



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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 18, 2009. 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 18, 2009.

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 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 18, 2009

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2008

Prepared by the Auditor's Office

James A. Armeni
City Auditor



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COLUMBIANA COUNTY, OHIO

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INTRODUCTORY SECTION





CITY OF SALEM

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

phone (330) 332-4482

fax (330)-332-3001

June 18, 2009

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, 2008. 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, 2008***

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, 2008***

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, 2008***

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 2008, continuing efforts were made to upgrade services and improve the quality of life for the citizens of Salem.

The Parks Commission approved use of CDBG funds to install new playground equipment at Mullins Park at a cost of approximately \$46,950. At Centennial Park a retaining wall was constructed for the north baseball field. The Commission also upgraded trucks and other equipment at a cost of approximately \$80,000.

The City of Salem's municipal building underwent extensive repairs on the exterior brick structure and interior painting of offices at a cost of approximately \$40,000.

Phase I of the East Pershing Street extension was completed in 2008. Phase I included 1,178 lineal feet of asphalt surface course, 1,114 lineal feet of waterlines and 5,413 lineal feet of sidewalks at an approximate cost of \$321,353. Phase II of this project is in the engineering stage, with completion set for fall of 2009.

The Cunningham-Bentley Road connector was completed at an approximate cost of \$196,936. The project included 763 lineal feet of asphalt, 3308 lineal feet of sidewalk, and 751 lineal feet of waterlines.

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, 2008***

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System:

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

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

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

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

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

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

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

***Letter of Transmittal
For the Year Ended December 31, 2008***

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, 2007. 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 eight consecutive years (2000 - 2007). 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, 2008***

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 Salem High School Alumni Association 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 Janet Keene and Mike Whitfield of Lyle Printing and Publishing for their expertise in the printing of this publication.

Respectfully,



James Armeni
City Auditor



Barbara Hasson
Chief Deputy Auditor



Sue Laughlin
Administrative Assistant

CITY OF SALEM, OHIO

***List of Principal Officials
For the Year Ended December 31, 2008***

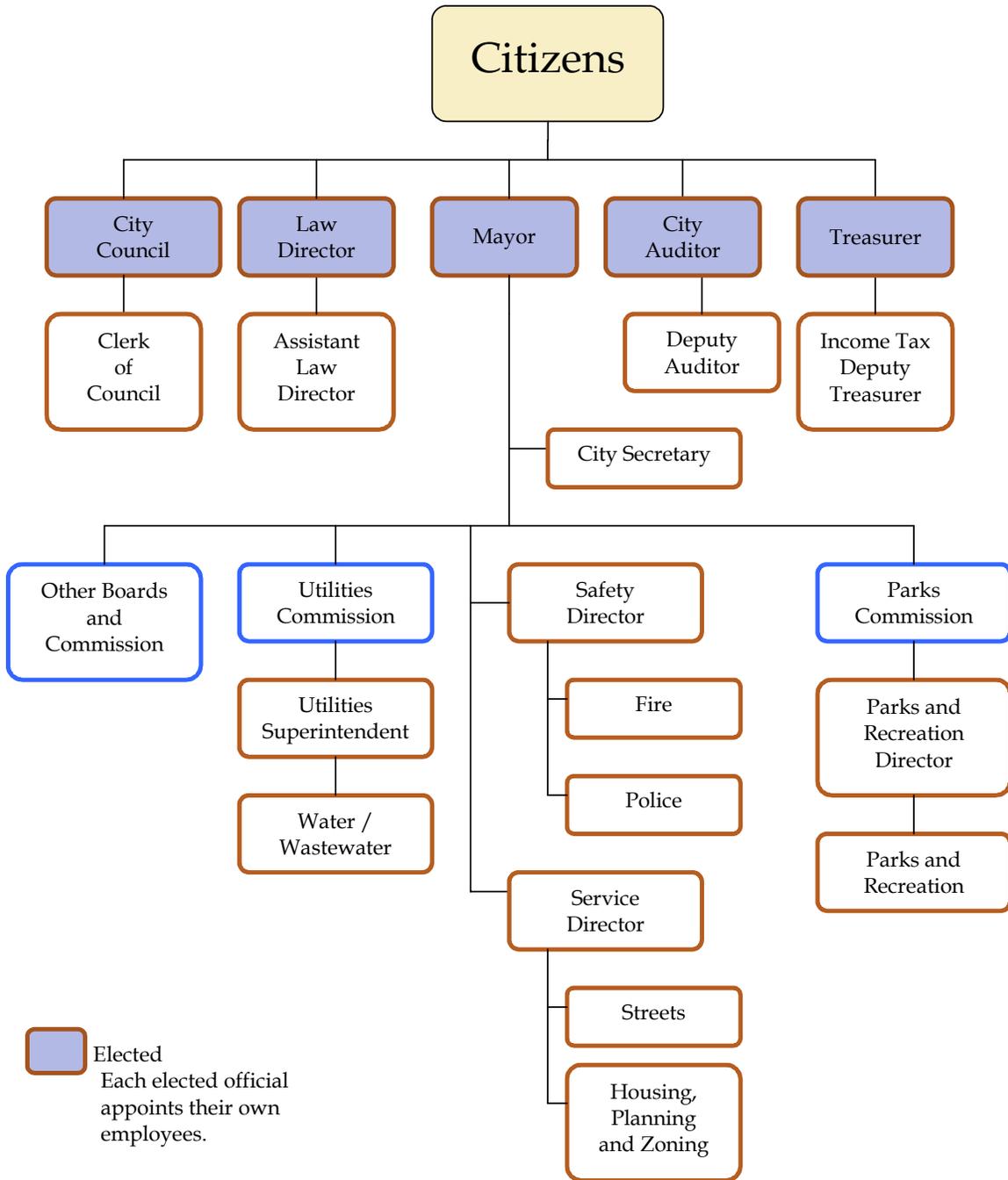
<i>ELECTED OFFICIALS</i>	<i>OFFICE</i>	<i>TERM EXPIRES</i>
Tod Mumpire	President of Council	12/31/09
Dave Nestic	Council Member - Ward 1	12/31/11
Dennis Groves	Council Member - Ward 2	12/31/11
Rita J. O'Leary	Council Member - Ward 3	12/31/11
Mary Ann Dzuracky	Council Member - Ward 4	12/31/11
Justine 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
Jerry Wolford	Mayor	12/31/11
James A. Armeni	Auditor	12/31/11
Robert Tullis	Treasurer	12/31/09
C. Brooke Zellers	Law Director	12/31/11

<i>ADMINISTRATIVE PERSONNEL</i>	<i>TITLE</i>	<i>TERM OF OFFICE</i>
Robert W. Floor	Police Chief	Indefinite
Jeff Hughes	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
Steven Andres	Safety / Service Director	Indefinite

City Address:

Salem City Hall
231 South Broadway Avenue
Salem, Ohio 44460

**City Organizational Chart
For the Year Ended December 31, 2008**



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

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Salem
Ohio

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

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.



