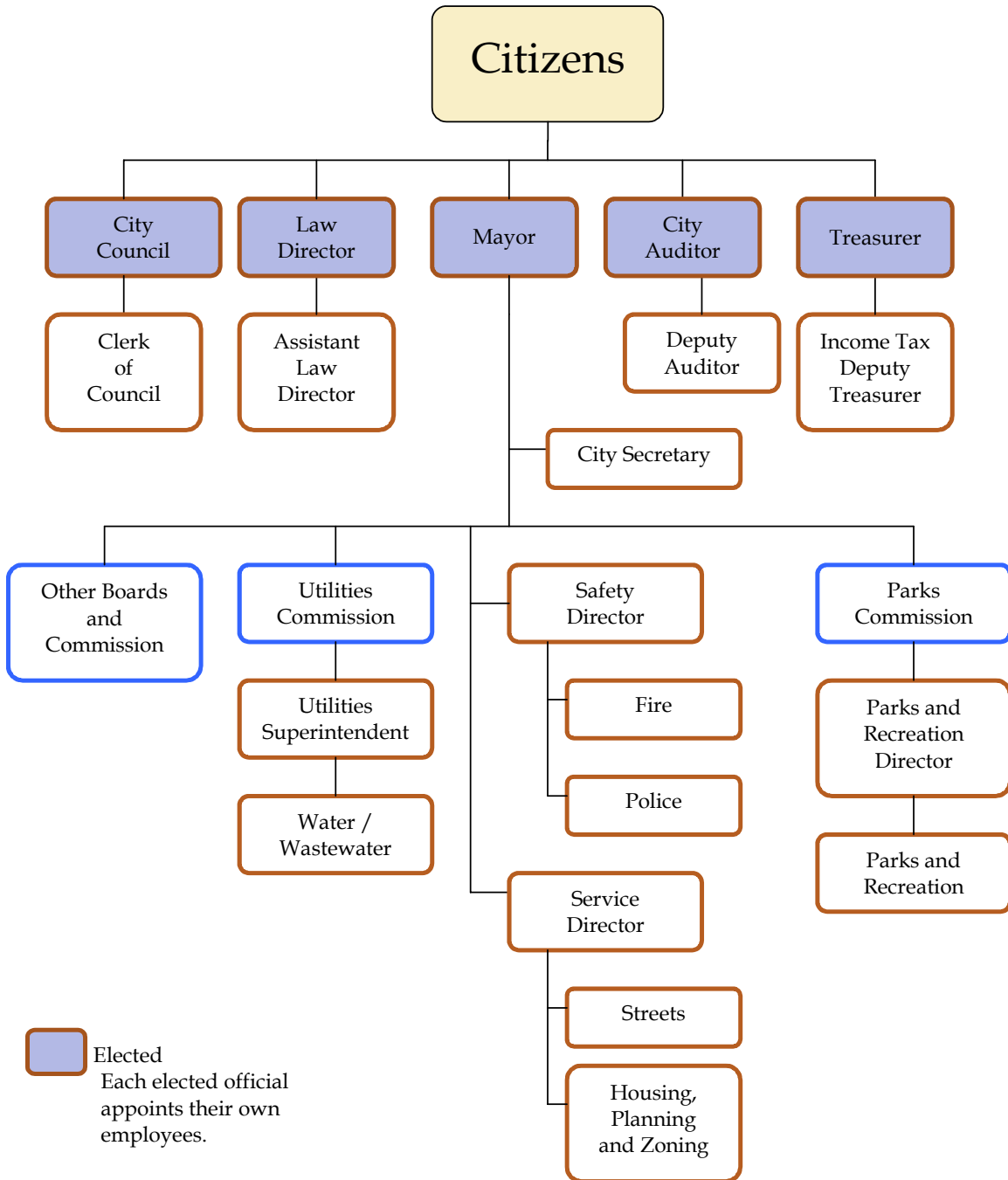
<b><i>ELECTED OFFICIALS</i></b>	<b><i>OFFICE</i></b>	<b><i>TERM EXPIRES</i></b>
Tod Mumpire	President of Council	12/31/09
Mary Lou Popa	Council Member - Ward 1	12/31/07
Steven Andres	Council Member - Ward 2	12/31/07
Greg Oesch	Council Member - Ward 3	12/31/07
Walter Bezeredi	Council Member - Ward 4	12/31/07
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

<b><i>ADMINISTRATIVE PERSONNEL</i></b>	<b><i>TITLE</i></b>	<b><i>TERM OF OFFICE</i></b>
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, 2007**



**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, 2006

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.



*Chloe S. Cox*

President

*Jeffrey R. Emmer*

Executive Director



## *FINANCIAL SECTION*

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# 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, 2007, 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, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General, Municipal Income Tax, and Parks 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 19, 2008, 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

June 19, 2008

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, 2007. 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 2007 are as follows:

- ❑ In total, net assets decreased \$340,680. Net assets of governmental activities decreased \$1,256,476, which represents a 6% decrease from 2006. Net assets of business-type activities increased \$915,796 or 3% from 2006.
- ❑ General revenues accounted for \$6,774,040 in revenue or 59% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,681,799, or 41% of total revenues of \$11,455,839.
- ❑ The City had \$8,018,361 in expenses related to governmental activities; only \$924,000 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$6,752,921 and net assets were adequate to provide for these programs.
- ❑ The general fund had \$4,762,274 in revenues and other financing sources and \$5,184,171 in expenditures and other financing uses. The general fund's fund balance decreased from \$1,022,812 to \$601,505.

## **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, 2007***

***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 Assets and Liabilities.

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

**The following table provides a summary of the City's net assets for 2007 compared to 2006.**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$5,811,499	\$6,056,762	\$15,861,444	\$14,262,371	\$21,672,943	\$20,319,133
Capital assets, Net	19,003,676	19,969,052	17,713,203	18,340,436	36,716,879	38,309,488
Total assets	24,815,175	26,025,814	33,574,647	32,602,807	58,389,822	58,628,621
Long-term debt outstanding	4,023,740	3,158,856	315,781	326,345	4,339,521	3,485,201
Other liabilities	2,017,311	2,836,358	184,857	118,249	2,202,168	2,954,607
Total liabilities	6,041,051	5,995,214	500,638	444,594	6,541,689	6,439,808
Net assets						
Invested in capital assets, net of related debt	14,483,970	15,852,058	17,456,953	18,063,686	31,940,923	33,915,744
Restricted	1,923,915	1,970,727	0	0	1,923,915	1,970,727
Unrestricted	2,366,239	2,207,815	15,617,056	14,094,527	17,983,295	16,302,342
Total net assets	\$18,774,124	\$20,030,600	\$33,074,009	\$32,158,213	\$51,848,133	\$52,188,813

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**Management's Discussion and Analysis  
For the Year Ended December 31, 2007**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for 2007 compared to 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for Services and Sales	\$177,900	\$192,141	\$3,757,799	\$4,118,558	\$3,935,699	\$4,310,699
Operating Grants and Contributions	746,100	1,323,331	0	0	746,100	1,323,331
Total Program Revenues	924,000	1,515,472	3,757,799	4,118,558	4,681,799	5,634,030
General revenues:						
Property Taxes	1,233,259	1,125,110	0	0	1,233,259	1,125,110
Income Taxes	4,005,682	4,010,806	0	0	4,005,682	4,010,806
Other Local Taxes	66,338	67,043	0	0	66,338	67,043
Intergovernmental Revenues, Unrestricted	508,737	583,484	0	0	508,737	583,484
Investment Earnings	829,319	772,133	21,119	22,033	850,438	794,166
Miscellaneous	109,586	71,172	0	0	109,586	71,172
Total General Revenues	6,752,921	6,629,748	21,119	22,033	6,774,040	6,651,781
Total Revenues	7,676,921	8,145,220	3,778,918	4,140,591	11,455,839	12,285,811
Program Expenses						
Security of Persons and Property	3,672,803	3,569,615	0	0	3,672,803	3,569,615
Leisure Time Activities	560,188	386,183	0	0	560,188	386,183
Community Environment	441,002	488,304	0	0	441,002	488,304
Transportation	1,943,913	1,421,650	0	0	1,943,913	1,421,650
General Government	1,181,181	1,142,076	0	0	1,181,181	1,142,076
Interest and Fiscal Charges	219,274	163,843	0	0	219,274	163,843
Water	0	0	1,939,956	1,760,567	1,939,956	1,760,567
Wastewater	0	0	1,838,202	1,995,000	1,838,202	1,995,000
Total expenses	8,018,361	7,171,671	3,778,158	3,755,567	11,796,519	10,927,238
Change in Net Assets before transfers	(341,440)	973,549	760	385,024	(340,680)	1,358,573
Transfers	(915,036)	(714,367)	915,036	714,367	0	0
Total Change in Net Assets	(1,256,476)	259,182	915,796	1,099,391	(340,680)	1,358,573
Beginning Net Assets	20,030,600	19,771,418	32,158,213	31,058,822	52,188,813	50,830,240
Ending Net Assets	\$18,774,124	\$20,030,600	\$33,074,009	\$32,158,213	\$51,848,133	\$52,188,813

**Governmental Activities**

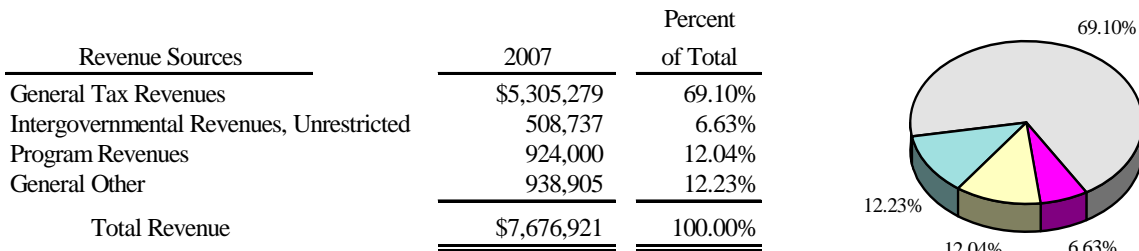
Net assets of the City's governmental activities decreased \$1,256,476 or 6% from 2006. Operating grants and contributions decreased significantly due to decreases in community housing improvement grants. Property taxes increased due to tax increment financing tax collections. Unrestricted intergovernmental revenues decreased due to decreases in estate taxes. Expenditures for leisure time activities increased due to parking lot improvements at the park. Expenditures for transportation increased due to the summer street maintenance program.



***Management's Discussion and Analysis  
For the Year Ended December 31, 2007***

***Unaudited***

Income taxes and property taxes made up 52% and 16% respectively of revenues for governmental activities for the City in fiscal year 2007. The City's reliance upon tax revenues is demonstrated by the following graph indicating 69% of total revenues from general tax revenues:



***Business-Type Activities***

Net assets of the business-type activities increased \$915,796. Charges for Services and Sales decreased nearly 10% due to the loss of the prison water contract. Expenses decreased slightly which led to an overall increase in net assets that was consistent with the prior year.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$2,664,224, which is an increase from last year's balance of \$1,904,279. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2007 and 2006:

	Fund Balance/(Deficit) December 31, 2007	Fund Balance/(Deficit) December 31, 2006	Increase (Decrease)
General	\$601,505	\$1,022,812	(\$421,307)
Municipal Income Tax	770,311	536,326	233,985
Parks	298,970	335,789	(36,819)
Tax Increment Financing	(32,385)	(627,227)	594,842
Other Governmental	1,025,823	636,579	389,244
Total	<u>\$2,664,224</u>	<u>\$1,904,279</u>	<u>\$759,945</u>

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007****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:

	2007	2006	Increase
	<u>Revenues</u>	<u>Revenues</u>	<u>(Decrease)</u>
Taxes	\$657,442	\$692,149	(\$34,707)
Intergovernmental Revenues	493,809	503,536	(9,727)
Charges for Services	64,559	63,373	1,186
Licenses and Permits	134,987	135,744	(757)
Investment Earnings	709,459	687,577	21,882
Special Assessments	1,668	3,471	(1,803)
Fines and Forfeitures	20,228	22,738	(2,510)
All Other Revenue	4,777	11,617	(6,840)
Total	<u>\$2,086,929</u>	<u>\$2,120,205</u>	<u>(\$33,276)</u>

General Fund revenues remained very stable in 2007 decreasing approximately 2% when compared to revenues in fiscal year 2006. Decreases in estate taxes resulted in the decrease in tax revenues.

	2007	2006	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$3,076,610	\$2,957,254	\$119,356
Community Environment	171,085	169,687	1,398
Transportation	8,459	23,135	(14,676)
General Government	948,025	930,384	17,641
Total	<u>\$4,204,179</u>	<u>\$4,080,460</u>	<u>\$123,719</u>

General Fund expenditures in 2007 increased \$123,719, or 3%. Increases in salaries, overtime pay, materials and supplies contributed to the increase in security of persons and property. A city-wide leaf clean up in 2006 was not repeated in 2007, causing a substantial decrease in transportation.

Municipal Income Tax Fund – The City's Municipal Income Tax Fund balance increased significantly from 2006 to 2007. This increase was mainly the result of decreases in the amount of income tax revenues being transferred out to other funds.

Parks Fund – The Parks Fund balance decreased 11% due mostly to increases in expenditures for park improvements.

***Management's Discussion and Analysis  
For the Year Ended December 31, 2007***

***Unaudited***

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Tax Increment Financing Fund – The TIF fund balance increased significantly due to a general obligation bond issuance.

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 2007 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$2.2 million was not significantly different than original budget estimates of \$2.0 million. Actual budget basis revenue of \$2.2 million was not significantly different from final budget estimates.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal 2007 the City had \$36,716,879 net of accumulated depreciation invested in land, buildings, improvements, machinery, equipment and vehicles. Of this total, \$19,003,676 was related to governmental activities and \$17,713,203 to the business-type activities. The following table shows fiscal year 2007 and 2006 balances:

	Governmental Activities		Increase (Decrease)
	2007	2006	
Land	\$4,518,253	\$4,397,703	\$120,550
Construction In Progress	498,426	1,232,670	(734,244)
Buildings	2,274,772	2,274,772	0
Improvements Other Than Buildings	711,242	711,242	0
Machinery and Equipment	3,237,534	3,218,609	18,925
Infrastructure	21,172,055	20,648,997	523,058
Less: Accumulated Depreciation	(13,408,606)	(12,514,941)	(893,665)
Totals	<u>\$19,003,676</u>	<u>\$19,969,052</u>	<u>(\$965,376)</u>

An increase in infrastructure was the result of TIF land improvements at Home Depot and storm water upgrades at Centennial Park.

**Management's Discussion and Analysis  
For the Year Ended December 31, 2007**

**Unaudited**

	Business-Type Activities		Increase (Decrease)
	2007	2006	
Land	\$564,419	\$564,419	\$0
Construction in Progress	644,891	739,361	(94,470)
Buildings	18,918,671	18,918,671	0
Improvements Other Than Buildings	102,073	102,073	0
Machinery and Equipment	7,898,893	7,850,315	48,578
Infrastructure	9,068,360	8,729,579	338,781
Less: Accumulated Depreciation	(19,484,104)	(18,563,982)	(920,122)
Totals	<u>\$17,713,203</u>	<u>\$18,340,436</u>	<u>(\$627,233)</u>

A water main extension project at Georgetown Road and water and sewer main extension projects at Cunningham Road contributed to the increase in infrastructure. Additional information on the City's capital assets can be found in Note 8.

**Debt**

At December 31, 2007, the City had \$3.3 million in General Obligation bonds outstanding, \$115,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2007 and 2006:

	2007	2006
Governmental Activities:		
General Obligation Bonds	\$3,329,870	\$2,400,201
Special Assessment Bond	80,000	100,000
Ohio Public Works Commission Loans	399,836	434,621
Capital Lease Payable	0	7,172
Compensated Absences	214,034	216,862
Total Governmental Activities	<u>4,023,740</u>	<u>3,158,856</u>
Business-Type Activities:		
Ohio Public Works Commission Loan	256,250	276,750
Compensated Absences	59,531	49,595
Total Business-Type Activities	<u>315,781</u>	<u>326,345</u>
Totals	<u>\$4,339,521</u>	<u>\$3,485,201</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, 2007, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

**ECONOMIC FACTORS**

During these volatile economic times over the last several 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 2007 averaged out to be 7%. Income tax receipts for 2007 were up 1.6% year to date. In 2007, 75% of tax receipts go to the General Fund, and 25% 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.