A handwritten signature in black ink, appearing to read "M. L. R. T.", positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer", positioned above the title "Executive Director".

Executive Director

FINANCIAL SECTION





Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem, Columbiana County, Ohio (the City), as of and for the year ended December 31, 2008, 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, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General, Municipal Income Tax, Parks and Community Housing Improvement funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2009, 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 nonmajor 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 nonmajor 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 18, 2009

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, 2008. 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 2008 are as follows:

- ❑ In total, net assets decreased \$315,086. Net assets of governmental activities decreased \$973,177, which represents a 5% decrease from 2007. Net assets of business-type activities increased \$658,091 or 2% from 2007.
- ❑ General revenues accounted for \$6,586,244 in revenue or 56% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,248,555, or 44% of total revenues of \$11,834,799.
- ❑ The City had \$8,256,539 in expenses related to governmental activities; only \$1,448,012 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$6,551,999 and net assets were adequate to provide for these programs.
- ❑ The general fund had \$5,484,812 in revenues and other financing sources and \$5,408,393 in expenditures and other financing uses. The general fund's fund balance increased from \$601,505 to \$664,676.

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, 2008***

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 2008 compared to 2007.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$5,335,115	\$5,811,499	\$16,811,724	\$15,861,444	\$22,146,839	\$21,672,943
Capital assets, Net	18,543,083	19,003,676	17,651,995	17,713,203	36,195,078	36,716,879
Total assets	23,878,198	24,815,175	34,463,719	33,574,647	58,341,917	58,389,822
Long-term debt outstanding	3,959,671	4,023,740	383,270	315,781	4,342,941	4,339,521
Other liabilities	2,117,580	2,017,311	348,349	184,857	2,465,929	2,202,168
Total liabilities	6,077,251	6,041,051	731,619	500,638	6,808,870	6,541,689
Net assets						
Invested in capital assets, net of related debt	14,201,641	14,483,970	17,416,246	17,456,953	31,617,887	31,940,923
Restricted	1,587,446	1,923,915	0	0	1,587,446	1,923,915
Unrestricted	2,011,860	2,366,239	16,315,854	15,617,056	18,327,714	17,983,295
Total net assets	\$17,800,947	\$18,774,124	\$33,732,100	\$33,074,009	\$51,533,047	\$51,848,133

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**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for 2008 compared to 2007:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for Services and Sales	\$183,721	\$177,900	\$3,800,543	\$3,757,799	\$3,984,264	\$3,935,699
Operating Grants and Contributions	1,264,291	746,100	0	0	1,264,291	746,100
Total Program Revenues	1,448,012	924,000	3,800,543	3,757,799	5,248,555	4,681,799
General revenues:						
Property Taxes	1,205,807	1,233,259	0	0	1,205,807	1,233,259
Income Taxes	4,108,314	4,005,682	0	0	4,108,314	4,005,682
Other Local Taxes	80,965	66,338	0	0	80,965	66,338
Intergovernmental Revenues, Unrestricted	421,003	508,737	0	0	421,003	508,737
Investment Earnings	672,086	829,319	34,245	21,119	706,331	850,438
Miscellaneous	63,824	109,586	0	0	63,824	109,586
Total General Revenues	6,551,999	6,752,921	34,245	21,119	6,586,244	6,774,040
Total Revenues	8,000,011	7,676,921	3,834,788	3,778,918	11,834,799	11,455,839
Program Expenses						
Security of Persons and Property	4,017,233	3,672,803	0	0	4,017,233	3,672,803
Leisure Time Activities	562,624	560,188	0	0	562,624	560,188
Community Environment	616,095	441,002	0	0	616,095	441,002
Transportation	1,685,193	1,943,913	0	0	1,685,193	1,943,913
General Government	1,199,000	1,181,181	0	0	1,199,000	1,181,181
Interest and Fiscal Charges	176,394	219,274	0	0	176,394	219,274
Water	0	0	1,885,617	1,939,956	1,885,617	1,939,956
Wastewater	0	0	2,007,729	1,838,202	2,007,729	1,838,202
Total expenses	8,256,539	8,018,361	3,893,346	3,778,158	12,149,885	11,796,519
Change in Net Assets before transfers	(256,528)	(341,440)	(58,558)	760	(315,086)	(340,680)
Transfers	(716,649)	(915,036)	716,649	915,036	0	0
Total Change in Net Assets	(973,177)	(1,256,476)	658,091	915,796	(315,086)	(340,680)
Beginning Net Assets	18,774,124	20,030,600	33,074,009	32,158,213	51,848,133	52,188,813
Ending Net Assets	\$17,800,947	\$18,774,124	\$33,732,100	\$33,074,009	\$51,533,047	\$51,848,133

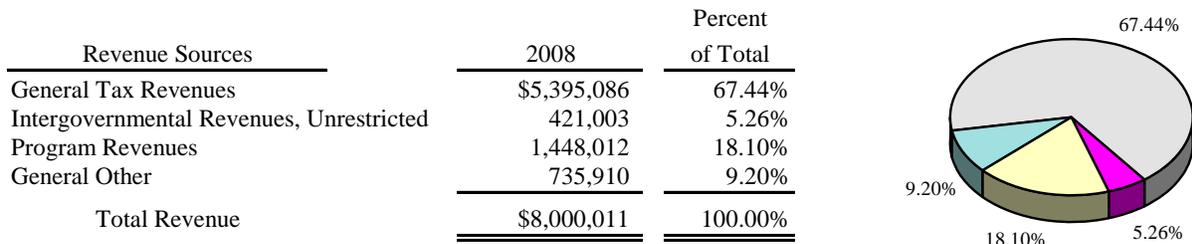
Governmental Activities

Net assets of the City's governmental activities decreased \$973,177 or 5% from 2007. Operating grants and contributions increased significantly due to increases in community housing improvement grants, which in turn resulted in an increase in community environment expenditures. Unrestricted intergovernmental revenues decreased due to decreases in estate taxes, while a decrease in interest rates resulted in the decrease in investment earnings. The increase in security of persons and property cannot be attributed to a single factor, but rather an overall increase in costs for these departments. Expenditures for transportation decreased due to a decrease in the summer street maintenance program.