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**CITY OF SALEM, OHIO**

**Statement of Net Assets  
December 31, 2007**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,821,468	\$ 4,109,294	\$ 6,930,762
Investments	0	10,700,000	10,700,000
Receivables:			
Taxes	1,677,378	0	1,677,378
Accounts	32,372	483,989	516,361
Intergovernmental	872,892	0	872,892
Interest	174,536	0	174,536
Special Assessments	62,618	344,446	407,064
Inventory of Supplies	117,207	188,722	305,929
Prepaid Items	53,028	34,993	88,021
Non-Depreciable Capital Assets	5,016,679	1,209,310	6,225,989
Depreciable Capital Assets, Net	<u>13,986,997</u>	<u>16,503,893</u>	<u>30,490,890</u>
<b>Total Assets</b>	<u>24,815,175</u>	<u>33,574,647</u>	<u>58,389,822</u>
<b>Liabilities:</b>			
Accounts Payable	67,701	115,031	182,732
Accrued Wages and Benefits	274,459	69,826	344,285
Due to Others	933	0	933
Unearned Revenue	933,996	0	933,996
Accrued Interest Payable	22,428	0	22,428
General Obligation Notes Payable	710,000	0	710,000
Compensated Absences Payable	7,794	0	7,794
Long Term Liabilities:			
Amounts due in less than one year	268,140	34,771	302,911
Amounts due in more than one year	<u>3,755,600</u>	<u>281,010</u>	<u>4,036,610</u>
<b>Total Liabilities</b>	<u>6,041,051</u>	<u>500,638</u>	<u>6,541,689</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	14,483,970	17,456,953	31,940,923
Restricted For:			
Capital Projects	269,348	0	269,348
Debt Service	101,403	0	101,403
Street Improvements	392,033	0	392,033
Parks	351,647	0	351,647
Law Enforcement	256,144	0	256,144
Community Environment	505,510	0	505,510
Other Purposes	47,830	0	47,830
Unrestricted	<u>2,366,239</u>	<u>15,617,056</u>	<u>17,983,295</u>
<b>Total Net Assets</b>	<u>\$ 18,774,124</u>	<u>\$ 33,074,009</u>	<u>\$ 51,848,133</u>

See accompanying notes to the basic financial statements

**CITY OF SALEM, OHIO**

**Statement of Activities  
For the Year Ended December 31, 2007**

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Security of Persons and Property	\$ 3,672,803	\$ 3,048	\$ 59,612
Leisure Time Activities	560,188	14,320	0
Community Environment	441,002	75,552	58,500
Transportation	1,943,913	316	627,988
General Government	1,181,181	84,664	0
Interest and Fiscal Charges	219,274	0	0
<b>Total Governmental Activities</b>	<b>8,018,361</b>	<b>177,900</b>	<b>746,100</b>
<b>Business-Type Activities:</b>			
Water	1,939,956	1,441,260	0
Wastewater	1,838,202	2,316,539	0
<b>Total Business-Type Activities</b>	<b>3,778,158</b>	<b>3,757,799</b>	<b>0</b>
<b>Totals</b>	<b>\$ 11,796,519</b>	<b>\$ 3,935,699</b>	<b>\$ 746,100</b>

**General Revenues**

Property Taxes Levied for:

General Purposes

Special Purposes

Capital Outlay

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

Net Assets End of Year

See accompanying notes to the basic financial statements



**CITY OF SALEM, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,610,143)	\$ 0	\$ (3,610,143)
(545,868)	0	(545,868)
(306,950)	0	(306,950)
(1,315,609)	0	(1,315,609)
(1,096,517)	0	(1,096,517)
(219,274)	0	(219,274)
<u>(7,094,361)</u>	<u>0</u>	<u>(7,094,361)</u>
0	(498,696)	(498,696)
<u>0</u>	<u>478,337</u>	<u>478,337</u>
<u>0</u>	<u>(20,359)</u>	<u>(20,359)</u>
<u>(7,094,361)</u>	<u>(20,359)</u>	<u>(7,114,720)</u>
667,066	0	667,066
511,086	0	511,086
55,107	0	55,107
4,005,682	0	4,005,682
66,338	0	66,338
508,737	0	508,737
829,319	21,119	850,438
109,586	0	109,586
<u>(915,036)</u>	<u>915,036</u>	<u>0</u>
<u>5,837,885</u>	<u>936,155</u>	<u>6,774,040</u>
(1,256,476)	915,796	(340,680)
<u>20,030,600</u>	<u>32,158,213</u>	<u>52,188,813</u>
<u>\$ 18,774,124</u>	<u>\$ 33,074,009</u>	<u>\$ 51,848,133</u>

**CITY OF SALEM, OHIO**

**Balance Sheet  
Governmental Funds  
December 31, 2007**

	General	Municipal Income Tax	Parks
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 540,218	\$ 264,997	\$ 308,371
Receivables:			
Taxes	559,661	609,929	373,028
Accounts	32,372	0	0
Intergovernmental	245,874	0	13,781
Interest	174,536	0	0
Special Assessments	0	0	0
Interfund Loans Receivable	0	0	0
Inventory of Supplies	68,638	0	0
Prepaid Items	49,436	471	3,121
<b>Total Assets</b>	<b>\$ 1,670,735</b>	<b>\$ 875,397</b>	<b>\$ 698,301</b>
<b>Liabilities:</b>			
Accounts Payable	\$ 19,018	\$ 1,562	\$ 4,578
Accrued Wages and Benefits Payable	157,719	4,267	7,944
Due to Others	933	0	0
Interfund Loans Payable	0	0	0
Deferred Revenue	883,766	99,257	386,809
Compensated Absences Payable	7,794	0	0
Accrued Interest Payable	0	0	0
General Obligation Notes Payable	0	0	0
<b>Total Liabilities</b>	<b>1,069,230</b>	<b>105,086</b>	<b>399,331</b>
<b>Fund Balance:</b>			
Reserved for Encumbrances	31,462	4,681	36,851
Reserved for Prepaid Items	49,436	471	3,121
Reserved for Supplies Inventory	68,638	0	0
Reserved for Debt Service	0	0	0
Undesignated, Unreserved in:			
General Fund	451,969	0	0
Special Revenue Funds	0	765,159	258,998
Capital Projects Funds (Deficit)	0	0	0
<b>Total Fund Balance</b>	<b>601,505</b>	<b>770,311</b>	<b>298,970</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,670,735</b>	<b>\$ 875,397</b>	<b>\$ 698,301</b>

See accompanying notes to the basic financial statements

**CITY OF SALEM, OHIO**

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Tax Increment Financing	Other Governmental Funds	Total Governmental Funds
\$ 682,711	\$ 1,025,171	\$ 2,821,468
0	134,760	1,677,378
0	0	32,372
0	613,237	872,892
0	0	174,536
0	62,618	62,618
0	162	162
0	48,569	117,207
0	0	53,028
<u>\$ 682,711</u>	<u>\$ 1,884,517</u>	<u>\$ 5,811,661</u>
\$ 0	\$ 42,543	\$ 67,701
0	104,529	274,459
0	0	933
0	162	162
0	711,460	2,081,292
0	0	7,794
5,096	0	5,096
710,000	0	710,000
<u>715,096</u>	<u>858,694</u>	<u>3,147,437</u>
655,892	380,035	1,108,921
0	0	53,028
0	48,569	117,207
0	28,981	28,981
0	0	451,969
0	373,399	1,397,556
(688,277)	194,839	(493,438)
<u>(32,385)</u>	<u>1,025,823</u>	<u>2,664,224</u>
<u>\$ 682,711</u>	<u>\$ 1,884,517</u>	<u>\$ 5,811,661</u>

**CITY OF SALEM, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2007***

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**Total Governmental Fund Balances** \$ 2,664,224

***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. 19,003,676

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds. 1,147,296

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	(3,205,000)
Premium on Bonds Issued	(124,870)
Special Assessment Bonds Payable	(80,000)
Compensated Absences Payable	(214,034)
OPWC Loan Payable	(399,836)
Accrued Interest Payable	(17,332)

(4,041,072)

***Net Assets of Governmental Activities***

\$ 18,774,124

See accompanying notes to the basic financial statements

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**CITY OF SALEM, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007**

	General	Municipal Income Tax	Parks
<b>Revenues:</b>			
Taxes	\$ 657,442	\$ 3,952,723	\$ 379,968
Intergovernmental Revenues	493,809	0	28,662
Charges for Services	64,559	0	8,544
Licenses and Permits	134,987	0	0
Investment Earnings	709,459	0	0
Special Assessments	1,668	0	0
Fines and Forfeitures	20,228	0	0
All Other Revenue	4,777	0	39,477
<b>Total Revenue</b>	<b>2,086,929</b>	<b>3,952,723</b>	<b>456,651</b>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	3,076,610	0	0
Leisure Time Activities	0	0	493,470
Community Environment	171,085	0	0
Transportation	8,459	0	0
General Government	948,025	207,006	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>4,204,179</b>	<b>207,006</b>	<b>493,470</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,117,250)	3,745,717	(36,819)
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	0	0	0
General Obligation Bonds Issued	0	0	0
Premium on Bonds Issued	0	0	0
Transfers In	2,675,345	0	0
Transfers Out	(979,992)	(3,511,732)	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,695,353</b>	<b>(3,511,732)</b>	<b>0</b>
Net Change in Fund Balance	(421,897)	233,985	(36,819)
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>1,022,812</b>	<b>536,326</b>	<b>335,789</b>
Increase (Decrease) in Inventory Reserve	590	0	0
<b>Fund Balance (Deficit) End of Year</b>	<b>\$ 601,505</b>	<b>\$ 770,311</b>	<b>\$ 298,970</b>

See accompanying notes to the basic financial statements

**CITY OF SALEM, OHIO**

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Tax Increment Financing	Other Governmental Funds	Total Governmental Funds
\$ 55,107	\$ 143,640	\$ 5,188,880
0	1,054,088	1,576,559
0	316	73,419
0	5,776	140,763
0	14,189	723,648
0	18,667	20,335
0	1,257	21,485
0	65,332	109,586
<u>55,107</u>	<u>1,303,265</u>	<u>7,854,675</u>
0	453,150	3,529,760
0	17,220	510,690
0	268,839	439,924
0	761,285	769,744
691	0	1,155,722
15,265	635,972	651,237
0	139,785	139,785
<u>89,196</u>	<u>126,682</u>	<u>215,878</u>
<u>105,152</u>	<u>2,402,933</u>	<u>7,412,740</u>
(50,045)	(1,099,668)	441,935
0	2,180	2,180
985,000	0	985,000
34,680	0	34,680
0	1,696,548	4,371,893
<u>(374,793)</u>	<u>(196,412)</u>	<u>(5,062,929)</u>
<u>644,887</u>	<u>1,502,316</u>	<u>330,824</u>
594,842	402,648	772,759
(627,227)	636,579	1,904,279
0	(13,404)	(12,814)
<u>\$ (32,385)</u>	<u>\$ 1,025,823</u>	<u>\$ 2,664,224</u>

**CITY OF SALEM, OHIO**

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***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, 2007***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 772,759

***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 depreciation expense exceeded capital outlay in the current period.

Capital Outlay	188,361	
Depreciation Expense	<u>(924,903)</u>	(736,542)

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.		(4,834)
--	--	---------

This is the amount of assets transferred from Governmental Activities to the Business Type Activities.		(224,000)
--	--	-----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(177,754)
--	--	-----------

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 debt principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Governmental Activities.

General Obligation Bond Issuance	(985,000)	
General Obligation Bond Premium	(34,680)	
General Obligation Bond Principal Payment	85,000	
Bond Premium Amortization	5,011	
Special Assessment Bond Principal Payment	20,000	
OPWC Loan Principal Payment	34,785	
Capital Lease Principal Payment	<u>7,172</u>	(867,712)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(8,407)
--	--	---------

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	2,828	
Change in Inventory	<u>(12,814)</u>	<u>(9,986)</u>

<b><i>Change in Net Assets of Governmental Activities</i></b>		<b><u><u>\$ (1,256,476)</u></u></b>
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See accompanying notes to the basic financial statements



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**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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 648,098	\$ 698,500	\$ 675,007	\$ (23,493)
Intergovernmental Revenue	379,024	408,500	480,984	72,484
Charges for Services	59,150	63,750	63,672	(78)
Licenses and Permits	127,300	137,200	134,280	(2,920)
Investment Earnings	788,169	849,464	790,009	(59,455)
Special Assessments	3,247	3,500	1,668	(1,832)
Fines and Forfeitures	21,340	23,000	20,439	(2,561)
All Other Revenues	6,506	7,010	4,946	(2,064)
Total Revenues	<u>2,032,834</u>	<u>2,190,924</u>	<u>2,171,005</u>	<u>(19,919)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	3,140,764	3,181,570	3,095,366	86,204
Community Environment	199,355	201,945	187,836	14,109
Transportation	38,398	38,897	8,134	30,763
General Government	1,005,517	1,018,581	941,357	77,224
Total Expenditures	<u>4,384,034</u>	<u>4,440,993</u>	<u>4,232,693</u>	<u>208,300</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,351,200)	(2,250,069)	(2,061,688)	188,381
<b>Other Financing Sources (Uses):</b>				
Transfers In	2,685,700	2,685,700	2,705,345	19,645
Transfers Out	(1,105,295)	(1,105,295)	(1,009,992)	95,303
Total Other Financing Sources (Uses):	<u>1,580,405</u>	<u>1,580,405</u>	<u>1,695,353</u>	<u>114,948</u>
Net Change in Fund Balance	(770,795)	(669,664)	(366,335)	303,329
Fund Balance at Beginning of Year	809,599	809,599	809,599	0
Prior Year Encumbrances	46,475	46,475	46,475	0
Fund Balance at End of Year	<u>\$ 85,279</u>	<u>\$ 186,410</u>	<u>\$ 489,739</u>	<u>\$ 303,329</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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 3,750,000	\$ 3,955,000	\$ 3,983,037	\$ 28,037
Total Revenues	<u>3,750,000</u>	<u>3,955,000</u>	<u>3,983,037</u>	<u>28,037</u>
<b>Expenditures:</b>				
General Government	208,054	222,154	212,551	9,603
Total Expenditures	<u>208,054</u>	<u>222,154</u>	<u>212,551</u>	<u>9,603</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,541,946	3,732,846	3,770,486	37,640
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(3,546,900)	(3,546,900)	(3,511,732)	35,168
Total Other Financing Sources (Uses)	<u>(3,546,900)</u>	<u>(3,546,900)</u>	<u>(3,511,732)</u>	<u>35,168</u>
Net Change in Fund Balance	(4,954)	185,946	258,754	72,808
Fund Balance at Beginning of Year	(6,178)	(6,178)	(6,178)	0
Prior Year Encumbrances	6,178	6,178	6,178	0
Fund Balance at End of Year	<u>\$ (4,954)</u>	<u>\$ 185,946</u>	<u>\$ 258,754</u>	<u>\$ 72,808</u>

See accompanying notes to the basic financial statements

**CITY OF SALEM, OHIO**

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**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, 2007**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 367,475	\$ 388,070	\$ 390,235	\$ 2,165
Intergovernmental Revenues	28,408	30,000	28,662	(1,338)
Charges for Services	11,108	11,731	8,544	(3,187)
All Other Revenues	39,080	41,270	39,477	(1,793)
Total Revenues	<u>446,071</u>	<u>471,071</u>	<u>466,918</u>	<u>(4,153)</u>
<b>Expenditures:</b>				
Leisure Time Activities	<u>622,297</u>	<u>632,397</u>	<u>531,350</u>	<u>101,047</u>
Total Expenditures	<u>622,297</u>	<u>632,397</u>	<u>531,350</u>	<u>101,047</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(176,226)	(161,326)	(64,432)	96,894
Fund Balance at Beginning of Year	164,919	164,919	164,919	0
Prior Year Encumbrances	<u>166,456</u>	<u>166,456</u>	<u>166,456</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 155,149</u>	<u>\$ 170,049</u>	<u>\$ 266,943</u>	<u>\$ 96,894</u>

See accompanying notes to the basic financial statements

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**CITY OF SALEM, OHIO**

**Statement of Net Assets  
Proprietary Funds  
December 31, 2007**

	Water	Wastewater	Total
<b>Assets:</b>			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 56,111	\$ 4,053,183	\$ 4,109,294
Investments	4,522,000	6,178,000	10,700,000
<i>Receivables:</i>			
Accounts	195,128	288,861	483,989
Special Assessments	0	344,446	344,446
Inventory of Supplies at Cost	184,410	4,312	188,722
Prepaid Items	17,497	17,496	34,993
<b>Total Current Assets</b>	<b>4,975,146</b>	<b>10,886,298</b>	<b>15,861,444</b>
<i>Noncurrent Assets:</i>			
Non-Depreciable Capital Assets	618,562	590,748	1,209,310
Depreciable Capital Assets, Net	7,796,189	8,707,704	16,503,893
<b>Total Noncurrent Assets</b>	<b>8,414,751</b>	<b>9,298,452</b>	<b>17,713,203</b>
<b>Total Assets</b>	<b>13,389,897</b>	<b>20,184,750</b>	<b>33,574,647</b>
<b>Liabilities:</b>			
<i>Current Liabilities:</i>			
Accounts Payable	65,613	49,418	115,031
Accrued Wages and Benefits	36,292	33,534	69,826
Compensated Absences Payable - Current	8,503	5,768	14,271
OPWC Loans Payable - Current	20,500	0	20,500
<b>Total Current Liabilities</b>	<b>130,908</b>	<b>88,720</b>	<b>219,628</b>
<i>Noncurrent Liabilities:</i>			
OPWC Loans Payable	235,750	0	235,750
Compensated Absences Payable	20,969	24,291	45,260
<b>Total Noncurrent Liabilities</b>	<b>256,719</b>	<b>24,291</b>	<b>281,010</b>
<b>Total Liabilities</b>	<b>387,627</b>	<b>113,011</b>	<b>500,638</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	8,158,501	9,298,452	17,456,953
Unrestricted	4,843,769	10,773,287	15,617,056
<b>Total Net Assets</b>	<b>\$ 13,002,270</b>	<b>\$ 20,071,739</b>	<b>\$ 33,074,009</b>

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, 2007**

	Water	Wastewater	Total
<b>Operating Revenues:</b>			
Charges for Services	\$ 1,385,066	\$ 2,271,149	\$ 3,656,215
Other Operating Revenue	56,194	6,074	62,268
<b>Total Operating Revenues</b>	<b>1,441,260</b>	<b>2,277,223</b>	<b>3,718,483</b>
<b>Operating Expenses:</b>			
Personal Services	720,091	793,458	1,513,549
Contractual Services	456,462	451,544	908,006
Materials and Supplies	246,277	186,935	433,212
Depreciation	514,627	405,495	920,122
<b>Total Operating Expenses</b>	<b>1,937,457</b>	<b>1,837,432</b>	<b>3,774,889</b>
Operating Income (Loss)	(496,197)	439,791	(56,406)
<b>Nonoperating Revenue (Expenses):</b>			
Investment Earnings	0	21,119	21,119
Other Nonoperating Revenue	0	39,316	39,316
Other Nonoperating Expense	(2,499)	(770)	(3,269)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(2,499)</b>	<b>59,665</b>	<b>57,166</b>
Income (Loss) Before Transfers and Contributions	(498,696)	499,456	760
<b>Transfers and Contributions:</b>			
Transfers In	222,163	468,873	691,036
Capital Contributions	194,000	30,000	224,000
<b>Total Transfers and Contributions</b>	<b>416,163</b>	<b>498,873</b>	<b>915,036</b>
Change in Net Assets	(82,533)	998,329	915,796
Net Assets Beginning of Year	13,084,803	19,073,410	32,158,213
Net Assets End of Year	<u>\$ 13,002,270</u>	<u>\$ 20,071,739</u>	<u>\$ 33,074,009</u>

See accompanying notes to the basic financial statements

**CITY OF SALEM, OHIO**

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**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2007**

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	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,508,811	\$2,366,776	\$3,875,587
Cash Payments for Goods and Services	(702,265)	(653,084)	(1,355,349)
Cash Payments to Employees	(708,033)	(783,626)	(1,491,659)
Net Cash Provided by Operating Activities	<u>98,513</u>	<u>930,066</u>	<u>1,028,579</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	348,344	2,283,843	2,632,187
Transfers Out to Other Funds	(126,181)	(1,814,970)	(1,941,151)
Net Cash Provided by Noncapital Financing Activities	<u>222,163</u>	<u>468,873</u>	<u>691,036</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(2,678)	(35,618)	(38,296)
Principal Paid on Ohio Public Works Commission Loan	(20,500)	0	(20,500)
Net Cash Used for Capital and Related Financing Activities	<u>(23,178)</u>	<u>(35,618)</u>	<u>(58,796)</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	(3,402,000)	(168,000)	(3,570,000)
Receipt of Interest	0	21,119	21,119
Net Cash Used by Investing Activities	<u>(3,402,000)</u>	<u>(146,881)</u>	<u>(3,548,881)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,104,502)	1,216,440	(1,888,062)
Cash and Cash Equivalents at Beginning of Year	<u>3,160,613</u>	<u>2,836,743</u>	<u>5,997,356</u>
Cash and Cash Equivalents at End of Year	<u>\$56,111</u>	<u>\$4,053,183</u>	<u>\$4,109,294</u>

(Continued)



**CITY OF SALEM, OHIO**

	Water	Wastewater	Totals
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income (Loss)	(496,197)	439,791	(\$56,406)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation Expense	514,627	405,495	920,122
Miscellaneous Nonoperating Revenue	0	39,316	39,316
Miscellaneous Nonoperating Expense	(2,499)	(770)	(3,269)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	67,551	37,784	105,335
Increase in Inventory	(21,332)	(2,280)	(23,612)
Increase in Prepaid Items	(5,656)	(5,655)	(11,311)
Decrease in Special Assessments Receivable	0	12,453	12,453
Increase (Decrease) in Accounts Payable	29,961	(5,900)	24,061
Increase in Accrued Wages and Benefits	5,643	6,311	11,954
Increase in Compensated Absences	6,415	3,521	9,936
Total Adjustments	<u>594,710</u>	<u>490,275</u>	<u>1,084,985</u>
Net Cash Provided by Operating Activities	<u>\$98,513</u>	<u>\$930,066</u>	<u>\$1,028,579</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2007 the Water and Wastewater Funds had outstanding liabilities of \$13,393 and \$17,200 respectively for certain capital assets. During 2007 the Water and Wastewater Funds received capital contributions from Governmental Activities of \$194,000 and \$30,000 respectively.

See accompanying notes to the basic financial statements

***Statement of Assets and Liabilities  
Fiduciary Funds  
December 31, 2007***

---

	Total Agency Funds
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 37,144
<b>Total Assets</b>	<u>37,144</u>
<b>Liabilities:</b>	
Due to Others	37,144
<b>Total Liabilities</b>	<u>\$ 37,144</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

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**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, 2007 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, 2007***

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**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.

Tax Increment Financing Fund – To account for City improvement projects financed by implementing tax increment financing.

***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, 2007***

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**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, 2007***

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**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, 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, 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, 2007 but which are not intended to finance 2007 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

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, 2007***

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**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, 2007***

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**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 2007.

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 2007, 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, 2007**

**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
GAAP Basis (as reported)	(\$421,897)	\$233,985	(\$36,819)
Increase (Decrease):			
Accrued Revenues at December 31, 2007 received during 2008	(128,677)	(510,672)	0
Accrued Revenues at December 31, 2006 received during 2007	212,584	540,986	10,267
Accrued Expenditures at December 31, 2007 paid during 2008	184,662	5,829	12,523
Accrued Expenditures at December 31, 2006 paid during 2007	(146,424)	(7,067)	(7,586)
2006 Prepays for 2007	33,333	2,407	1,733
2007 Prepays for 2008	(49,436)	(471)	(3,121)
Outstanding Encumbrances	(50,480)	(6,243)	(41,429)
Budget Basis	<u>(\$366,335)</u>	<u>\$258,754</u>	<u>(\$64,432)</u>

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

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**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 3, "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 2007. 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, 2007.

**H. Inventory**

On the government-wide financial statements and in the proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2007, 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.

**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, 2007***

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**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
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, 2007***

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**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.

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. For governmental funds, the 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, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the Government-wide Statements under Long-term Liabilities.

Compensated absences are expensed in the Water and Wastewater Funds when earned, and the related liability is reported within the fund.

**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.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 2007.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

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**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

The fund deficits at December 31, 2007 of \$44,723 in the Police Pension Fund and \$38,994 in the Fire Pension 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 deficit of \$32,385 in the Tax Increment Financing Fund (capital projects fund) is the result of recording notes payable amounts in the individual fund balance sheet.

**NOTE 3 - 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;

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

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**NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- 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 \$10,725,713 and the bank balance was \$10,882,751. Federal depository insurance covered \$500,000 of the bank balance and \$10,382,751 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$10,382,751</u>
Total Balance	<u><u>\$10,382,751</u></u>



**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

**NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**B. Investments**

The City's investments at December 31, 2007 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years) less than 1</u>
STAR Ohio	\$4,642,000	AAAm <sup>1</sup>	\$4,642,000
Repurchase Agreement	<u>2,300,193</u>	N/A	<u>2,300,193</u>
Total Investments	<u>\$6,942,193</u>		<u>\$6,942,193</u>

<sup>1</sup> Standard & Poor's

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

*Investment Credit Risk* – The City has no investment policy that limits its investment choices other than the limitation of State statute for “interim” funds described previously.

*Custodial Credit Risk* – Of the City's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City. In addition to the requirements of the Ohio Revised Code for custodial credit risk, the City's policy on custodial credit risk dictates that purchased securities shall be held by a third party custodian, designated by the City Treasurer, and the holding and safekeeping of those securities shall be evidenced by safekeeping receipts.

**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:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$6,967,906	\$10,700,000
Certificates of Deposit (with maturities of more than 3 months)	10,700,000	(10,700,000)
Investments:		
STAR Ohio	(4,642,000)	4,642,000
Repurchase Agreements	<u>(2,300,193)</u>	<u>2,300,193</u>
Per GASB Statement No. 3	<u>\$10,725,713</u>	<u>\$6,942,193</u>

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

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**NOTE 4 - 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 2007 were levied after October 1, 2006 on assessed values as of January 1, 2006, 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. In prior years, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25 percent of its true value. As part of a phase out of the personal property tax, the assessment percentage for personal property was reduced to 12.5 percent in 2007. The rate will be reduced to 6.25 percent for 2008 and finally to zero in 2009. 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, 2007 was \$5.40 per \$1,000 of assessed value. The assessed value upon which the 2007 tax receipts were based was \$225,238,610. This amount constitutes \$185,705,000 in real property assessed value, \$5,320,080 in public utility assessed value and \$34,213,530 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, 2007**

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**NOTE 4 - 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 5 - RECEIVABLES**

Receivables at December 31, 2007 consisted of taxes, accounts, interest, special assessments and intergovernmental receivables arising from shared revenues.

**NOTE 6 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2007:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$2,675,345	\$979,992
Municipal Income Tax Fund	0	3,511,732
Tax Increment Financing Fund	0	374,793
Other Governmental Funds	1,696,548	196,412
Total Governmental Funds	4,371,893	5,062,929
Water Fund	222,163	0
Wastewater Fund	468,873	0
Total Proprietary Funds	691,036	0
Totals	<u>\$5,062,929</u>	<u>\$5,062,929</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, 2007**

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES**

The following is a summary of interfund loans receivable and payable for all funds for 2007:

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 8 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2007:

*Historical Cost:*

Class	December 31, 2006	Additions	Deletions	December 31, 2007
<i>Capital assets not being depreciated:</i>				
Land	\$4,397,703	\$120,550	\$0	\$4,518,253
Construction in Progress	1,232,670	133,364	(867,608)	498,426
Subtotal	5,630,373	253,914	(867,608)	5,016,679
<i>Capital assets being depreciated:</i>				
Buildings	2,274,772	0	0	2,274,772
Improvements Other Than Buildings	711,242	0	0	711,242
Machinery and Equipment	3,218,609	54,997	(36,072)	3,237,534
Infrastructure	20,648,997	523,058	0	21,172,055
Subtotal	26,853,620	578,055	(36,072)	27,395,603
Total Cost	\$32,483,993	\$831,969	(\$903,680)	\$32,412,282

*Accumulated Depreciation:*

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings	(\$980,377)	(\$55,854)	\$0	(\$1,036,231)
Improvements Other Than Buildings	(462,512)	(26,607)	0	(489,119)
Machinery and Equipment	(1,897,429)	(208,351)	31,238	(2,074,542)
Infrastructure	(9,174,623)	(634,091)	0	(9,808,714)
Total Depreciation	(\$12,514,941)	(\$924,903) *	\$31,238	(\$13,408,606)
<i>Net Value:</i>	\$19,969,052			\$19,003,676

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

**NOTE 8 - CAPITAL ASSETS (Continued)**

**A. Governmental Activities Capital Assets (Continued)**

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$157,860
Leisure Time Activities	47,727
Community Environment	1,103
Transportation	700,932
General Government	17,281
Total Depreciation Expense	<u>\$924,903</u>

**B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2007:

**Historical Cost:**

Class	December 31, 2006	Additions	Deletions	December 31, 2007
<b>Capital assets not being depreciated:</b>				
Land	\$564,419	\$0	\$0	\$564,419
Construction in Progress	739,361	148,056	(242,526)	644,891
Subtotal	<u>1,303,780</u>	<u>148,056</u>	<u>(242,526)</u>	<u>1,209,310</u>
<b>Capital assets being depreciated:</b>				
Buildings	18,918,671	0	0	18,918,671
Improvements Other Than Buildings	102,073	0	0	102,073
Machinery and Equipment	7,850,315	48,578	0	7,898,893
Infrastructure	8,729,579	338,781	0	9,068,360
Subtotal	<u>35,600,638</u>	<u>387,359</u>	<u>0</u>	<u>35,987,997</u>
Total Cost	<u>\$36,904,418</u>	<u>\$535,415</u>	<u>(\$242,526)</u>	<u>\$37,197,307</u>

**Accumulated Depreciation:**

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings	(\$8,820,145)	(\$567,399)	\$0	(\$9,387,544)
Improvements Other Than Buildings	(87,769)	(1,968)	0	(89,737)
Machinery and Equipment	(7,041,124)	(102,658)	0	(7,143,782)
Infrastructure	(2,614,944)	(248,097)	0	(2,863,041)
Total Depreciation	<u>(\$18,563,982)</u>	<u>(\$920,122)</u>	<u>\$0</u>	<u>(\$19,484,104)</u>
<b>Net Value:</b>	<u>\$18,340,436</u>			<u>\$17,713,203</u>

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

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**NOTE 9 – 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 OPERS, Attention: Finance Director, 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 2007, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.5%. The 2007 employer contribution rate for local government employer units was 13.85%, of covered payroll. From January 1 through June 30, 2007, 8.85% was allocated to fund the pension and 5.0% to fund health care and from July 1, 2007 through December 31, 2007, 7.85% was allocated to fund the pension and 6.0% 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, 2007, 2006, and 2005 were \$324,422 \$309,486 and \$301,386, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

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**NOTE 9 – 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 2007 employer contribution rate (identified above) that was used to fund health care was 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007, of covered payroll which amounted to \$129,030.

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, 2006. 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 2006 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 5% for the next 8 years. In subsequent years (9 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 374,979. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2006 is \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

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**NOTE 9 – 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, 2007, 2006, and 2005 were \$194,742, \$191,346 and \$192,502 for police and \$177,465, \$164,717 and \$174,992 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 2007 covered payroll that was used to fund postemployment health care benefits was \$67,411 representing 6.75% of covered payroll for police and \$49,912 representing 6.75% 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, 2006, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 14,120 for police and 10,563 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, 2006 were \$120,373,722, which was net of member contributions of \$58,532,848.



***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

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**NOTE 10 - 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 Funds at December 31, 2007:

	Balance January 1, 2007	Issued	(Retired)	Balance December 31, 2007
Capital Projects Fund Notes Payable:				
3.950% Various Purpose	\$549,500	\$0	(\$549,500)	\$0
3.950% Various Purpose	625,500	0	(625,500)	0
4.150% Various Purpose	0	1,025,000	(1,025,000)	0
3.800% Street Improvement	0	710,000	0	710,000
Total Notes Payable	<u>\$1,175,000</u>	<u>\$1,735,000</u>	<u>(\$2,200,000)</u>	<u>\$710,000</u>

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS**

Long-term debt and other long-term obligations of the City at December 31, 2007 were as follows:

			Balance December 31, 2006	Additions	Deductions	Balance December 31, 2007	Amount Due Within One Year
<b>Governmental Activities:</b>							
General Obligation Bonds:							
3.1-4.15%	Various Purpose	2025	\$2,305,000	\$0	(\$85,000)	\$2,220,000	\$90,000
	Premium		95,201	0	(5,011)	90,190	0
4.0-5.12%	Street Improvement - TIF	2017	0	985,000	0	985,000	25,000
	Premium		0	34,680	0	34,680	0
Total General Obligation Bonds:			2,400,201	1,019,680	(90,011)	3,329,870	115,000
Special Assessment Bond:							
(with governmental commitment)							
6.10%	Street Improvement	2011	100,000	0	(20,000)	80,000	20,000
Ohio Public Works Commission Loans							
0.00%	South East						
	Boulevard Improvement	2018	192,014	0	(17,456)	174,558	17,456
0.00%	Cunningham Road and						
	Bentley Drive Improvement	2021	242,607	0	(17,329)	225,278	17,329
Total Ohio Public Works Commission Loans			434,621	0	(34,785)	399,836	34,785
Capital Leases Payable			7,172	0	(7,172)	0	0
Compensated Absences Payable			216,862	214,034	(216,862)	214,034	98,355
Total Governmental Activities			3,158,856	1,233,714	(368,830)	4,023,740	268,140
<b>Business-Type Activities:</b>							
Ohio Public Works Commission Loan							
0.00%	Stewart Road Elevated	2020	276,750	0	(20,500)	256,250	20,500
	Water Tank						
Compensated Absences			49,595	59,531	(49,595)	59,531	14,271
Total Business-Type Activities			326,345	59,531	(70,095)	315,781	34,771
Totals			\$3,485,201	\$1,293,245	(\$438,925)	\$4,339,521	\$302,911

In 2007 the City issued \$985,000 of General Obligation Bonds. These bonds are tax increment financing bonds and are being used to finance street improvements in the area north and south of East Main Street.