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

Income taxes and property taxes made up 51% and 15% respectively of revenues for governmental activities for the City in fiscal year 2008. The City's reliance upon tax revenues is demonstrated by the following graph indicating 67% of total revenues from general tax revenues:



Business-Type Activities

Net assets of the business-type activities increased \$658,091. This change was consistent with the previous year, as revenues and expenses remained stable.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$1,864,206, which is a decrease from last year's balance of \$2,664,224. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2008 and 2007:

	Fund Balance/(Deficit) December 31, 2008	Fund Balance/(Deficit) December 31, 2007	Increase (Decrease)
General	\$664,676	\$601,505	\$63,171
Municipal Income Tax	531,270	770,311	(239,041)
Parks	274,099	298,970	(24,871)
Community Housing Improvement	10,110	104,470	(94,360)
Tax Increment Financing	(600,350)	(32,385)	(567,965)
Other Governmental	984,401	921,353	63,048
Total	\$1,864,206	\$2,664,224	(\$800,018)

***Management's Discussion and Analysis
For the Year Ended December 31, 2008***

Unaudited

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

	2008	2007	Increase
	<u>Revenues</u>	<u>Revenues</u>	<u>(Decrease)</u>
Taxes	\$677,855	\$657,442	\$20,413
Intergovernmental Revenues	396,459	493,809	(97,350)
Charges for Services	70,779	64,559	6,220
Licenses and Permits	135,084	134,987	97
Investment Earnings	722,500	709,459	13,041
Special Assessments	1,647	1,668	(21)
Fines and Forfeitures	18,323	20,228	(1,905)
All Other Revenue	9,128	4,777	4,351
Total	<u>\$2,031,775</u>	<u>\$2,086,929</u>	<u>(\$55,154)</u>

General Fund revenues remained very stable in 2008 decreasing approximately 3% when compared to revenues in fiscal year 2007. Decreases in estate taxes resulted in the decrease in intergovernmental revenue.

	2008	2007	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$3,198,019	\$3,076,610	\$121,409
Community Environment	142,213	171,085	(28,872)
Transportation	15,180	8,459	6,721
General Government	999,700	948,025	51,675
Total	<u>\$4,355,112</u>	<u>\$4,204,179</u>	<u>\$150,933</u>

General Fund expenditures in 2008 increased \$150,933, or approximately 4%. The increase in security of persons and property cannot be attributed to a single factor, but rather an overall increase in costs for these departments. A decrease in salaries and related costs in the housing planning and zoning department resulted in the decrease in community environment. An increase in workers compensation costs contributed to the increase in general government.

Municipal Income Tax Fund – The City's Municipal Income Tax Fund balance decreased significantly from 2007 to 2008. This decrease was mainly the result of an increase in the amount of income tax revenues being transferred out to other funds.

***Management's Discussion and Analysis
For the Year Ended December 31, 2008***

Unaudited

Parks Fund – The Parks Fund balance decreased 8% from 2007 to 2008. Revenues and expenditures in this fund were consistent with the previous year.

Community Housing Improvement Fund – The Community Housing Improvement Fund balance decreased significantly due to increases in home rehabilitation costs.

Tax Increment Financing Fund – The TIF fund balance decreased significantly due to capital outlays for road construction costs.

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 2008 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$2.1 million was significantly higher than original budget estimates of \$1.4 million due to an overall increase in estimated revenues. Actual budget basis revenue of \$2.0 million was not significantly different from final budget estimates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008 the City had \$36,195,078 net of accumulated depreciation invested in land, buildings, improvements, machinery, equipment, vehicles and infrastructure. Of this total, \$18,543,083 was related to governmental activities and \$17,651,995 to the business-type activities. The following table shows fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	2007	
Land	\$4,586,123	\$4,518,253	\$67,870
Construction In Progress	409,568	498,426	(88,858)
Buildings	2,274,772	2,274,772	0
Improvements Other Than Buildings	711,242	711,242	0
Machinery and Equipment	2,947,554	3,237,534	(289,980)
Infrastructure	21,549,580	21,172,055	377,525
Less: Accumulated Depreciation	(13,935,756)	(13,408,606)	(527,150)
Totals	<u>\$18,543,083</u>	<u>\$19,003,676</u>	<u>(\$460,593)</u>

An increase in infrastructure was the result of the Bentley Drive and North Cunningham connector and the East Pershing Street extension.

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2008	2007	
Land	\$564,419	\$564,419	\$0
Construction in Progress	528,450	644,891	(116,441)
Buildings	19,100,334	18,918,671	181,663
Improvements Other Than Buildings	102,073	102,073	0
Machinery and Equipment	7,901,083	7,898,893	2,190
Infrastructure	9,682,946	9,068,360	614,586
Less: Accumulated Depreciation	<u>(20,227,310)</u>	<u>(19,484,104)</u>	<u>(743,206)</u>
Totals	<u>\$17,651,995</u>	<u>\$17,713,203</u>	<u>(\$61,208)</u>

A water main line extension to the Village of Leetonia resulted in the increase in infrastructure. Additional information on the City's capital assets can be found in Note 8.