The principal amount of the City's special assessment debt outstanding at December 31, 2007, of \$80,000 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.

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

**NOTE 11 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**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. 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, 2007, the refunded bonds had an outstanding balance of \$2,225,000. 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, 2007. 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, 2007 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
2008	\$115,000	\$150,558	\$34,785	\$0	\$20,000	\$4,880	\$20,500	\$0
2009	125,000	141,532	34,785	0	20,000	3,660	20,500	0
2010	140,000	136,982	34,785	0	20,000	2,440	20,500	0
2011	155,000	131,606	34,785	0	20,000	1,220	20,500	0
2012	200,000	125,644	34,785	0	0	0	20,500	0
2013-2017	1,265,000	479,612	173,925	0	0	0	102,500	0
2018-2022	700,000	223,014	51,986	0	0	0	51,250	0
2023-2025	505,000	48,688	0	0	0	0	0	0
Totals	<u>\$3,205,000</u>	<u>\$1,437,636</u>	<u>\$399,836</u>	<u>\$0</u>	<u>\$80,000</u>	<u>\$12,200</u>	<u>\$256,250</u>	<u>\$0</u>

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007***

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**NOTE 12 - 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, 2007, the outstanding bonds have a principal amount payable of \$16,360,000.

**NOTE 13 - 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 \$134,178 to the Pool in 2007.

The City of Salem obtained insurance coverage from the Pool 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 net assets 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, 2007 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 \$100,000 per location or \$100,000 per occurrence. The Pool is, and the participants are, contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007**

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**NOTE 13 - RISK MANAGEMENT (Continued)**

During 2007, 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.

**NOTE 14 - CONSTRUCTION COMMITMENTS**

The City had the following contractual commitments at December 31, 2007:

<u>Project</u>	<u>Remaining Contractual Commitment</u>	<u>Expected Date of Completion</u>
Bentley Road Phase III/Cunningham Road Phase V	\$233,935	May 2008
Salem - Leetonia Water Line	922,512	June 2008
Waterworth Memorial Park - Parking Lot	39,275	May 2008

**NOTE 15 - 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*

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

***Nonmajor Governmental Funds***

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***Special Revenue Funds***

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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***

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**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.

**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.



***Debt Service Funds***

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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***

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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.

**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.

**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, 2007**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 666,408	\$ 28,981	\$ 329,782	\$ 1,025,171
Receivables:				
Taxes	134,760	0	0	134,760
Intergovernmental	613,237	0	0	613,237
Special Assessments	0	62,618	0	62,618
Interfund Loans Receivable	162	0	0	162
Inventory of Supplies, at Cost	48,569	0	0	48,569
<b>Total Assets</b>	<b>\$ 1,463,136</b>	<b>\$ 91,599</b>	<b>\$ 329,782</b>	<b>\$ 1,884,517</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 23,232	\$ 0	\$ 19,311	\$ 42,543
Accrued Wages and Benefits Payable	104,529	0	0	104,529
Interfund Loans Payable	162	0	0	162
Deferred Revenue	648,842	62,618	0	711,460
<b>Total Liabilities</b>	<b>776,765</b>	<b>62,618</b>	<b>19,311</b>	<b>858,694</b>
<b>Fund Balance:</b>				
Reserved for Encumbrances	264,403	0	115,632	380,035
Reserved for Supplies Inventory	48,569	0	0	48,569
Reserved for Debt Service	0	28,981	0	28,981
Undesignated/Unreserved	373,399	0	194,839	568,238
<b>Total Fund Balance</b>	<b>686,371</b>	<b>28,981</b>	<b>310,471</b>	<b>1,025,823</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,463,136</b>	<b>\$ 91,599</b>	<b>\$ 329,782</b>	<b>\$ 1,884,517</b>

**CITY OF SALEM, OHIO**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2007**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 132,707	\$ 0	\$ 10,933	\$ 143,640
Intergovernmental Revenues	1,054,088	0	0	1,054,088
Charges for Services	316	0	0	316
Licenses and Permits	5,776	0	0	5,776
Investment Earnings	14,189	0	0	14,189
Special Assessments	0	18,667	0	18,667
Fines and Forfeitures	1,257	0	0	1,257
All Other Revenue	62,346	0	2,986	65,332
<b>Total Revenue</b>	<b>1,270,679</b>	<b>18,667</b>	<b>13,919</b>	<b>1,303,265</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	453,150	0	0	453,150
Leisure Time Activities	17,220	0	0	17,220
Community Environment	268,839	0	0	268,839
Transportation	761,285	0	0	761,285
Capital Outlay	0	0	635,972	635,972
Debt Service:				
Principal Retirement	0	139,785	0	139,785
Interest and Fiscal Charges	0	119,688	6,994	126,682
<b>Total Expenditures</b>	<b>1,500,494</b>	<b>259,473</b>	<b>642,966</b>	<b>2,402,933</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(229,815)	(240,806)	(629,047)	(1,099,668)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	0	2,180	2,180
Transfers In	288,956	369,293	1,038,299	1,696,548
Transfers Out	0	(196,412)	0	(196,412)
<b>Total Other Financing Sources (Uses)</b>	<b>288,956</b>	<b>172,881</b>	<b>1,040,479</b>	<b>1,502,316</b>
Net Change in Fund Balance	59,141	(67,925)	411,432	402,648
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>640,634</b>	<b>96,906</b>	<b>(100,961)</b>	<b>636,579</b>
Decrease in Inventory Reserve	(13,404)	0	0	(13,404)
<b>Fund Balance End of Year</b>	<b>\$ 686,371</b>	<b>\$ 28,981</b>	<b>\$ 310,471</b>	<b>\$ 1,025,823</b>

**CITY OF SALEM, OHIO**

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**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2007**

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	Police Pension	Fire Pension	Law Enforcement	D.A.R.E.
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 5,112	\$ 45
Receivables:				
Taxes	67,380	67,380	0	0
Intergovernmental	2,513	2,513	0	0
Interfund Loans Receivable	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
<b>Total Assets</b>	<u>\$ 69,893</u>	<u>\$ 69,893</u>	<u>\$ 5,112</u>	<u>\$ 45</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	44,723	38,994	0	0
Interfund Loans Payable	0	0	0	0
Deferred Revenue	69,893	69,893	0	0
<b>Total Liabilities</b>	<u>114,616</u>	<u>108,887</u>	<u>0</u>	<u>0</u>
<b>Fund Balance:</b>				
Reserved for Encumbrances	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0
Undesignated/Unreserved	(44,723)	(38,994)	5,112	45
<b>Total Fund Balance</b>	<u>(44,723)</u>	<u>(38,994)</u>	<u>5,112</u>	<u>45</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 69,893</u>	<u>\$ 69,893</u>	<u>\$ 5,112</u>	<u>\$ 45</u>

**CITY OF SALEM, OHIO**

<u>Enforcement and Education</u>	<u>Drug Enforcement Agency Equitable Share</u>	<u>Street Construction, Maintenance and Repair</u>	<u>State Highway</u>	<u>Municipal Permissive License Tax</u>	<u>Municipal Lodging Tax</u>
\$ 10,449	\$ 257,818	\$ 91,608	\$ 12,585	\$ 27,189	\$ 4,580
0	0	0	0	0	0
68	0	240,207	19,476	37,576	0
0	0	0	0	0	0
0	0	48,569	0	0	0
<u>\$ 10,517</u>	<u>\$ 257,818</u>	<u>\$ 380,384</u>	<u>\$ 32,061</u>	<u>\$ 64,765</u>	<u>\$ 4,580</u>
\$ 0	\$ 1,674	\$ 16,400	\$ 1,625	\$ 1,684	\$ 1,804
0	0	20,812	0	0	0
0	0	0	0	0	0
0	0	160,138	12,984	25,050	0
<u>0</u>	<u>1,674</u>	<u>197,350</u>	<u>14,609</u>	<u>26,734</u>	<u>1,804</u>
0	8,107	5,732	1,418	0	2,396
0	0	48,569	0	0	0
10,517	248,037	128,733	16,034	38,031	380
<u>10,517</u>	<u>256,144</u>	<u>183,034</u>	<u>17,452</u>	<u>38,031</u>	<u>2,776</u>
<u>\$ 10,517</u>	<u>\$ 257,818</u>	<u>\$ 380,384</u>	<u>\$ 32,061</u>	<u>\$ 64,765</u>	<u>\$ 4,580</u>

(Continued)

**CITY OF SALEM, OHIO**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2007**

	Lakes and Grounds	Youth Services Grant	Community Development Block Grant	Rehabilitation Loan
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 11,145	\$ 11,103	\$ 29,148	\$ 61,008
Receivables:				
Taxes	0	0	0	0
Intergovernmental	0	0	56,000	0
Interfund Loans Receivable	0	0	0	162
Inventory of Supplies, at Cost	0	0	0	0
<b>Total Assets</b>	<b>\$ 11,145</b>	<b>\$ 11,103</b>	<b>\$ 85,148</b>	<b>\$ 61,170</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 45	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	0	0	0	0
Interfund Loans Payable	0	0	162	0
Deferred Revenue	0	0	56,000	0
<b>Total Liabilities</b>	<b>45</b>	<b>0</b>	<b>56,162</b>	<b>0</b>
<b>Fund Balance:</b>				
Reserved for Encumbrances	1,384	0	29,431	3,075
Reserved for Supplies Inventory	0	0	0	0
Undesignated/Unreserved	9,716	11,103	(445)	58,095
<b>Total Fund Balance</b>	<b>11,100</b>	<b>11,103</b>	<b>28,986</b>	<b>61,170</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 11,145</b>	<b>\$ 11,103</b>	<b>\$ 85,148</b>	<b>\$ 61,170</b>

**CITY OF SALEM, OHIO**

<u>Shade Tree</u>	<u>Economic Development Loan</u>	<u>Central Business District</u>	<u>Design Review Board</u>	<u>Community Housing Improvement</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 96	\$ 26,463	\$ 11,312	\$ 2,277	\$ 104,470	\$ 666,408
0	0	0	0	0	134,760
0	0	0	0	254,884	613,237
0	0	0	0	0	162
0	0	0	0	0	48,569
<u>\$ 96</u>	<u>\$ 26,463</u>	<u>\$ 11,312</u>	<u>\$ 2,277</u>	<u>\$ 359,354</u>	<u>\$ 1,463,136</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,232
0	0	0	0	0	104,529
0	0	0	0	0	162
0	0	0	0	254,884	648,842
0	0	0	0	254,884	776,765
0	0	0	0	212,860	264,403
0	0	0	0	0	48,569
96	26,463	11,312	2,277	(108,390)	373,399
96	26,463	11,312	2,277	104,470	686,371
<u>\$ 96</u>	<u>\$ 26,463</u>	<u>\$ 11,312</u>	<u>\$ 2,277</u>	<u>\$ 359,354</u>	<u>\$ 1,463,136</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, 2007**

	Police Pension	Fire Pension	Law Enforcement	D.A.R.E.
<b>Revenues:</b>				
Taxes	\$ 65,559	\$ 65,559	\$ 0	\$ 0
Intergovernmental Revenues	5,245	5,245	0	0
Charges for Services	0	0	0	0
Licenses and Permits	0	0	0	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	0	0	120	0
All Other Revenue	0	0	0	0
<b>Total Revenue</b>	<b>70,804</b>	<b>70,804</b>	<b>120</b>	<b>0</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	194,707	177,515	0	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
<b>Total Expenditures</b>	<b>194,707</b>	<b>177,515</b>	<b>0</b>	<b>0</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(123,903)	(106,711)	120	0
<b>Other Financing Sources (Uses):</b>				
Transfers In	112,721	95,626	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>112,721</b>	<b>95,626</b>	<b>0</b>	<b>0</b>
Net Change in Fund Balance	(11,182)	(11,085)	120	0
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>(33,541)</b>	<b>(27,909)</b>	<b>4,992</b>	<b>45</b>
Decrease in Inventory Reserve	0	0	0	0
<b>Fund Balance (Deficit) End of Year</b>	<b>\$ (44,723)</b>	<b>\$ (38,994)</b>	<b>\$ 5,112</b>	<b>\$ 45</b>



**CITY OF SALEM, OHIO**

<u>Enforcement and Education</u>	<u>Drug Enforcement Agency Equitable Share</u>	<u>Street Construction, Maintenance and Repair</u>	<u>State Highway</u>	<u>Municipal Permissive License Tax</u>	<u>Municipal Lodging Tax</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,589
0	52,412	501,210	40,639	84,521	0
0	0	316	0	0	0
0	0	0	0	0	0
0	13,664	182	49	0	0
1,137	0	0	0	0	0
0	4,178	0	0	0	0
<u>1,137</u>	<u>70,254</u>	<u>501,708</u>	<u>40,688</u>	<u>84,521</u>	<u>1,589</u>
0	75,036	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	8,842
0	0	636,196	43,063	82,026	0
<u>0</u>	<u>75,036</u>	<u>636,196</u>	<u>43,063</u>	<u>82,026</u>	<u>8,842</u>
1,137	(4,782)	(134,488)	(2,375)	2,495	(7,253)
<u>0</u>	<u>0</u>	<u>75,000</u>	<u>0</u>	<u>0</u>	<u>5,609</u>
<u>0</u>	<u>0</u>	<u>75,000</u>	<u>0</u>	<u>0</u>	<u>5,609</u>
1,137	(4,782)	(59,488)	(2,375)	2,495	(1,644)
9,380	260,926	255,926	19,827	35,536	4,420
0	0	(13,404)	0	0	0
<u>\$ 10,517</u>	<u>\$ 256,144</u>	<u>\$ 183,034</u>	<u>\$ 17,452</u>	<u>\$ 38,031</u>	<u>\$ 2,776</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, 2007**

	Lakes and Grounds	Youth Services Grant	Community Development Block Grant	Rehabilitation Loan
<b>Revenues:</b>				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	7,200	58,000	0
Charges for Services	0	0	0	0
Licenses and Permits	5,776	0	0	0
Investment Earnings	0	0	0	193
Fines and Forfeitures	0	0	0	0
All Other Revenue	7,577	0	0	27,323
<b>Total Revenue</b>	<b>13,353</b>	<b>7,200</b>	<b>58,000</b>	<b>27,516</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	0	5,892	0	0
Leisure Time Activities	17,220	0	0	0
Community Environment	0	0	28,924	1,838
Transportation	0	0	0	0
<b>Total Expenditures</b>	<b>17,220</b>	<b>5,892</b>	<b>28,924</b>	<b>1,838</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,867)	1,308	29,076	25,678
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Change in Fund Balance	(3,867)	1,308	29,076	25,678
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>14,967</b>	<b>9,795</b>	<b>(90)</b>	<b>35,492</b>
Decrease in Inventory Reserve	0	0	0	0
<b>Fund Balance (Deficit) End of Year</b>	<b>\$ 11,100</b>	<b>\$ 11,103</b>	<b>\$ 28,986</b>	<b>\$ 61,170</b>

**CITY OF SALEM, OHIO**

Shade Tree	Economic Development Loan	Central Business District	Design Review Board	Community Housing Improvement	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 132,707
0	0	0	0	299,616	1,054,088
0	0	0	0	0	316
0	0	0	0	0	5,776
0	101	0	0	0	14,189
0	0	0	0	0	1,257
0	0	0	0	23,268	62,346
0	101	0	0	322,884	1,270,679
0	0	0	0	0	453,150
0	0	0	0	0	17,220
0	0	0	0	229,235	268,839
0	0	0	0	0	761,285
0	0	0	0	229,235	1,500,494
0	101	0	0	93,649	(229,815)
0	0	0	0	0	288,956
0	0	0	0	0	288,956
0	101	0	0	93,649	59,141
96	26,362	11,312	2,277	10,821	640,634
0	0	0	0	0	(13,404)
<u>\$ 96</u>	<u>\$ 26,463</u>	<u>\$ 11,312</u>	<u>\$ 2,277</u>	<u>\$ 104,470</u>	<u>\$ 686,371</u>

**CITY OF SALEM, OHIO**

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**Combining Balance Sheet  
Nonmajor Debt Service Funds  
December 31, 2007**

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	General Obligation Debt Retirement	Special Assessment Debt Retirement	Total Nonmajor Debt Service Funds
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 8,629	\$ 20,352	\$ 28,981
Receivables:			
Special Assessments	0	62,618	62,618
<b>Total Assets</b>	<u>\$ 8,629</u>	<u>\$ 82,970</u>	<u>\$ 91,599</u>
<b>Liabilities:</b>			
Deferred Revenue	\$ 0	\$ 62,618	\$ 62,618
<b>Total Liabilities</b>	<u>0</u>	<u>62,618</u>	<u>62,618</u>
<b>Fund Balance:</b>			
Reserved for Debt Service	8,629	20,352	28,981
<b>Total Fund Balance</b>	<u>8,629</u>	<u>20,352</u>	<u>28,981</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 8,629</u>	<u>\$ 82,970</u>	<u>\$ 91,599</u>

**CITY OF SALEM, OHIO**

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***Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Debt Service Funds  
For the Year Ended December 31, 2007***

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	General Obligation Debt Retirement	Special Assessment Debt Retirement	Total Nonmajor Debt Service Funds
<b>Revenues:</b>			
Special Assessments	\$ 0	\$ 18,667	\$ 18,667
<b>Total Revenue</b>	<u>0</u>	<u>18,667</u>	<u>18,667</u>
<b>Expenditures:</b>			
Debt Service:			
Principal Retirement	119,785	20,000	139,785
Interest and Fiscal Charges	113,588	6,100	119,688
<b>Total Expenditures</b>	<u>233,373</u>	<u>26,100</u>	<u>259,473</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(233,373)	(7,433)	(240,806)
<b>Other Financing Sources (Uses):</b>			
Transfers In	369,293	0	369,293
Transfers Out	(196,412)	0	(196,412)
<b>Total Other Financing Sources (Uses)</b>	<u>172,881</u>	<u>0</u>	<u>172,881</u>
Net Change in Fund Balance	(60,492)	(7,433)	(67,925)
<b>Fund Balance at Beginning of Year</b>	<u>69,121</u>	<u>27,785</u>	<u>96,906</u>
<b>Fund Balance End of Year</b>	<u>\$ 8,629</u>	<u>\$ 20,352</u>	<u>\$ 28,981</u>

**CITY OF SALEM, OHIO**

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**Combining Balance Sheet  
Nonmajor Capital Projects Funds  
December 31, 2007**

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	Income Tax Capital Improvement	Industrial Park Development	Industrial Park West Project	Total Nonmajor Capital Projects Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 161,975	\$ 155,200	\$ 12,607	\$ 329,782
<b>Total Assets</b>	<u>\$ 161,975</u>	<u>\$ 155,200</u>	<u>\$ 12,607</u>	<u>\$ 329,782</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 19,311	\$ 0	\$ 0	\$ 19,311
<b>Total Liabilities</b>	<u>19,311</u>	<u>0</u>	<u>0</u>	<u>19,311</u>
<b>Fund Balance:</b>				
Reserved for Encumbrances	115,632	0	0	115,632
Undesignated/Unreserved	27,032	155,200	12,607	194,839
<b>Total Fund Balance</b>	<u>142,664</u>	<u>155,200</u>	<u>12,607</u>	<u>310,471</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 161,975</u>	<u>\$ 155,200</u>	<u>\$ 12,607</u>	<u>\$ 329,782</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, 2007**

	Income Tax Capital Improvement	Industrial Park Development	Industrial Park West Project	Total Nonmajor Capital Project Funds
<b>Revenues:</b>				
Taxes	\$ 10,933	\$ 0	\$ 0	\$ 10,933
All Other Revenue	2,986	0	0	2,986
<b>Total Revenue</b>	<u>13,919</u>	<u>0</u>	<u>0</u>	<u>13,919</u>
<b>Expenditures:</b>				
Capital Outlay	635,972	0	0	635,972
Debt Service:				
Interest & Fiscal Charges	6,994	0	0	6,994
<b>Total Expenditures</b>	<u>642,966</u>	<u>0</u>	<u>0</u>	<u>642,966</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(629,047)	0	0	(629,047)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	2,180	0	0	2,180
Transfers In	1,038,299	0	0	1,038,299
<b>Total Other Financing Sources (Uses)</b>	<u>1,040,479</u>	<u>0</u>	<u>0</u>	<u>1,040,479</u>
Net Change in Fund Balance	411,432	0	0	411,432
<b>Fund Balance (Deficit) at Beginning of Year</b>	<u>(268,768)</u>	<u>155,200</u>	<u>12,607</u>	<u>(100,961)</u>
<b>Fund Balance End of Year</b>	<u>\$ 142,664</u>	<u>\$ 155,200</u>	<u>\$ 12,607</u>	<u>\$ 310,471</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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 648,098	\$ 698,500	\$ 675,007	\$ (23,493)
Intergovernmental Revenues	379,024	408,500	480,984	72,484
Charges for Services	59,150	63,750	63,672	(78)
Licenses and Permits	127,300	137,200	134,280	(2,920)
Investment Earnings	788,169	849,464	790,009	(59,455)
Special Assessments	3,247	3,500	1,668	(1,832)
Fines and Forfeitures	21,340	23,000	20,439	(2,561)
All Other Revenues	6,506	7,010	4,946	(2,064)
Total Revenues	<u>2,032,834</u>	<u>2,190,924</u>	<u>2,171,005</u>	<u>(19,919)</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Police:				
Personal Services	1,642,396	1,663,735	1,633,058	30,677
Materials and Supplies	90,116	91,287	79,589	11,698
Contractual Services	24,511	24,829	22,605	2,224
Total Police	<u>1,757,023</u>	<u>1,779,851</u>	<u>1,735,252</u>	<u>44,599</u>
School Patrol:				
Personal Services	21,442	21,721	21,328	393
Total School Patrol	<u>21,442</u>	<u>21,721</u>	<u>21,328</u>	<u>393</u>
Animal Control:				
Personal Services	8,793	8,907	8,780	127
Total Animal Control	<u>8,793</u>	<u>8,907</u>	<u>8,780</u>	<u>127</u>
Fire Fighting:				
Personal Services	1,045,098	1,058,676	1,040,823	17,853
Materials and Supplies	44,775	45,357	40,963	4,394
Contractual Services	18,246	18,483	18,322	161
Capital Outlay	4,936	5,000	3,871	1,129
Total Fire Fighting	<u>1,113,055</u>	<u>1,127,516</u>	<u>1,103,979</u>	<u>23,537</u>
Street Lighting:				
Personal Services	47,150	47,763	46,826	937
Materials and Supplies	12,460	12,622	11,930	692
Contractual Services	84,282	85,376	78,919	6,457
Total Street Lighting	<u>143,892</u>	<u>145,761</u>	<u>137,675</u>	<u>8,086</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, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Traffic Safety:				
Personal Services	49,235	49,875	49,111	764
Materials and Supplies	17,002	17,223	15,616	1,607
Contractual Services	18,106	18,341	12,336	6,005
Total Traffic Safety	84,343	85,439	77,063	8,376
Safety Director:				
Personal Services	10,482	10,618	10,487	131
Materials and Supplies	938	950	17	933
Contractual Services	796	807	785	22
Total Safety Director	12,216	12,375	11,289	1,086
Total Security of Persons and Property	3,140,764	3,181,570	3,095,366	86,204
Community Environment:				
Housing Planning and Zoning:				
Personal Services	107,763	109,163	108,250	913
Materials and Supplies	8,466	8,576	5,918	2,658
Contractual Services	25,582	25,914	22,726	3,188
Other Expenditures	148	150	131	19
Capital Outlay	1,480	1,500	0	1,500
Total Housing Planning and Zoning	143,439	145,303	137,025	8,278
Design Review Board:				
Personal Services	592	600	0	600
Materials and Supplies	247	250	0	250
Total Design Review Board	839	850	0	850
Housing Inspector:				
Personal Services	54,090	54,792	49,987	4,805
Materials and Supplies	987	1,000	824	176
Total Housing Inspector	55,077	55,792	50,811	4,981
Total Community Environment	199,355	201,945	187,836	14,109
Transportation:				
Streets:				
Personal Services	15,200	15,397	8,134	7,263
Materials and Supplies	1,481	1,500	0	1,500
Contractual Services	21,717	22,000	0	22,000
Total Streets	38,398	38,897	8,134	30,763
Total Transportation	38,398	38,897	8,134	30,763

(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, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Government:				
Mayor:				
Personal Services	66,791	67,659	67,083	576
Materials and Supplies	59	60	0	60
Contractual Services	7,771	7,871	7,833	38
Total Mayor	74,621	75,590	74,916	674
Auditor:				
Personal Services	149,840	151,787	150,683	1,104
Materials and Supplies	4,409	4,466	4,266	200
Contractual Services	22,576	22,869	22,740	129
Capital Outlay	3,455	3,500	3,496	4
Total Auditor	180,280	182,622	181,185	1,437
Treasurer:				
Personal Services	8,475	8,585	8,457	128
Materials and Supplies	60	61	61	0
Contractual Services	674	683	681	2
Capital Outlay	1,185	1,200	1,098	102
Total Treasurer	10,394	10,529	10,297	232
Law Director:				
Personal Services	95,377	96,616	96,020	596
Material and Supplies	469	475	178	297
Contractual Services	22,211	22,500	14,653	7,847
Total Law Director	118,057	119,591	110,851	8,740
Service Director:				
Personal Services	81,393	82,450	81,956	494
Materials and Supplies	987	1,000	438	562
Contractual Services	36,594	37,070	28,824	8,246
Total Service Director	118,974	120,520	111,218	9,302
City Council:				
Personal Services	45,107	45,693	45,068	625
Materials and Supplies	9,069	9,187	1,846	7,341
Contractual Services	5,972	6,049	3,555	2,494
Total City Council	60,148	60,929	50,469	10,460

(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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Council Clerk:</b>				
Personal Services	5,565	5,637	5,634	3
Materials and Supplies	181	184	184	0
Total Council Clerk	<u>5,746</u>	<u>5,821</u>	<u>5,818</u>	<u>3</u>
<b>Civil Service Commission:</b>				
Personal Services	6,540	6,625	6,597	28
Materials and Supplies	11,551	11,701	11,552	149
Total Civil Service Commission	<u>18,091</u>	<u>18,326</u>	<u>18,149</u>	<u>177</u>
<b>City Hall:</b>				
Personal Services	104,488	105,846	105,016	830
Materials and Supplies	18,871	19,116	14,618	4,498
Contractual Services	128,850	130,524	108,048	22,476
Capital Outlay	494	500	397	103
Total City Hall	<u>252,703</u>	<u>255,986</u>	<u>228,079</u>	<u>27,907</u>
<b>General Administrative:</b>				
Personal Services	40,976	41,509	38,919	2,590
Contractual Services	98,675	99,958	85,234	14,724
Other Expenditures	26,852	27,200	26,222	978
Total General Administrative	<u>166,503</u>	<u>168,667</u>	<u>150,375</u>	<u>18,292</u>
Total General Government	<u>1,005,517</u>	<u>1,018,581</u>	<u>941,357</u>	<u>77,224</u>
Total Expenditures	<u>4,384,034</u>	<u>4,440,993</u>	<u>4,232,693</u>	<u>208,300</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,351,200)	(2,250,069)	(2,061,688)	188,381
<b>Other Financing Sources (Uses):</b>				
Transfers In	2,685,700	2,685,700	2,705,345	19,645
Transfers Out	(1,105,295)	(1,105,295)	(1,009,992)	95,303
Total Other Financing Sources (Uses)	<u>1,580,405</u>	<u>1,580,405</u>	<u>1,695,353</u>	<u>114,948</u>
Net Change in Fund Balance	(770,795)	(669,664)	(366,335)	303,329
Fund Balance at Beginning of Year	809,599	809,599	809,599	0
Prior Year Encumbrances	46,475	46,475	46,475	0
Fund Balance at End of Year	<u>\$ 85,279</u>	<u>\$ 186,410</u>	<u>\$ 489,739</u>	<u>\$ 303,329</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, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 3,750,000	\$ 3,955,000	\$ 3,983,037	\$ 28,037
Total Revenues	<u>3,750,000</u>	<u>3,955,000</u>	<u>3,983,037</u>	<u>28,037</u>
<b>Expenditures:</b>				
General Government:				
Personal Services	117,081	125,016	120,228	4,788
Materials and Supplies	8,009	8,552	7,050	1,502
Contractual Services	16,470	17,586	14,845	2,741
Other Expenditures	64,714	69,100	68,843	257
Capital Outlay	1,780	1,900	1,585	315
Total Expenditures	<u>208,054</u>	<u>222,154</u>	<u>212,551</u>	<u>9,603</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,541,946	3,732,846	3,770,486	37,640
<b>Other Financing Sources (Uses):</b>				
Transfers Out	<u>(3,546,900)</u>	<u>(3,546,900)</u>	<u>(3,511,732)</u>	<u>35,168</u>
Total Other Financing Sources (Uses)	<u>(3,546,900)</u>	<u>(3,546,900)</u>	<u>(3,511,732)</u>	<u>35,168</u>
Net Change in Fund Balance	(4,954)	185,946	258,754	72,808
Fund Balance at Beginning of Year	(6,178)	(6,178)	(6,178)	0
Prior Year Encumbrances	<u>6,178</u>	<u>6,178</u>	<u>6,178</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (4,954)</u>	<u>\$ 185,946</u>	<u>\$ 258,754</u>	<u>\$ 72,808</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, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 367,475	\$ 388,070	\$ 390,235	\$ 2,165
Intergovernmental Revenues	28,408	30,000	28,662	(1,338)
Charges for Services	11,108	11,731	8,544	(3,187)
All Other Revenues	39,080	41,270	39,477	(1,793)
Total Revenues	<u>446,071</u>	<u>471,071</u>	<u>466,918</u>	<u>(4,153)</u>
<b>Expenditures:</b>				
Leisure Time Activities:				
Personal Services	273,456	277,894	269,301	8,593
Materials and Supplies	56,826	57,748	56,481	1,267
Contractual Services	32,320	32,845	32,114	731
Other Expenditures	295	300	100	200
Capital Outlay	259,400	263,610	173,354	90,256
Total Expenditures	<u>622,297</u>	<u>632,397</u>	<u>531,350</u>	<u>101,047</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(176,226)	(161,326)	(64,432)	96,894
Fund Balance at Beginning of Year	164,919	164,919	164,919	0
Prior Year Encumbrances	166,456	166,456	166,456	0
Fund Balance at End of Year	<u>\$ 155,149</u>	<u>\$ 170,049</u>	<u>\$ 266,943</u>	<u>\$ 96,894</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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 0	\$ 55,107	\$ 55,107	\$ 0
Total Revenues	<u>0</u>	<u>55,107</u>	<u>55,107</u>	<u>0</u>
<b>Expenditures:</b>				
Capital Outlay	0	823,681	784,829	38,852
Debt Service:				
Principal Retirement	128,000	1,025,000	1,025,000	0
Interest and Fiscal Charges	<u>0</u>	<u>76,139</u>	<u>76,139</u>	<u>0</u>
Total Expenditures	<u>128,000</u>	<u>1,924,820</u>	<u>1,885,968</u>	<u>38,852</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(128,000)	(1,869,713)	(1,830,861)	38,852
<b>Other Financing Sources (Uses):</b>				
General Obligation Bonds Issued	0	1,019,680	1,019,680	0
General Obligation Notes Issued	<u>0</u>	<u>710,000</u>	<u>710,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>1,729,680</u>	<u>1,729,680</u>	<u>0</u>
Net Change in Fund Balance	(128,000)	(140,033)	(101,181)	38,852
Fund Balance at Beginning of Year	0	0	0	0
Prior Year Encumbrances	<u>128,000</u>	<u>128,000</u>	<u>128,000</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ (12,033)</u>	<u>\$ 26,819</u>	<u>\$ 38,852</u>

**CITY OF SALEM, OHIO**

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**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, 2007**