Debt

At December 31, 2008, the City had \$3.2 million in General Obligation bonds outstanding, \$125,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2008 and 2007:

	2008	2007
Governmental Activities:		
General Obligation Bonds	\$3,206,391	\$3,329,870
Special Assessment Bond	60,000	80,000
Ohio Public Works Commission Loans	365,051	399,836
Compensated Absences	<u>328,229</u>	<u>214,034</u>
Total Governmental Activities	3,959,671	4,023,740
Business-Type Activities:		
Ohio Public Works Commission Loan	235,750	256,250
Compensated Absences	<u>147,520</u>	<u>59,531</u>
Total Business-Type Activities	<u>383,270</u>	<u>315,781</u>
Totals	<u>\$4,342,941</u>	<u>\$4,339,521</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, 2008, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

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 2008 was 8.9%. Income tax receipts for 2008 were up 0.67% year to date. Prior to 2008, the City's tax receipts were allocated 75% to the general fund and 25% to the debt service and capital improvement funds. In November 2008 the City Auditor recommended to City Council to change the allocation of tax receipts to 85% to the general fund and 15% to the debt service and capital improvement funds. City Council passed an ordinance accepting this change unanimously. The change was made retroactive to January 1, 2008. This change will strengthen the City's cash position in the general fund going into the first quarter of 2009.

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.



**Statement of Net Assets
December 31, 2008**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 2,044,216	\$ 2,031,825	\$ 4,076,041
Investments	0	13,352,780	13,352,780
Receivables:			
Taxes	1,830,125	0	1,830,125
Accounts	34,759	414,127	448,886
Intergovernmental	1,066,138	466,642	1,532,780
Interest	166,761	0	166,761
Special Assessments	45,257	326,919	372,176
Inventory of Supplies	99,802	188,679	288,481
Prepaid Items	48,057	30,752	78,809
Non-Depreciable Capital Assets	4,995,691	1,092,869	6,088,560
Depreciable Capital Assets, Net	<u>13,547,392</u>	<u>16,559,126</u>	<u>30,106,518</u>
Total Assets	<u>23,878,198</u>	<u>34,463,719</u>	<u>58,341,917</u>
Liabilities:			
Accounts Payable	69,730	267,613	337,343
Accrued Wages and Benefits	307,349	80,736	388,085
Due to Others	1,333	0	1,333
Unearned Revenue	1,012,710	0	1,012,710
Accrued Interest Payable	16,458	0	16,458
General Obligation Notes Payable	710,000	0	710,000
Long Term Liabilities:			
Amounts due in less than one year	289,118	37,204	326,322
Amounts due in more than one year	<u>3,670,553</u>	<u>346,066</u>	<u>4,016,619</u>
Total Liabilities	<u>6,077,251</u>	<u>731,619</u>	<u>6,808,870</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	14,201,641	17,416,246	31,617,887
Restricted For:			
Debt Service	50,455	0	50,455
Street Improvements	369,858	0	369,858
Parks	326,820	0	326,820
Law Enforcement	191,303	0	191,303
Community Environment	632,125	0	632,125
Other Purposes	16,885	0	16,885
Unrestricted	<u>2,011,860</u>	<u>16,315,854</u>	<u>18,327,714</u>
Total Net Assets	<u>\$ 17,800,947</u>	<u>\$ 33,732,100</u>	<u>\$ 51,533,047</u>

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Activities
For the Year Ended December 31, 2008**

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Security of Persons and Property	\$ 4,017,233	\$ 8,507	\$ 55,750
Leisure Time Activities	562,624	19,473	0
Community Environment	616,095	72,459	599,511
Transportation	1,685,193	0	609,030
General Government	1,199,000	83,282	0
Interest and Fiscal Charges	176,394	0	0
Total Governmental Activities	8,256,539	183,721	1,264,291
Business-Type Activities:			
Water	1,885,617	1,465,836	0
Wastewater	2,007,729	2,334,707	0
Total Business-Type Activities	3,893,346	3,800,543	0
Totals	\$ 12,149,885	\$ 3,984,264	\$ 1,264,291

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

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,952,976)	\$ 0	\$ (3,952,976)
(543,151)	0	(543,151)
55,875	0	55,875
(1,076,163)	0	(1,076,163)
(1,115,718)	0	(1,115,718)
(176,394)	0	(176,394)
<u>(6,808,527)</u>	<u>0</u>	<u>(6,808,527)</u>
0	(419,781)	(419,781)
<u>0</u>	<u>326,978</u>	<u>326,978</u>
<u>0</u>	<u>(92,803)</u>	<u>(92,803)</u>
<u>(6,808,527)</u>	<u>(92,803)</u>	<u>(6,901,330)</u>
646,778	0	646,778
494,921	0	494,921
64,108	0	64,108
4,108,314	0	4,108,314
80,965	0	80,965
421,003	0	421,003
672,086	34,245	706,331
63,824	0	63,824
(716,649)	716,649	0
<u>5,835,350</u>	<u>750,894</u>	<u>6,586,244</u>
(973,177)	658,091	(315,086)
<u>18,774,124</u>	<u>33,074,009</u>	<u>51,848,133</u>
<u>\$ 17,800,947</u>	<u>\$ 33,732,100</u>	<u>\$ 51,533,047</u>

CITY OF SALEM, OHIO

**Balance Sheet
Governmental Funds
December 31, 2008**

	General	Municipal Income Tax	Parks	Community Housing Improvement
Assets:				
Cash and Cash Equivalents	\$ 629,681	\$ 0	\$ 281,767	\$ 10,110
Receivables:				
Taxes	597,620	661,038	423,265	0
Accounts	34,759	0	0	0
Intergovernmental	169,557	0	16,021	583,011
Interest	166,761	0	0	0
Special Assessments	0	0	0	0
Interfund Loans Receivable	0	0	0	0
Inventory of Supplies	55,390	0	0	0
Prepaid Items	44,710	486	2,861	0
Total Assets	\$ 1,698,478	\$ 661,524	\$ 723,914	\$ 593,121
Liabilities:				
Accounts Payable	\$ 11,092	\$ 11	\$ 1,765	\$ 0
Accrued Wages and Benefits Payable	188,110	1,427	8,764	0
Due to Others	1,333	0	0	0
Interfund Loans Payable	0	0	0	0
Deferred Revenue	833,267	128,816	439,286	583,011
Accrued Interest Payable	0	0	0	0
General Obligation Notes Payable	0	0	0	0
Total Liabilities	1,033,802	130,254	449,815	583,011
Fund Balance:				
Reserved for Encumbrances	45,981	6,471	26,355	153,725
Reserved for Prepaid Items	44,710	486	2,861	0
Reserved for Supplies Inventory	55,390	0	0	0
Reserved for Debt Service	0	0	0	0
Undesignated, Unreserved in:				
General Fund	518,595	0	0	0
Special Revenue Funds (Deficit)	0	524,313	244,883	(143,615)
Capital Projects Funds (Deficit)	0	0	0	0
Total Fund Balance	664,676	531,270	274,099	10,110
Total Liabilities and Fund Balance	\$ 1,698,478	\$ 661,524	\$ 723,914	\$ 593,121

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

Tax Increment Financing	Other Governmental Funds	Total Governmental Funds
\$ 150,408	\$ 972,250	\$ 2,044,216
0	148,202	1,830,125
0	0	34,759
0	297,549	1,066,138
0	0	166,761
0	45,257	45,257
0	162	162
0	44,412	99,802
0	0	48,057
<u>\$ 150,408</u>	<u>\$ 1,507,832</u>	<u>\$ 5,335,277</u>
\$ 36,399	\$ 20,463	\$ 69,730
0	109,048	307,349
0	0	1,333
0	162	162
0	393,758	2,378,138
4,359	0	4,359
710,000	0	710,000
<u>750,758</u>	<u>523,431</u>	<u>3,471,071</u>
63,905	73,440	369,877
0	0	48,057
0	44,412	99,802
0	13,427	13,427
0	0	518,595
0	349,301	974,882
(664,255)	503,821	(160,434)
<u>(600,350)</u>	<u>984,401</u>	<u>1,864,206</u>
<u>\$ 150,408</u>	<u>\$ 1,507,832</u>	<u>\$ 5,335,277</u>

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2008***

Total Governmental Fund Balances		\$ 1,864,206
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		18,543,083
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		1,365,428
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	(3,090,000)	
Premium on Bonds Issued	(116,391)	
Special Assessment Bonds Payable	(60,000)	
Compensated Absences Payable	(328,229)	
OPWC Loans Payable	(365,051)	
Accrued Interest Payable	(12,099)	
		<u>(3,971,770)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 17,800,947</u></u>

See accompanying notes to the basic financial statements



CITY OF SALEM, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008**

	General	Municipal Income Tax	Parks	Community Housing Improvement
Revenues:				
Taxes	\$ 677,855	\$ 4,031,113	\$ 362,132	\$ 0
Intergovernmental Revenues	396,459	0	37,658	271,384
Charges for Services	70,779	0	11,258	0
Licenses and Permits	135,084	0	0	0
Investment Earnings	722,500	0	0	0
Special Assessments	1,647	0	0	0
Fines and Forfeitures	18,323	0	0	0
All Other Revenue	9,128	0	30,424	4,932
Total Revenue	2,031,775	4,031,113	441,472	276,316
Expenditures:				
Current:				
Security of Persons and Property	3,198,019	0	0	0
Leisure Time Activities	0	0	484,455	0
Community Environment	142,213	0	0	395,676
Transportation	15,180	0	0	0
General Government	999,700	188,666	0	0
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	4,355,112	188,666	484,455	395,676
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,323,337)	3,842,447	(42,983)	(119,360)
Other Financing Sources (Uses):				
Sale of Capital Assets	10,094	0	18,112	0
Transfers In	3,442,943	0	0	25,000
Transfers Out	(1,053,281)	(4,081,488)	0	0
Total Other Financing Sources (Uses)	2,399,756	(4,081,488)	18,112	25,000
Net Change in Fund Balance	76,419	(239,041)	(24,871)	(94,360)
Fund Balance (Deficit) at Beginning of Year	601,505	770,311	298,970	104,470
Decrease in Inventory Reserve	(13,248)	0	0	0
Fund Balance (Deficit) End of Year	\$ 664,676	\$ 531,270	\$ 274,099	\$ 10,110

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

Tax Increment Financing	Other Governmental Funds	Total Governmental Funds
\$ 64,108	\$ 144,437	\$ 5,279,645
0	739,287	1,444,788
0	0	82,037
0	8,215	143,299
0	7,082	729,582
0	17,694	19,341
0	1,040	19,363
0	19,340	63,824
<u>64,108</u>	<u>937,095</u>	<u>7,781,879</u>
0	556,073	3,754,092
0	20,959	505,414
0	93,247	631,136
0	815,426	830,606
801	0	1,189,167
554,689	165,545	720,234
25,000	144,785	169,785
<u>51,583</u>	<u>138,523</u>	<u>190,106</u>
<u>632,073</u>	<u>1,934,558</u>	<u>7,990,540</u>
(567,965)	(997,463)	(208,661)
0	16,939	45,145
0	1,072,729	4,540,672
<u>0</u>	<u>(25,000)</u>	<u>(5,159,769)</u>
<u>0</u>	<u>1,064,668</u>	<u>(573,952)</u>
(567,965)	67,205	(782,613)
(32,385)	921,353	2,664,224
0	(4,157)	(17,405)
<u>\$ (600,350)</u>	<u>\$ 984,401</u>	<u>\$ 1,864,206</u>

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2008***

Net Change in Fund Balances - Total Governmental Funds \$ (782,613)

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	589,286	
Depreciation Expense	<u>(909,918)</u>	(320,632)

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.		(42,409)
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This is the amount of assets transferred from Governmental Activities to the Business Type Activities.		(97,552)
--	--	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		218,132
--	--	---------

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 Principal Payment	115,000	
Bond Premium Amortization	8,479	
Special Assessment Bond Principal Payment	20,000	
OPWC Loan Principal Payment	<u>34,785</u>	178,264

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		5,233
--	--	-------

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	(114,195)	
Change in Inventory	<u>(17,405)</u>	(131,600)