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	POLICE PENSION FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
<b>Revenues:</b>			
Taxes	\$ 62,000	\$ 67,350	\$ 5,350
Intergovernmental Revenues	5,832	5,245	(587)
Total Revenues	<u>67,832</u>	<u>72,595</u>	<u>4,763</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Personal Services	198,705	194,400	4,305
Total Expenditures	<u>198,705</u>	<u>194,400</u>	<u>4,305</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(130,873)	(121,805)	9,068
<b>Other Financing Sources (Uses):</b>			
Transfers In	122,000	112,721	(9,279)
Total Other Financing Sources (Uses)	<u>122,000</u>	<u>112,721</u>	<u>(9,279)</u>
Net Change in Fund Balance	(8,873)	(9,084)	(211)
Fund Balance at Beginning of Year	9,084	9,084	0
Fund Balance at End of Year	<u>\$ 211</u>	<u>\$ 0</u>	<u>\$ (211)</u>

**CITY OF SALEM, OHIO**

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***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, 2007***

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	FIRE PENSION FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
<b>Revenues:</b>			
Taxes	\$ 62,000	\$ 67,350	\$ 5,350
Intergovernmental Revenues	5,832	5,245	(587)
Total Revenues	<u>67,832</u>	<u>72,595</u>	<u>4,763</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Personal Services	<u>177,500</u>	<u>177,305</u>	<u>195</u>
Total Expenditures	<u>177,500</u>	<u>177,305</u>	<u>195</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(109,668)	(104,710)	4,958
<b>Other Financing Sources (Uses):</b>			
Transfers In	<u>100,100</u>	<u>95,626</u>	<u>(4,474)</u>
Total Other Financing Sources (Uses)	<u>100,100</u>	<u>95,626</u>	<u>(4,474)</u>
Net Change in Fund Balance	(9,568)	(9,084)	484
Fund Balance at Beginning of Year	<u>9,084</u>	<u>9,084</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ (484)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 484</u></u>



**CITY OF SALEM, OHIO**

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**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, 2007**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Fines and Forfeitures	\$ 120	\$ 120	\$ 0
Total Revenues	<u>120</u>	<u>120</u>	<u>0</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Materials and Supplies	1,000	0	1,000
Capital Outlay	<u>2,783</u>	<u>0</u>	<u>2,783</u>
Total Expenditures	<u>3,783</u>	<u>0</u>	<u>3,783</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,663)	120	3,783
Fund Balance at Beginning of Year	<u>4,992</u>	<u>4,992</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,329</u>	<u>\$ 5,112</u>	<u>\$ 3,783</u>

**CITY OF SALEM, OHIO**

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***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, 2007***

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

**CITY OF SALEM, OHIO**

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**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, 2007**

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**ENFORCEMENT AND EDUCATION FUND**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Fines and Forfeitures	\$ 1,302	\$ 1,302	\$ 0
Total Revenues	<u>1,302</u>	<u>1,302</u>	<u>0</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Materials and Supplies	<u>9,147</u>	<u>0</u>	<u>9,147</u>
Total Expenditures	<u>9,147</u>	<u>0</u>	<u>9,147</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,845)	1,302	9,147
Fund Balance at Beginning of Year	<u>9,147</u>	<u>9,147</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,302</u>	<u>\$ 10,449</u>	<u>\$ 9,147</u>

**CITY OF SALEM, OHIO**

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***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, 2007***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 55,000	\$ 52,412	\$ (2,588)
Investment Earnings	15,800	13,664	(2,136)
All Other Revenues	4,200	4,178	(22)
Total Revenues	<u>75,000</u>	<u>70,254</u>	<u>(4,746)</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Materials And Supplies	25,575	18,680	6,895
Contractual Services	7,500	268	7,232
Capital Outlay	141,500	66,099	75,401
Total Expenditures	<u>174,575</u>	<u>85,047</u>	<u>89,528</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,575)	(14,793)	84,782
Fund Balance at Beginning of Year	260,632	260,632	0
Prior Year Encumbrances	2,198	2,198	0
Fund Balance at End of Year	<u>\$ 163,255</u>	<u>\$ 248,037</u>	<u>\$ 84,782</u>

**CITY OF SALEM, OHIO**

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***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, 2007***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 505,500	\$ 500,557	\$ (4,943)
Charges for Services	0	316	316
Investment Earnings	0	182	182
Total Revenues	<u>505,500</u>	<u>501,055</u>	<u>(4,445)</u>
<b>Expenditures:</b>			
Transportation:			
Personal Services	545,348	508,767	36,581
Materials and Supplies	156,522	132,536	23,986
Contractual Services	26,373	18,249	8,124
Total Expenditures	<u>728,243</u>	<u>659,552</u>	<u>68,691</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(222,743)	(158,497)	64,246
<b>Other Financing Sources (Uses):</b>			
Transfers In	<u>145,000</u>	<u>75,000</u>	<u>(70,000)</u>
Total Other Financing Sources (Uses)	<u>145,000</u>	<u>75,000</u>	<u>(70,000)</u>
Net Change in Fund Balance	(77,743)	(83,497)	(5,754)
Fund Balance at Beginning of Year	120,302	120,302	0
Prior Year Encumbrances	<u>32,671</u>	<u>32,671</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 75,230</u>	<u>\$ 69,476</u>	<u>\$ (5,754)</u>

**CITY OF SALEM, OHIO**

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***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, 2007***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 40,000	\$ 40,586	\$ 586
Investment Earnings	0	49	49
Total Revenues	<u>40,000</u>	<u>40,635</u>	<u>635</u>
<b>Expenditures:</b>			
Transportation:			
Personal Services	39,000	39,000	0
Materials and Supplies	<u>6,837</u>	<u>5,917</u>	<u>920</u>
Total Expenditures	<u>45,837</u>	<u>44,917</u>	<u>920</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,837)	(4,282)	1,555
Fund Balance at Beginning of Year	13,388	13,388	0
Prior Year Encumbrances	<u>437</u>	<u>437</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 7,988</u>	<u>\$ 9,543</u>	<u>\$ 1,555</u>

**CITY OF SALEM, OHIO**

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***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, 2007***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 90,000	\$ 84,417	\$ (5,583)
Total Revenues	<u>90,000</u>	<u>84,417</u>	<u>(5,583)</u>
<b>Expenditures:</b>			
Transportation:			
Personal Services	82,000	58,144	23,856
Materials and Supplies	<u>30,000</u>	<u>23,882</u>	<u>6,118</u>
Total Expenditures	<u>112,000</u>	<u>82,026</u>	<u>29,974</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,000)	2,391	24,391
Fund Balance at Beginning of Year	23,014	23,014	0
Prior Year Encumbrances	<u>100</u>	<u>100</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,114</u>	<u>\$ 25,505</u>	<u>\$ 24,391</u>

**CITY OF SALEM, OHIO**

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**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, 2007**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 3,500	\$ 1,870	\$ (1,630)
Total Revenues	<u>3,500</u>	<u>1,870</u>	<u>(1,630)</u>
<b>Expenditures:</b>			
Community Environment:			
Materials and Supplies	200	39	161
Contractual Services	<u>13,732</u>	<u>13,030</u>	<u>702</u>
Total Expenditures	<u>13,932</u>	<u>13,069</u>	<u>863</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,432)	(11,199)	(767)
<b>Other Financing Sources (Uses):</b>			
Transfers In	<u>8,225</u>	<u>5,609</u>	<u>(2,616)</u>
Total Other Financing Sources (Uses)	<u>8,225</u>	<u>5,609</u>	<u>(2,616)</u>
Net Change in Fund Balance	(2,207)	(5,590)	(3,383)
Fund Balance at Beginning of Year	3,935	3,935	0
Prior Year Encumbrances	<u>2,035</u>	<u>2,035</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,763</u>	<u>\$ 380</u>	<u>\$ (3,383)</u>



**CITY OF SALEM, OHIO**

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**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, 2007**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Licenses and Permits	\$ 7,000	\$ 5,776	\$ (1,224)
All Other Revenues	10,000	7,577	(2,423)
Total Revenues	<u>17,000</u>	<u>13,353</u>	<u>(3,647)</u>
<b>Expenditures:</b>			
Leisure Time Activities:			
Personal Services	19,881	13,120	6,761
Materials and Supplies	5,380	3,926	1,454
Contractual Services	2,320	1,558	762
Capital Outlay	3,000	0	3,000
Total Expenditures	<u>30,581</u>	<u>18,604</u>	<u>11,977</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,581)	(5,251)	8,330
Fund Balance at Beginning of Year	14,329	14,329	0
Prior Year Encumbrances	638	638	0
Fund Balance at End of Year	<u>\$ 1,386</u>	<u>\$ 9,716</u>	<u>\$ 8,330</u>

**CITY OF SALEM, OHIO**

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***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, 2007***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 9,000	\$ 7,200	\$ (1,800)
Total Revenues	<u>9,000</u>	<u>7,200</u>	<u>(1,800)</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Personal Services	7,000	4,933	2,067
Materials and Supplies	1,750	81	1,669
Capital Outlay	<u>1,500</u>	<u>878</u>	<u>622</u>
Total Expenditures	<u>10,250</u>	<u>5,892</u>	<u>4,358</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,250)	1,308	2,558
Fund Balance at Beginning of Year	<u>9,795</u>	<u>9,795</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,545</u>	<u>\$ 11,103</u>	<u>\$ 2,558</u>

**CITY OF SALEM, OHIO**

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***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, 2007***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 58,000	\$ 58,000	\$ 0
Total Revenues	<u>58,000</u>	<u>58,000</u>	<u>0</u>
<b>Expenditures:</b>			
Community Environment:			
Contractual Services	14,167	12,022	2,145
Capital Outlay	<u>48,000</u>	<u>48,000</u>	<u>0</u>
Total Expenditures	<u>62,167</u>	<u>60,022</u>	<u>2,145</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,167)	(2,022)	2,145
<b>Other Financing Sources (Uses):</b>			
Advances In	23,519	23,519	0
Advances Out	<u>(23,519)</u>	<u>(23,519)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(4,167)	(2,022)	2,145
Fund Balance at Beginning of Year	72	72	0
Prior Year Encumbrances	<u>1,667</u>	<u>1,667</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (2,428)</u>	<u>\$ (283)</u>	<u>\$ 2,145</u>

**CITY OF SALEM, OHIO**

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**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, 2007**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment Earnings	\$ 0	\$ 193	\$ 193
All Other Revenues	27,900	27,323	(577)
Total Revenues	27,900	27,516	(384)
<b>Expenditures:</b>			
Community Environment:			
Contractual Services	134	128	6
Capital Outlay	15,315	4,785	10,530
Total Expenditures	15,449	4,913	10,536
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,451	22,603	10,152
<b>Other Financing Sources (Uses):</b>			
Advances In	42,100	42,089	(11)
Advances Out	(69,179)	(42,089)	27,090
Total Other Financing Sources (Uses)	(27,079)	0	27,079
Net Change in Fund Balance	(14,628)	22,603	37,231
Fund Balance at Beginning of Year	35,330	35,330	0
Fund Balance at End of Year	\$ 20,702	\$ 57,933	\$ 37,231

**CITY OF SALEM, OHIO**

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***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, 2007***

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	<b>SHADE TREE FUND</b>		
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	\$ 0	\$ 0	\$ 0
<b>Expenditures:</b>			
Community Environment:			
Personal Services	35	0	35
Materials and Supplies	35	0	35
Total Expenditures	<u>70</u>	<u>0</u>	<u>70</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(70)	0	70
Fund Balance at Beginning of Year	96	96	0
Fund Balance at End of Year	<u>\$ 26</u>	<u>\$ 96</u>	<u>\$ 70</u>

**CITY OF SALEM, OHIO**

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***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, 2007***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment Earnings	\$ 95	\$ 101	\$ 6
Total Revenues	<u>95</u>	<u>101</u>	<u>6</u>
<b>Expenditures:</b>			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	95	101	6
Fund Balance at Beginning of Year	<u>26,362</u>	<u>26,362</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 26,457</u>	<u>\$ 26,463</u>	<u>\$ 6</u>

**CITY OF SALEM, OHIO**

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***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, 2007***

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	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures:</b>			
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**

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***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, 2007***

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	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures:</b>			
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**

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***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, 2007***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 600,000	\$ 314,116	\$ (285,884)
All Other Revenues	0	23,268	23,268
Total Revenues	<u>600,000</u>	<u>337,384</u>	<u>(262,616)</u>
<b>Expenditures:</b>			
Community Environment:			
Contractual Services	328,677	217,162	111,515
Capital Outlay	<u>277,900</u>	<u>245,520</u>	<u>32,380</u>
Total Expenditures	<u>606,577</u>	<u>462,682</u>	<u>143,895</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,577)	(125,298)	(118,721)
<b>Other Financing Sources (Uses):</b>			
Advances In	0	18,570	18,570
Advances Out	<u>(18,570)</u>	<u>(18,570)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(18,570)</u>	<u>0</u>	<u>18,570</u>
Net Change in Fund Balance	(25,147)	(125,298)	(100,151)
Fund Balance at Beginning of Year	(141,669)	(141,669)	0
Prior Year Encumbrances	<u>158,577</u>	<u>158,577</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (8,239)</u>	<u>\$ (108,390)</u>	<u>\$ (100,151)</u>

**CITY OF SALEM, OHIO**

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**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, 2007**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	\$ 0	\$ 0	\$ 0
<b>Expenditures:</b>			
Debt Service:			
Principal Retirement	1,294,785	1,294,785	0
Interest and Fiscal Charges	160,002	160,000	2
Total Expenditures	1,454,787	1,454,785	2
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,454,787)	(1,454,785)	2
<b>Other Financing Sources (Uses):</b>			
General Obligation Notes Issued	1,075,000	1,025,000	(50,000)
Transfers In	375,000	369,293	(5,707)
Total Other Financing Sources (Uses)	1,450,000	1,394,293	(55,707)
Net Change in Fund Balance	(4,787)	(60,492)	(55,705)
Fund Balance at Beginning of Year	69,121	69,121	0
Fund Balance at End of Year	\$ 64,334	\$ 8,629	\$ (55,705)

**CITY OF SALEM, OHIO**

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***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, 2007***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Special Assessments	\$ 20,000	\$ 18,667	\$ (1,333)
Total Revenues	<u>20,000</u>	<u>18,667</u>	<u>(1,333)</u>
<b>Expenditures:</b>			
Debt Service:			
Principal Retirement	20,000	20,000	0
Interest and Fiscal Charges	<u>6,100</u>	<u>6,100</u>	<u>0</u>
Total Expenditures	<u>26,100</u>	<u>26,100</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,100)	(7,433)	(1,333)
Fund Balance at Beginning of Year	<u>27,785</u>	<u>27,785</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 21,685</u>	<u>\$ 20,352</u>	<u>\$ (1,333)</u>

**CITY OF SALEM, OHIO**

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**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, 2007**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 0	\$ 10,933	\$ 10,933
All Other Revenues	0	2,986	2,986
Total Revenues	0	13,919	13,919
<b>Expenditures:</b>			
Capital Outlay	935,071	880,822	54,249
Total Expenditures	935,071	880,822	54,249
Excess (Deficiency) of Revenues Over (Under) Expenditures	(935,071)	(866,903)	68,168
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	0	2,180	2,180
Transfers In	511,432	467,094	(44,338)
Total Other Financing Sources (Uses)	511,432	469,274	(42,158)
Net Change in Fund Balance	(423,639)	(397,629)	26,010
Fund Balance at Beginning of Year	148,622	148,622	0
Prior Year Encumbrances	276,039	276,039	0
Fund Balance at End of Year	\$ 1,022	\$ 27,032	\$ 26,010

**CITY OF SALEM, OHIO**

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***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, 2007***

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**INDUSTRIAL PARK DEVELOPMENT FUND**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures:</b>			
Capital Outlay	<u>155,200</u>	<u>0</u>	<u>155,200</u>
Total Expenditures	<u>155,200</u>	<u>0</u>	<u>155,200</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(155,200)	0	155,200
Fund Balance at Beginning of Year	<u>155,200</u>	<u>155,200</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 155,200</u>	<u>\$ 155,200</u>

**CITY OF SALEM, OHIO**

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***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, 2007***

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	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures:</b>			
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>12,607</u>	<u>12,607</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 12,607</u>	<u>\$ 12,607</u>	<u>\$ 0</u>

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***Fiduciary Funds***

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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***

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**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.

**Demolition Fund**

To account for insurance monies used to demolish buildings which are a public nuisance due to fire or other damages.



**CITY OF SALEM, OHIO**

**Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended December 31, 2007**

	Balance December 31, 2006	Additions	Deductions	Balance December 31, 2007
<b><u>Miscellaneous Agency Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$116	\$186	(\$190)	\$112
Total Assets	\$116	\$186	(\$190)	\$112
Liabilities:				
Due to Others	\$116	\$186	(\$190)	\$112
Total Liabilities	\$116	\$186	(\$190)	\$112
<b><u>Street Opening Fund</u></b>				
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
<b><u>Developers Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$18,465	\$21,280	(\$15,783)	\$23,962
Total Assets	\$18,465	\$21,280	(\$15,783)	\$23,962
Liabilities:				
Due to Others	\$18,465	\$21,280	(\$15,783)	\$23,962
Total Liabilities	\$18,465	\$21,280	(\$15,783)	\$23,962
<b><u>Demolition Fund</u></b>				
Assets:				
Cash and Cash Equivalents	\$0	\$66,000	(\$54,000)	\$12,000
Total Assets	\$0	\$66,000	(\$54,000)	\$12,000
Liabilities:				
Due to Others	\$0	\$66,000	(\$54,000)	\$12,000
Total Liabilities	\$0	\$66,000	(\$54,000)	\$12,000
<b><u>Totals - All Agency Funds</u></b>				
Assets:				
Cash and Cash Equivalents	\$19,651	\$87,466	(\$69,973)	\$37,144
Total Assets	\$19,651	\$87,466	(\$69,973)	\$37,144
Liabilities:				
Due to Others	\$19,651	\$87,466	(\$69,973)	\$37,144
Total Liabilities	\$19,651	\$87,466	(\$69,973)	\$37,144

*CAPITAL ASSETS USED IN THE  
OPERATION OF GOVERNMENTAL FUNDS*

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***CITY OF SALEM, OHIO***

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***Capital Assets Used in the Operation of Governmental Funds  
Schedule by Source  
December 31, 2007***

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<u>Capital Assets</u>	
Land	\$4,518,253
Construction in Progress	498,426
Buildings	2,274,772
Improvements Other than Buildings	711,242
Machinery and Equipment	3,237,534
Infrastructure	<u>21,172,055</u>
Total Capital Assets	<u><u>\$32,412,282</u></u>

<u>Investment in Capital Assets</u>	
General Fund	\$894,681
Special Revenue Funds	19,779,154
Capital Projects Funds	11,728,441
Donations	<u>10,006</u>
Total Investment in Capital Assets	<u><u>\$32,412,282</u></u>

**CITY OF SALEM, OHIO**

**Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity  
December 31, 2007**

<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	\$0	\$1,041
Auditor	0	0	0	1,904
Law Director	0	0	0	0
City Hall	323,637	0	534,738	63,360
Income Tax	0	0	0	16,692
Total	<u>323,637</u>	<u>0</u>	<u>534,738</u>	<u>82,997</u>
<u>Security of Persons and Property:</u>				
Police	0	0	0	30,125
Fire	0	0	586,524	26,905
Traffic	0	0	60,300	0
Total	<u>0</u>	<u>0</u>	<u>646,824</u>	<u>57,030</u>
<u>Transportation:</u>				
Street	<u>3,865,793</u>	<u>88,858</u>	<u>373,426</u>	<u>7,064</u>
<u>Leisure Time Activities:</u>				
Parks	<u>328,823</u>	<u>409,568</u>	<u>719,784</u>	<u>554,392</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>0</u>	<u>9,759</u>
Total Capital Assets	<u><u>\$4,518,253</u></u>	<u><u>\$498,426</u></u>	<u><u>\$2,274,772</u></u>	<u><u>\$711,242</u></u>

**CITY OF SALEM, OHIO**

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<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$0	\$0	\$1,041
19,986	0	21,890
1,139	0	1,139
21,113	0	942,848
<u>4,656</u>	<u>0</u>	<u>21,348</u>
<u>46,894</u>	<u>0</u>	<u>988,266</u>
357,306	0	387,431
1,186,836	0	1,800,265
<u>84,193</u>	<u>0</u>	<u>144,493</u>
<u>1,628,335</u>	<u>0</u>	<u>2,332,189</u>
<u>1,216,974</u>	<u>21,172,055</u>	<u>26,724,170</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>\$3,237,534</u>	<u>\$21,172,055</u>	<u>\$32,412,282</u>

**CITY OF SALEM, OHIO**

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***Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes by Function and Activity  
For Year Ended December 31, 2007***

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<u>Function and Activity</u>	<u>December 31, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2007</u>
<u>General Government:</u>				
Mayor	\$1,041	\$0	\$0	\$1,041
Auditor	28,339	0	(6,449)	21,890
Law Director	1,139	0	0	1,139
City Hall	942,848	0	0	942,848
Income Tax	21,348	0	0	21,348
Total	<u>994,715</u>	<u>0</u>	<u>(6,449)</u>	<u>988,266</u>
<u>Security of Persons and Property:</u>				
Police	365,868	48,085	(26,522)	387,431
Fire	1,800,265	0	0	1,800,265
Traffic	146,423	0	(1,930)	144,493
Total	<u>2,312,556</u>	<u>48,085</u>	<u>(28,452)</u>	<u>2,332,189</u>
<u>Transportation:</u>				
Street	<u>26,809,065</u>	<u>783,884</u>	<u>(868,779)</u>	<u>26,724,170</u>
<u>Leisure Time Activities:</u>				
Parks	<u>2,331,124</u>	<u>0</u>	<u>0</u>	<u>2,331,124</u>
<u>Public Health and Welfare:</u>				
Health	<u>6,444</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>30,089</u>
Total Capital Assets	<u>\$32,483,993</u>	<u>\$831,969</u>	<u>(\$903,680)</u>	<u>\$32,412,282</u>

# *STATISTICAL SECTION*

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## *STATISTICAL TABLES*

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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*

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<b>Financial Trends</b>	S 2 – S 13
These schedules contain trend information to help the reader understand how the City’s financial position has changed over time.	
<b>Revenue Capacity</b>	S 14 – S 17
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.	
<b>Debt Capacity</b>	S 18 – S 27
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.	
<b>Economic and Demographic Information</b>	S 28 – S 31
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.	
<b>Operating Information</b>	S 32 – S 39
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 Five Years  
(accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental Activities:</b>				
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>
<b>Business-type Activities:</b>				
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>
<b>Primary Government:</b>				
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*

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2007

\$14,483,970  
1,923,915  
2,366,239  
\$18,774,124

\$17,456,953  
15,617,056  
\$33,074,009

\$31,940,923  
1,923,915  
17,983,295  
\$51,848,133

## City of Salem

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

	2003	2004	2005	2006
<b>Expenses</b>				
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><u>\$10,555,930</u></u>	<u><u>\$10,423,307</u></u>	<u><u>\$10,970,995</u></u>	<u><u>\$10,927,238</u></u>
<b>Program Revenues</b>				
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
Transportation	0	0	0	0
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>

*City of Salem*

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2007

\$3,672,803

560,188

441,002

1,943,913

1,181,181

219,274

8,018,361

1,939,956

1,838,202

3,778,158

\$11,796,519

\$3,048

14,320

75,552

316

84,664

746,100

0

924,000

(continued)

## City of Salem

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

	2003	2004	2005	2006
<b>Business-type Activities:</b>				
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
<b>Net (Expense)/Revenue</b>				
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)
<b>General Revenues and Other Changes in Net Assets</b>				
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
Capital Outlay	0	0	0	0
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:				
Investment Earnings	0	0	0	0
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
<b>Change in Net Assets</b>				
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*

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2007

1,441,260

2,316,539

0

0

3,757,799

4,681,799

(7,094,361)

(20,359)

(\$7,114,720)

\$667,066

511,086

55,107

4,005,682

66,338

508,737

829,319

109,586

(915,036)

5,837,885

21,119

915,036

936,155

\$6,774,040

(\$1,256,476)

915,796

(\$340,680)

## *City of Salem*

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund					
Reserved	\$131,192	\$145,080	\$125,909	\$177,099	\$124,697
Unreserved	<u>848,825</u>	<u>1,061,729</u>	<u>895,615</u>	<u>547,628</u>	<u>627,689</u>
<i>Total General Fund</i>	<u>980,017</u>	<u>1,206,809</u>	<u>1,021,524</u>	<u>724,727</u>	<u>752,386</u>
All Other Governmental Funds					
Reserved	402,012	421,086	935,852	414,477	630,512
Unreserved, Undesignated, Reported in:					
Special Revenue Funds	837,238	826,555	1,052,405	1,079,949	518,147
Capital Projects Funds	<u>(566,230)</u>	<u>(44,403)</u>	<u>(169,899)</u>	<u>185,976</u>	<u>(235,035)</u>
Total All Other Governmental Funds	<u>673,020</u>	<u>1,203,238</u>	<u>1,818,358</u>	<u>1,680,402</u>	<u>913,624</u>
<i>Total Governmental Funds</i>	<u><u>\$1,653,037</u></u>	<u><u>\$2,410,047</u></u>	<u><u>\$2,839,882</u></u>	<u><u>\$2,405,129</u></u>	<u><u>\$1,666,010</u></u>

Source: City Auditor's Office



*City of Salem*

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<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$162,385	\$183,282	\$173,899	\$133,344	\$149,536
<u>467,714</u>	<u>722,820</u>	<u>937,614</u>	<u>889,468</u>	<u>451,969</u>
<u>630,099</u>	<u>906,102</u>	<u>1,111,513</u>	<u>1,022,812</u>	<u>601,505</u>
1,070,534	438,149	311,693	644,474	1,158,601
902,091	1,188,086	1,094,962	1,127,022	1,397,556
<u>(2,159,694)</u>	<u>(1,975,455)</u>	<u>469,484</u>	<u>(890,029)</u>	<u>(493,438)</u>
<u>(187,069)</u>	<u>(349,220)</u>	<u>1,876,139</u>	<u>881,467</u>	<u>2,062,719</u>
<u>\$443,030</u>	<u>\$556,882</u>	<u>\$2,987,652</u>	<u>\$1,904,279</u>	<u>\$2,664,224</u>

## *City of Salem*

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

	1998	1999	2000	2001
<b>Revenues:</b>				
Taxes	\$4,408,279	\$4,797,447	\$4,549,651	\$4,352,963
Intergovernmental Revenues	1,278,362	1,610,766	1,574,008	1,303,058
Charges for Services	60,718	63,577	59,252	61,017
Licenses and Permits	85,372	68,624	70,483	65,639
Investment Earnings	84,349	148,061	180,146	148,274
Special Assessments	27,905	22,620	30,957	19,055
Fines and Forfeitures	71,409	47,810	44,076	34,588
All Other Revenue	163,087	107,475	85,326	275,882
<b>Total Revenue</b>	<b>6,179,481</b>	<b>6,866,380</b>	<b>6,593,899</b>	<b>6,260,476</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,347,476	2,488,877	2,767,324	2,801,303
Leisure Time Activities	278,949	297,182	306,338	332,362
Community Environment	512,734	705,811	510,250	566,184
Transportation	567,995	620,635	629,656	651,166
General Government	774,109	896,253	782,365	972,342
Capital Outlay	1,104,819	747,261	1,021,276	1,454,517
Debt Service:				
Principal Retirement	324,414	270,000	160,000	160,000
Interest and Fiscal Charges	129,226	103,362	88,907	69,115
<b>Total Expenditures</b>	<b>6,039,722</b>	<b>6,129,381</b>	<b>6,266,116</b>	<b>7,006,989</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	139,759	736,999	327,783	(746,513)

*City of Salem*

2002	2003	2004	2005	2006	2007
\$4,485,201	\$4,623,253	\$4,743,926	\$4,903,826	\$5,154,745	\$5,188,880
2,024,725	2,010,794	1,591,197	1,696,999	1,543,248	1,576,559
71,803	65,601	72,379	73,591	73,735	73,419
109,586	92,031	86,658	130,113	143,171	140,763
384,637	307,208	380,984	462,465	703,268	723,648
23,175	25,865	22,592	21,557	22,841	20,335
47,027	36,734	23,507	25,734	25,291	21,485
59,130	87,048	116,436	149,986	71,172	109,586
<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>	<u>7,854,675</u>
2,945,543	3,340,877	3,230,200	3,384,494	3,423,302	3,529,760
344,476	332,390	307,139	306,464	338,316	510,690
732,774	510,618	557,427	590,321	486,766	439,924
647,798	727,501	694,350	709,471	723,917	769,744
884,549	1,007,890	1,026,015	1,150,530	1,125,981	1,155,722
1,864,668	2,083,258	647,449	1,217,466	1,717,308	651,237
160,000	177,456	177,456	32,456	121,785	139,785
55,215	61,717	65,765	166,546	177,738	215,878
<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>	<u>7,412,740</u>
(429,739)	(993,173)	331,878	(93,477)	(377,642)	441,935

(Continued)

**City of Salem**

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

	1998	1999	2000	2001
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	9,345	30,985	58,248	14,855
Other Financing Sources - Capital Leases	0	0	0	0
Ohio Public Works Commission Loan	0	0	0	212,606
General Obligation Bonds Issued	0	0	0	0
Premium on General Obligation Bonds	0	0	0	0
Transfers In	3,765,927	4,187,235	4,132,666	4,157,313
Transfers Out	(3,765,927)	(4,187,235)	(4,132,666)	(4,157,313)
<b>Total Other Financing Sources (Uses)</b>	<u>9,345</u>	<u>30,985</u>	<u>58,248</u>	<u>227,461</u>
<b>Net Change in Fund Balance</b>	<u>\$149,104</u>	<u>\$767,984</u>	<u>\$386,031</u>	<u>(\$519,052)</u>
 <b>Debt Service as a Percentage of Noncapital Expenditures</b>	 10.12%	 7.45%	 4.98%	 4.30%

Source: City Auditor's Office

*City of Salem*

2002	2003	2004	2005	2006	2007
13,357	6,303	15,310	42,187	35,880	2,180
0	0	0	21,527	0	0
49,232	0	0	259,936	0	0
0	0	0	2,380,000	0	985,000
0	0	0	100,212	0	34,680
4,118,160	4,199,468	3,966,256	6,978,997	4,148,775	4,371,893
<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>(5,062,929)</u>
<u>(247,333)</u>	<u>(256,181)</u>	<u>(221,733)</u>	<u>2,503,268</u>	<u>(678,487)</u>	<u>330,824</u>
<u>(\$677,072)</u>	<u>(\$1,249,354)</u>	<u>\$110,145</u>	<u>\$2,409,791</u>	<u>(\$1,056,129)</u>	<u>\$772,759</u>
3.87%	4.06%	4.17%	3.18%	4.92%	5.18%

**City of Salem**

*Income Tax Revenues by Source, Governmental Funds  
Last Ten Years*

<b>Tax year</b>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Income Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%
Total Tax Collected	\$3,604,310	\$3,905,950	\$3,713,010	\$3,659,509	\$3,628,465
Income Tax Receipts					
Withholding	2,741,047	2,772,435	2,888,182	2,843,044	2,877,596
Percentage	76.05%	70.98%	77.79%	77.69%	79.31%
Business	444,447	693,423	366,119	346,264	247,982
Percentage	12.33%	17.75%	9.86%	9.46%	6.83%
Individuals	418,816	440,092	458,709	470,201	502,887
Percentage	11.62%	11.27%	12.35%	12.85%	13.86%

Source: City Income Tax Department

*City of Salem*

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2003	2004	2005	2006	2007
1.00%	1.00%	1.00%	1.00%	1.00%
\$3,699,668	\$3,715,547	\$3,838,513	\$3,893,538	\$3,983,037
2,910,992	2,924,481	2,976,895	2,937,396	3,076,302
78.68%	78.71%	77.55%	75.44%	77.23%
326,910	309,042	327,638	415,317	406,169
8.84%	8.32%	8.54%	10.67%	10.20%
461,766	482,024	533,980	540,825	500,566
12.48%	12.97%	13.91%	13.89%	12.57%

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# City of Salem

## Income Tax Statistics Current Year and Nine Years Ago

### Calendar Year 2007

<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	0.12%	\$141,410,070	35.50%	\$1,414,101	35.50%
All Others	8,239	99.88%	256,893,626	64.50%	2,568,936	64.50%
Total	8,249	100.00%	\$398,303,696	100.00%	\$3,983,037	100.00%

### Calendar Year 1998

<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	0.13%	\$126,740,053	35.16%	\$1,267,401	35.16%
All Others	7,730	99.87%	233,690,891	64.84%	2,336,909	64.84%
Total	7,740	100.00%	\$360,430,944	100.00%	\$3,604,309	100.00%

Source: City Income Tax Department

## *City of Salem*

### *Ratios of Outstanding Debt By Type Last Ten Years*

	1998	1999	2000	2001
<b>Governmental Activities</b> <sup>(1)</sup>				
General Obligation Bonds Payable	\$1,010,000	\$750,000	\$600,000	\$450,000
General Obligation Bonds Payable (TIF supported)	0	0	0	0
Special Assessment Bonds Payable	187,000	177,000	167,000	157,000
Installment Note Payable	0	0	0	0
OPWC Loan Payable	0	0	0	212,606
Capital Leases	0	0	0	0
<b>Business-type Activities</b> <sup>(1)</sup>				
Mortgage Revenue Bonds Payable	\$1,325,000	\$1,125,000	\$800,000	\$0
General Obligation Bonds Payable	2,270,000	2,180,000	2,090,000	2,000,000
OPWC Loan Payable	0	0	399,750	379,250
Capital Leases	14,062	3,616	0	0
Total Primary Government	<u>\$4,806,062</u>	<u>\$4,235,616</u>	<u>\$4,056,750</u>	<u>\$3,198,856</u>
<b>Population</b> <sup>(2)</sup>				
City of Salem	12,233	12,233	12,197	12,197
Outstanding Debt Per Capita	\$393	\$346	\$333	\$262
<b>Income</b> <sup>(3) (a)</sup>				
Personal (in thousands)	252,061	257,713	267,480	269,700
Percentage of Personal Income	1.91%	1.64%	1.52%	1.19%

Sources:

(1) City Auditor's Office

(2) US Bureau of Census, Population Division

(3) US Department of Commerce, Bureau of Economic Analysis information is only available through 2006, for the presentation of 2007 statistics, the City is using the latest information available.