<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$ (973,177)</u></u>
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See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 435,332	\$ 650,185	\$ 677,855	\$ 27,670
Intergovernmental Revenue	282,885	422,500	441,814	19,314
Charges for Services	42,182	63,000	71,666	8,666
Licenses and Permits	97,420	145,500	131,392	(14,108)
Investment Earnings	528,718	789,660	672,779	(116,881)
Special Assessments	2,343	3,500	1,647	(1,853)
Fines and Forfeitures	2,678	4,000	18,741	14,741
All Other Revenues	5,625	8,401	9,528	1,127
Total Revenues	<u>1,397,183</u>	<u>2,086,746</u>	<u>2,025,422</u>	<u>(61,324)</u>
Expenditures:				
Current:				
Security of Persons and Property	3,212,122	3,340,112	3,203,864	136,248
Community Environment	151,087	157,107	153,019	4,088
Transportation	13,661	14,205	14,053	152
General Government	1,049,789	1,091,619	1,021,852	69,767
Total Expenditures	<u>4,426,659</u>	<u>4,603,043</u>	<u>4,392,788</u>	<u>210,255</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,029,476)	(2,516,297)	(2,367,366)	148,931
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	10,094	10,094
Transfers In	3,452,944	3,452,944	3,452,943	(1)
Transfers Out	(1,124,909)	(1,096,136)	(1,063,281)	32,855
Total Other Financing Sources (Uses):	<u>2,328,035</u>	<u>2,356,808</u>	<u>2,399,756</u>	<u>42,948</u>
Net Change in Fund Balance	(701,441)	(159,489)	32,390	191,879
Fund Balance at Beginning of Year	489,739	489,739	489,739	0
Prior Year Encumbrances	50,479	50,479	50,479	0
Fund Balance at End of Year	<u>\$ (161,223)</u>	<u>\$ 380,729</u>	<u>\$ 572,608</u>	<u>\$ 191,879</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, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 3,800,000	\$ 4,010,308	\$ 4,009,563	\$ (745)
Total Revenues	<u>3,800,000</u>	<u>4,010,308</u>	<u>4,009,563</u>	<u>(745)</u>
Expenditures:				
General Government	<u>164,633</u>	<u>210,505</u>	<u>199,554</u>	<u>10,951</u>
Total Expenditures	<u>164,633</u>	<u>210,505</u>	<u>199,554</u>	<u>10,951</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,635,367	3,799,803	3,810,009	10,206
Other Financing Sources (Uses):				
Transfers Out	<u>(4,000,000)</u>	<u>(4,341,328)</u>	<u>(4,081,488)</u>	<u>259,840</u>
Total Other Financing Sources (Uses)	<u>(4,000,000)</u>	<u>(4,341,328)</u>	<u>(4,081,488)</u>	<u>259,840</u>
Net Change in Fund Balance	(364,633)	(541,525)	(271,479)	270,046
Fund Balance at Beginning of Year	258,754	258,754	258,754	0
Prior Year Encumbrances	<u>6,243</u>	<u>6,243</u>	<u>6,243</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (99,636)</u>	<u>\$ (276,528)</u>	<u>\$ (6,482)</u>	<u>\$ 270,046</u>

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Parks Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 318,961	\$ 362,132	\$ 362,132	\$ 0
Intergovernmental Revenues	33,169	37,658	37,658	0
Charges for Services	11,448	12,997	11,258	(1,739)
All Other Revenues	26,796	30,423	30,424	1
Total Revenues	390,374	443,210	441,472	(1,738)
Expenditures:				
Leisure Time Activities	609,721	614,921	514,309	100,612
Total Expenditures	609,721	614,921	514,309	100,612
Excess (Deficiency) of Revenues Over (Under) Expenditures	(219,347)	(171,711)	(72,837)	98,874
Other Financing Sources (Uses):				
Sale of Capital Assets	16,374	16,374	18,112	1,738
Total Other Financing Sources (Uses)	16,374	16,374	18,112	1,738
Net Change in Fund Balance	(202,973)	(155,337)	(54,725)	100,612
Fund Balance at Beginning of Year	266,943	266,943	266,943	0
Prior Year Encumbrances	41,428	41,428	41,428	0
Fund Balance at End of Year	\$ 105,398	\$ 153,034	\$ 253,646	\$ 100,612

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Community Housing Improvement Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 271,384	\$ 271,384	\$ 0
All Other Revenues	0	0	4,932	4,932
Total Revenues	0	271,384	276,316	4,932
Expenditures:				
Community Environment	333,538	566,979	549,401	17,578
Total Expenditures	333,538	566,979	549,401	17,578
Excess (Deficiency) of Revenues Over (Under) Expenditures	(333,538)	(295,595)	(273,085)	22,510
Other Financing Sources (Uses):				
Transfers In	0	25,000	25,000	0
Advances In	0	16,227	19,295	3,068
Advances Out	0	(19,295)	(19,295)	0
Total Other Financing Sources (Uses)	0	21,932	25,000	3,068
Net Change in Fund Balance	(333,538)	(273,663)	(248,085)	25,578
Fund Balance at Beginning of Year	(108,390)	(108,390)	(108,390)	0
Prior Year Encumbrances	212,860	212,860	212,860	0
Fund Balance at End of Year	\$ (229,068)	\$ (169,193)	\$ (143,615)	\$ 25,578

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 1,257,264	\$ 774,561	\$ 2,031,825
Investments	2,779,000	10,573,780	13,352,780
Receivables:			
Accounts	213,558	200,569	414,127
Intergovernmental	466,642	0	466,642
Special Assessments	0	326,919	326,919
Inventory of Supplies at Cost	100,435	88,244	188,679
Prepaid Items	15,375	15,377	30,752
Total Current Assets	4,832,274	11,979,450	16,811,724
<i>Noncurrent Assets:</i>			
Non-Depreciable Capital Assets	615,675	477,194	1,092,869
Depreciable Capital Assets, Net	8,009,987	8,549,139	16,559,126
Total Noncurrent Assets	8,625,662	9,026,333	17,651,995
Total Assets	13,457,936	21,005,783	34,463,719
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	248,276	19,337	267,613
Accrued Wages and Benefits	41,284	39,452	80,736
Compensated Absences Payable - Current	8,827	7,877	16,704
OPWC Loans Payable - Current	20,500	0	20,500
Total Current Liabilities	318,887	66,666	385,553
<i>Noncurrent Liabilities:</i>			
OPWC Loans Payable	215,250	0	215,250
Compensated Absences Payable	57,217	73,599	130,816
Total Noncurrent Liabilities	272,467	73,599	346,066
Total Liabilities	591,354	140,265	731,619
Net Assets:			
Invested in Capital Assets, Net of Related Debt	8,389,912	9,026,334	17,416,246
Unrestricted	4,476,670	11,839,184	16,315,854
Total Net Assets	\$ 12,866,582	\$ 20,865,518	\$ 33,732,100

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, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Total
Operating Revenues:			
Charges for Services	\$ 1,402,905	\$ 2,315,593	\$ 3,718,498
Other Operating Revenue	56,782	19,082	75,864
Total Operating Revenues	1,459,687	2,334,675	3,794,362
Operating Expenses:			
Personal Services	781,374	893,293	1,674,667
Contractual Services	308,962	594,055	903,017
Materials and Supplies	362,780	137,295	500,075
Depreciation	429,506	382,527	812,033
Total Operating Expenses	1,882,622	2,007,170	3,889,792
Operating Income (Loss)	(422,935)	327,505	(95,430)
Nonoperating Revenue (Expenses):			
Investment Earnings	0	34,245	34,245
Other Nonoperating Revenue	6,149	32	6,181
Other Nonoperating Expense	(2,995)	(559)	(3,554)
Total Nonoperating Revenues (Expenses)	3,154	33,718	36,872
Income (Loss) Before Transfers and Contributions	(419,781)	361,223	(58,558)
Transfers and Contributions:			
Transfers In	186,541	432,556	619,097
Capital Contributions	97,552	0	97,552
Total Transfers and Contributions	284,093	432,556	716,649
Change in Net Assets	(135,688)	793,779	658,091
Net Assets Beginning of Year	13,002,270	20,071,739	33,074,009
Net Assets End of Year	\$ 12,866,582	\$ 20,865,518	\$ 33,732,100

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Totals
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,448,865	\$2,441,695	\$3,890,560
Cash Payments for Goods and Services	(620,345)	(828,847)	(1,449,192)
Cash Payments to Employees	(739,810)	(835,958)	(1,575,768)
Net Cash Provided by Operating Activities	88,710	776,890	865,600
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	186,541	432,556	619,097
Net Cash Provided by Noncapital Financing Activities	186,541	432,556	619,097
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(796,598)	(126,533)	(923,131)
Principal Paid on Ohio Public Works Commission Loan	(20,500)	0	(20,500)
Net Cash Used for Capital and Related Financing Activities	(817,098)	(126,533)	(943,631)
<u>Cash Flows from Investing Activities:</u>			
Sale (Purchase) of Investments	1,743,000	(4,381,733)	(2,638,733)
Receipt of Interest	0	20,198	20,198
Net Cash Used by Investing Activities	1,743,000	(4,361,535)	(2,618,535)
Net Increase (Decrease) in Cash and Cash Equivalents	1,201,153	(3,278,622)	(2,077,469)
Cash and Cash Equivalents at Beginning of Year	56,111	4,053,183	4,109,294
Cash and Cash Equivalents at End of Year	\$1,257,264	\$774,561	\$2,031,825
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>			
Operating Income (Loss)	(\$422,935)	\$327,505	(\$95,430)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation Expense	429,506	382,527	812,033
Miscellaneous Nonoperating Revenue	6,177	(1,043)	5,134
Miscellaneous Nonoperating Expense	(2,995)	(559)	(3,554)
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(18,430)	88,292	69,862
(Increase) Decrease in Inventory	83,975	(83,932)	43
Decrease in Prepaid Items	2,122	2,119	4,241
Decrease in Special Assessments Receivable	0	17,527	17,527
Decrease in Accounts Payable	(30,274)	(12,881)	(43,155)
Increase in Accrued Wages and Benefits	4,992	5,918	10,910
Increase in Compensated Absences	36,572	51,417	87,989
Total Adjustments	511,645	449,385	961,030
Net Cash Provided by Operating Activities	\$88,710	\$776,890	\$865,600

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2008 the Water Fund had outstanding liabilities of \$226,330 for the purchase of certain capital assets. During 2008 the Water Fund received capital contributions from Governmental Activities of \$97,552.

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2008***

	Total Agency Funds
Assets:	
Cash and Cash Equivalents	\$ 30,678
Total Assets	<u>30,678</u>
Liabilities:	
Due to Others	30,678
Total Liabilities	<u>\$ 30,678</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

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, 2008 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, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

Tax Increment Financing Fund - To account for 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, 2008***

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, 2008***

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, 2008 but which are not intended to finance 2008 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, 2008***

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, 2008***

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 2008.

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 2008, 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, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance			
	General Fund	Municipal Income Tax Fund	Parks Fund	Community Housing Improvement Fund
GAAP Basis (as reported)	\$76,419	(\$239,041)	(\$24,871)	(\$94,360)
Increase (Decrease):				
Accrued Revenues at December 31, 2008 received during 2009	(135,430)	(532,222)	0	0
Accrued Revenues at December 31, 2007 received during 2008	128,677	510,672	0	0
Accrued Expenditures at December 31, 2008 paid during 2009	200,535	1,438	10,529	0
Accrued Expenditures at December 31, 2007 paid during 2008	(185,464)	(5,829)	(12,523)	0
2007 Prepaids for 2008	49,436	471	3,121	0
2008 Prepaids for 2009	(44,710)	(486)	(2,861)	0
Outstanding Encumbrances	(57,073)	(6,482)	(28,120)	(153,725)
Budget Basis	<u>\$32,390</u>	<u>(\$271,479)</u>	<u>(\$54,725)</u>	<u>(\$248,085)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

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 2008. 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, 2008.

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, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, 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, 2008**

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

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, 2008***

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, 2008***

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 2008.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

The fund deficits at December 31, 2008 of \$44,681 in the Police Pension Fund and \$40,884 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 \$600,350 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, 2008***

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 \$13,820,882 and the bank balance was \$13,911,379. Federal depository insurance covered \$1,500,000 of the bank balance and \$12,411,379 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>\$12,411,379</u>
Total Balance	<u><u>\$12,411,379</u></u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

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

B. Investments

The City's investments at December 31, 2008 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years) less than 1</u>
STAR Ohio	\$1,500,000	AAA ^{m 1}	\$1,500,000
Repurchase Agreement	1,627,837	N/A	1,627,837
FHLB	510,780	AAA ^{1,2}	510,780
Total Investments	<u>\$3,638,617</u>		<u>\$3,638,617</u>