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

*City of Salem*

2002	2003	2004	2005	2006	2007
\$300,000	\$150,000	\$0	\$2,480,212	\$2,400,201	\$2,310,190
0	0	0	0	0	1,019,680
147,000	137,000	127,000	112,000	100,000	80,000
0	0	0	0	0	0
261,838	244,382	226,926	469,406	434,621	399,836
0	0	0	14,059	7,172	0
\$0	\$0	\$0	\$0	\$0	\$0
1,600,000	1,200,000	800,000	400,000	0	0
358,750	338,250	317,750	297,250	276,750	256,250
0	0	0	0	0	0
<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>	<u>\$4,065,956</u>
12,197	12,197	12,197	12,197	12,197	12,197
\$219	\$170	\$121	\$309	\$264	\$333
275,628	283,263	293,191	293,606	308,023	308,023
0.97%	0.73%	0.50%	1.29%	1.04%	1.32%

## *City of Salem*

### *Ratios of General Bonded Debt Outstanding Last Ten Years*

Year	1998	1999	2000	2001
<b>Population</b> (1)	12,233	12,233	12,197	12,197
<b>Personal Income</b> (2)	\$252,060,965	\$257,712,611	\$267,480,210	\$215,757,110
<b>General Bonded Debt</b>				
General Obligation Bonds	\$3,280,000	\$2,930,000	\$2,690,000	\$2,450,000
<b>Resources Available to Pay Principal</b>	\$124,912	\$126,040	\$136,204	\$30,114
<b>Net General Bonded Debt</b>	\$3,155,088	\$2,803,960	\$2,553,796	\$2,419,886
<b>Ratio of Net Bonded Debt to Total Personal Income</b>	1.25%	1.09%	0.95%	1.12%
<b>Net Bonded Debt per Capita</b>	\$257.92	\$229.21	\$209.38	\$198.40

Source:

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

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

*City of Salem*

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<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
12,197	12,197	12,197	12,197	12,197	12,197
\$275,627,806	\$283,263,128	\$293,191,486	\$293,606,184	\$308,023,038	\$308,023,038
\$1,900,000	\$1,350,000	\$800,000	\$2,880,212	\$2,400,201	\$3,329,870
\$33,713	\$31,438	\$60,408	\$43,138	\$69,121	\$8,629
\$1,866,287	\$1,318,562	\$739,592	\$2,837,074	\$2,331,080	\$3,321,241
0.68%	0.47%	0.25%	0.97%	0.76%	1.08%
\$153.01	\$108.11	\$60.64	\$232.60	\$191.12	\$272.30

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**City of Salem**

*Computation of Direct and Overlapping  
Debt Attributable to Governmental Activities  
December 31, 2007*

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Salem (1)</u>	<u>Amount Applicable to the City of Salem</u>
<b>Direct:</b>			
City of Salem	\$2,930,000	100.00%	\$2,930,000
<b>Overlapping:</b>			
South Range School District	14,699,990	1.41%	207,270
Columbiana County	1,920,790	14.16%	271,984
		Subtotal	479,254
		Total	\$3,409,254

(1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the City by the total assessed valuation of the political subdivision.

Source: Columbiana County Auditor

## *City of Salem*

### *Debt Limitations Last Ten Years*

	1998	1999	2000	2001
<b>Total Debt</b>				
Net Assessed Valuation	\$195,362,185	\$200,874,530	\$197,612,970	\$212,504,160
Legal Debt Limitation (%) <sup>(1)</sup>	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) <sup>(1)</sup>	20,513,029	21,091,826	20,749,362	22,312,937
City Debt Outstanding <sup>(2)</sup>	1,910,000	1,650,000	1,350,000	1,050,000
Less: Applicable Debt Service Fund Amounts	(93)	(8)	(12)	(54)
Net Indebtedness Subject to Limitation	1,909,907	1,649,992	1,349,988	1,049,946
Overall Legal Debt Margin	\$18,603,122	\$19,441,834	\$19,399,374	\$21,262,991
<b>Unvoted Debt</b>				
Net Assessed Valuation	\$195,362,185	\$200,874,530	\$197,612,970	\$212,504,160
Legal Debt Limitation (%) <sup>(1)</sup>	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) <sup>(1)</sup>	10,744,920	11,048,099	10,868,713	11,687,729
City Debt Outstanding <sup>(2)</sup>	1,910,000	1,650,000	1,350,000	1,050,000
Less: Applicable Debt Service Fund Amounts	(93)	(8)	(12)	(54)
Net Indebtedness Subject to Limitation	1,909,907	1,649,992	1,349,988	1,049,946
Overall Legal Debt Margin	\$8,835,013	\$9,398,107	\$9,518,725	\$10,637,783

(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*

2002	2003	2004	2005	2006	2007
\$215,757,110	\$221,745,930	\$232,940,940	\$235,173,250	\$225,238,610	\$210,033,835
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
22,654,497	23,283,323	24,458,799	24,693,191	23,650,054	22,053,553
1,100,000	3,192,000	3,190,000	3,005,000	3,480,000	2,930,000
(55)	0	(28,501)	(15,891)	(69,121)	(8,629)
1,099,945	3,192,000	3,161,499	2,989,109	3,410,879	2,921,371
\$21,554,552	\$20,091,323	\$21,297,300	\$21,704,082	\$20,239,175	\$19,132,182

\$215,757,110	\$221,745,930	\$232,940,940	\$235,173,250	\$225,238,610	\$210,033,835
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
11,866,641	12,196,026	12,811,752	12,934,529	12,388,124	11,551,861
1,100,000	3,192,000	3,190,000	3,005,000	3,480,000	2,930,000
(55)	0	(28,501)	(15,891)	(69,121)	(8,629)
1,099,945	3,192,000	3,161,499	2,989,109	3,410,879	2,921,371
\$10,766,696	\$9,004,026	\$9,650,253	\$9,945,420	\$8,977,245	\$8,630,490

## *City of Salem*

### *Pledged Revenue Coverage Last Ten Years*

	1998	1999	2000	2001	2002
<b>Wastewater Mortgage Bonds (1)</b>					
Gross Revenues (2)	\$2,885,903	\$2,772,412	\$2,713,760	\$2,574,897	\$0
Direct Operating Expenses (3)	1,079,752	1,022,104	1,156,735	1,149,518	0
Net Revenue Available for Debt Service	1,806,151	1,750,308	1,557,025	1,425,379	0
Annual Debt Service Requirement	163,725	257,050	370,075	818,800	0
Coverage	11.03	6.81	4.21	1.74	0.00
<b>Special Assessment Bonds</b>					
Special Assessment Collections	\$27,905	\$22,620	\$30,957	\$19,055	\$23,175
<b>Debt Service</b>					
Principal	5,000	10,000	10,000	10,000	10,000
Interest	11,712	11,407	10,797	10,187	9,577
Coverage	1.67	1.06	1.49	0.94	1.18

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

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

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

Source: City Auditor's Office

*City of Salem*

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2003	2004	2005	2006	2007
\$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
\$16,747	\$18,961	\$18,139	\$19,370	\$19,860
10,000	10,000	15,000	12,000	20,000
8,967	8,357	7,748	6,832	6,100
0.88	1.03	0.80	1.03	0.76

# *City of Salem*

## *Demographic and Economic Statistics Last Ten Years*

Calendar Year	1998	1999	2000	2001
<b>Population</b> (1)				
City of Salem	12,233	12,233	12,197	12,197
Columbiana County	108,276	108,276	112,075	112,075
<b>Income</b> (2) (a)				
Total Personal (in thousands)	252,061	257,713	267,480	269,700
Per Capita	20,605	21,067	21,930	22,112
<b>Unemployment Rate</b> (3)				
Federal	4.9%	4.5%	4.2%	3.8%
State	4.6%	4.3%	4.3%	3.7%
Columbiana County	5.5%	5.8%	5.1%	5.5%
<b>Civilian Work Force Estimates</b> (3)				
State	5,678,000	5,749,000	5,900,400	5,857,000
Columbiana County	52,200	52,500	51,700	51,500

Sources:

(1) US Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis information is only available through 2006, for the presentation of 2007 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*

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2002	2003	2004	2005	2006	2007
12,197	12,197	12,197	12,197	12,197	12,197
112,075	112,075	112,075	110,928	110,928	110,542
275,628	283,263	293,191	293,606	308,023	308,023
22,598	23,224	24,038	24,072	25,254	25,254
4.8%	5.8%	6.0%	5.5%	5.0%	4.6%
4.3%	5.7%	6.1%	6.0%	5.9%	5.6%
6.8%	7.9%	7.4%	7.1%	6.5%	6.3%
5,828,000	5,915,000	5,875,300	5,900,400	5,934,000	5,976,500
50,800	51,900	53,600	53,700	53,500	53,400

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**City of Salem**

*Principal Employers  
Current Year and Nine Years Ago*

Employer	Nature of Business	2007		
		Number of Employees	Rank	Percentage of Total Employment
	Food Processing	1,328	1	8.35%
	Manufacturing	1,195	2	7.51%
	Health Care	1,119	3	7.03%
	Retail	600	4	3.77%
	Manufacturing	468	5	2.94%
	Health Care	398	6	2.50%
	Education	395	7	2.48%
	Manufacturing	283	8	1.78%
	Manufacturing	225	9	1.41%
	Manufacturing	134	10	0.84%
Total		<u>6,145</u>		
Total Employment within the City		<u><u>15,907</u></u>		

Employer	Nature of Business	1998		
		Number of Employees	Rank	Percentage of Total Employment
	Health Care	921	1	5.44%
	Food Processing	813	2	4.80%
	Manufacturing	811	3	4.79%
	Manufacturing	600	4	3.55%
	Manufacturing	428	5	2.53%
	Education	426	6	2.52%
	Manufacturing	255	7	1.51%
	Manufacturing	234	8	1.38%
	Manufacturing	217	9	1.28%
	Manufacturing	186	10	1.10%
Total		<u>4,891</u>		
Total Employment within the City		<u><u>16,924</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

	1998	1999	2000	2001	2002
<b>Governmental Activities</b>					
General Government					
Mayor	1.00	1.00	1.00	1.00	1.00
Auditor's Office	3.00	3.00	3.00	3.00	3.00
Treasurer	1.00	1.00	1.00	1.00	1.00
Law Director's Office	2.50	3.00	3.00	2.00	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	25.00	25.00	25.00	25.00
Part Time Dispatchers	6.00	6.00	6.00	6.00	6.00
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	2.00	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	2.00
Recycling					
<b>Business-Type Activities</b>					
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>135.00</u>	<u>138.50</u>	<u>138.50</u>	<u>137.50</u>	<u>137.50</u>

Source: City Auditor's Office



*City of Salem*

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<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
1.00	1.00	1.00	1.00	1.00
3.00	3.00	3.00	3.00	3.00
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	1.00	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>137.50</u>	<u>136.50</u>	<u>136.50</u>	<u>136.50</u>	<u>136.50</u>

## *City of Salem*

### *Operating Indicators by Function Last Ten Years*

	1998	1999	2000	2001
<b>Governmental Activities</b>				
General Government				
Security of Persons and Property				
Police				
Numbers of Calls for Service	6,264	6,177	7,606	7,343
Thefts	52	55	41	55
Murder/ Homicide	0	0	0	0
MV/Accidents-TTL	331	374	399	391
MV/Accidents-Fatal	1	0	1	0
DUI	30	28	25	31
Arrests	1,645	1,262	1,243	1,179
Fire				
Number of Fire Calls	71	79	54	64
Number of EMS Runs	106	123	166	283
Number of other Runs	442	384	430	394
Number of Inspections	230	125	127	173
Number of Demo Permits	17	22	15	20
Transportation				
Street				
Number of Streets Resurfaced by feet	8,285	9,370	15,935	11,709
Number of Concrete Streets Repaired by Yards	2,513	2,723	2,562	2,326
Leisure Time Activities				
Parks				
Number of Program Sports Offered	9	9	9	9
Number of Community Events	11	11	11	11
Community Environment				
Number of Zoning Permits Issued	435	350	355	441
Estimated Cost Value of Construction	6,350,821	6,049,310	5,615,740	30,904,180
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*

2002	2003	2004	2005	2006	2007
8,134	8,839	7,943	7,983	7,853	11,907
58	74	80	78	105	145
0	0	2	0	0	0
431	455	514	444	479	508
0	1	1	0	0	0
60	84	59	72	95	59
1,467	1,493	1,126	1,211	1,083	1,190
59	62	72	53	67	71
331	354	251	393	478	488
449	479	519	457	492	508
120	155	200	196	420	299
11	10	9	18	12	8
8,832	25,725	0	31,483	37,300	24,055
0	0	0	1,423	0	0
9	9	9	9	9	9
11	11	11	11	11	11
456	351	359	450	459	376
11,000,454	7,524,099	31,713,664	10,237,534	23,876,613	11,010,640
N/A	N/A	N/A	374	374	315
N/A	N/A	N/A	67	72	55
N/A	N/A	N/A	9	13	6
N/A	N/A	N/A	237	530	516
N/A	N/A	N/A	1,640	1,704	1,800

(Continued)

## *City of Salem*

### *Operating Indicators by Function Last Ten Years*

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<b>Business-Type Activities</b>				
Water				
Number of Service Connections	6,496	6,547	6,584	6,611
Water Main Breaks	30	44	43	23
Daily Average Consumption (thousands of gallons)	2,329	2,376	2,325	2,413
Peak Daily Consumption (thousands of gallons)	3,488	3,393	3,373	3,364
Wastewater				
Number of Sewer Service Connections	5,926	5,981	6,014	6,038
Daily Average Sewage Treatment (thousands of gallons)	2,937	2,593	2,617	2,507

Source: City Auditor's Office

Source: Utilities Superintendent

Source: Service Director

Source: Zoning Department

N/A = Not Available

*City of Salem*

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<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
6,653	6,685	6,708	6,754	6,833	6,855
46	42	30	31	17	54
2,425	2,401	2,423	2,676	2,421	2,221
3,122	3,314	3,495	3,630	3,565	3,167
6,175	6,228	6,248	6,285	6,360	6,380
2,425	3,176	3,349	2,801	2,825	2,900

# City of Salem

## Capital Asset Statistics by Function Last Ten Years

	1998	1999	2000	2001
<b>Governmental Activities</b>				
General Government				
Public Land and Buildings				
Land (acres)	1,514	1,514	1,514	1,722
Buildings	2	2	2	2
Security of Persons and Property				
Police				
Stations	1	1	1	1
Vehicles	10	11	11	11
Fire				
Stations	1	1	1	1
Vehicles	5	5	5	5
Transportation				
Street				
Streets (lane miles)	60	60	60	62
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
<b>Business-Type Activities</b>				
Utilities				
Water				
Waterlines (Miles)	106.636	106.636	107.136	107.957
Pump Stations	1	1	3	3
Number of Hydrants	736	736	740	753
Average Daily Consumption	2,329	2,376	2,325	2,413
Storage Capacity (thousands of gallons)	3,800	3,800	3,800	3,800
Wastewater				
Sanitary Sewer Mains (miles)	62.803	64.223	64.223	65.637
Sanitary Force Mains (miles)	4.164	4.525	4.525	4.525
Lift Stations	15	15	15	15

Source: City Auditor's Office

*City of Salem*

2002	2003	2004	2005	2006	2007
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	6	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	13	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
110.581	111.013	111.316	112.782	113.608	113.688
3	3	3	3	3	3
774	785	791	811	825	827
2,425	2,401	2,423	2,676	2,421	3,167
3,800	3,800	3,800	3,800	3,800	3,800
69.384	69.975	70.578	71.471	71.968	72.003
5.197	5.197	6.080	6.080	6.080	6.080
15	16	16	17	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  
JULY 29, 2008**