¹ Standard & Poor's

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

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	\$4,106,719	\$13,352,780
Certificates of Deposit (with maturities of more than 3 months)	12,842,000	(12,842,000)
Investments:		
STAR Ohio	(1,500,000)	1,500,000
Repurchase Agreements	(1,627,837)	1,627,837
Per GASB Statement No. 3	<u>\$13,820,882</u>	<u>\$3,638,617</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

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 2008 were levied after October 1, 2007 on assessed values as of January 1, 2007, 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, 6.25 percent for 2008, and will be reduced 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, 2008 was \$5.40 per \$1,000 of assessed value. The assessed value upon which the 2008 tax receipts were based was \$210,634,845. This amount constitutes \$195,411,790 in real property assessed value, \$3,995,700 in public utility assessed value and \$11,227,355 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, 2008**

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, 2008 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 2008:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$3,442,943	\$1,053,281
Municipal Income Tax Fund	0	4,081,488
Community Housing Improvement Fund	25,000	0
Other Governmental Funds	1,072,729	25,000
Total Governmental Funds	4,540,672	5,159,769
Water Fund	186,541	0
Wastewater Fund	432,556	0
Total Proprietary Funds	619,097	0
Totals	<u>\$5,159,769</u>	<u>\$5,159,769</u>

Transfers out of the General Fund were used to move interest earnings to the Water and Wastewater funds as well as cover negative cash balances in several governmental funds. The Municipal Income tax fund transferred income tax receipts to the General Fund as well as other governmental funds.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of interfund loans receivable and payable for all funds for 2008:

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, 2008:

Historical Cost:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$4,518,253	\$67,870	\$0	\$4,586,123
Construction in Progress	498,426	0	(88,858)	409,568
Subtotal	5,016,679	67,870	(88,858)	4,995,691
<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	3,237,534	138,644	(428,624)	2,947,554
Infrastructure	21,172,055	377,525	0	21,549,580
Subtotal	27,395,603	516,169	(428,624)	27,483,148
Total Cost	\$32,412,282	\$584,039	(\$517,482)	\$32,478,839

Accumulated Depreciation:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings	(\$1,036,231)	(\$55,851)	\$0	(\$1,092,082)
Improvements Other Than Buildings	(489,119)	(26,308)	4,065	(511,362)
Machinery and Equipment	(2,074,542)	(197,001)	378,703	(1,892,840)
Infrastructure	(9,808,714)	(630,758)	0	(10,439,472)
Total Depreciation	(\$13,408,606)	(\$909,918) *	\$382,768	(\$13,935,756)
<i>Net Value:</i>	\$19,003,676			\$18,543,083

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

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	\$155,228
Leisure Time Activities	47,444
Community Environment	1,102
Transportation	689,971
General Government	16,173
Total Depreciation Expense	<u>\$909,918</u>

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2008:

Historical Cost:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Capital assets not being depreciated:				
Land	\$564,419	\$0	\$0	\$564,419
Construction in Progress	644,891	157,700	(274,141)	528,450
Subtotal	<u>1,209,310</u>	<u>157,700</u>	<u>(274,141)</u>	<u>1,092,869</u>
Capital assets being depreciated:				
Buildings	18,918,671	181,663	0	19,100,334
Improvements Other Than Buildings	102,073	0	0	102,073
Machinery and Equipment	7,898,893	69,969	(67,779)	7,901,083
Infrastructure	9,068,360	614,586	0	9,682,946
Subtotal	<u>35,987,997</u>	<u>866,218</u>	<u>(67,779)</u>	<u>36,786,436</u>
Total Cost	<u>\$37,197,307</u>	<u>\$1,023,918</u>	<u>(\$341,920)</u>	<u>\$37,879,305</u>

Accumulated Depreciation:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings	(\$9,387,544)	(\$476,568)	\$68,827	(\$9,795,285)
Improvements Other Than Buildings	(89,737)	(1,078)	0	(90,815)
Machinery and Equipment	(7,143,782)	(85,323)	0	(7,229,105)
Infrastructure	(2,863,041)	(249,064)	0	(3,112,105)
Total Depreciation	<u>(\$19,484,104)</u>	<u>(\$812,033)</u>	<u>\$68,827</u>	<u>(\$20,227,310)</u>
Net Value:	<u>\$17,713,203</u>			<u>\$17,651,995</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

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 (“OPERS”)

The following information was provided by OPERS 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 OPERS: 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.

OPERS 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 OPERS. 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 ORC provides statutory authority for employee and employer contributions. For 2008, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2008 employer contribution rate for local government employer units was 14.00%, of covered payroll. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 7.0% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2008, 2007, and 2006 were \$164,063, \$195,392 and \$207,830, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

All City full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F 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 ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. 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. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2008, 2007, and 2006 were \$126,989, \$127,331 and \$115,299 for police and \$122,531, \$127,553 and \$111,526 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. 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.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2008, 2007, and 2006 were \$164,063, \$129,030 and \$101,656, respectively, which were equal to the required contributions for each year.

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.

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

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2008, 2007, and 2006 were \$67,230, \$67,411 and \$76,048 for police and \$47,947, \$49,912 and \$53,190 for firefighters, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 11 - 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, 2008:

	Balance January 1, 2008	Issued	(Retired)	Balance December 31, 2008
Capital Projects Fund Notes Payable:				
3.800% Street Improvement	\$710,000	\$0	(\$710,000)	\$0
3.250% Street Improvement	0	710,000	0	710,000
Total Notes Payable	<u>\$710,000</u>	<u>\$710,000</u>	<u>(\$710,000)</u>	<u>\$710,000</u>

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 12 - LONG-TERM DEBT OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2008 were as follows:

			Balance December 31, 2007	Additions	Deductions	Balance December 31, 2008	Amount Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
3.1-4.15%	Various Purpose	2025	\$2,220,000	\$0	(\$90,000)	\$2,130,000	\$90,000
	Premium		90,190	0	(5,011)	85,179	0
4.0-5.12%	Street Improvement - TIF	2017	985,000	0	(25,000)	960,000	35,000
	Premium		34,680	0	(3,468)	31,212	0
Total General Obligation Bonds:			3,329,870	0	(123,479)	3,206,391	125,000
Special Assessment Bond: (with governmental commitment)							
6.10%	Street Improvement	2011	80,000	0	(20,000)	60,000	20,000
Ohio Public Works Commission Loans							
0.00%	South East						
	Boulevard Improvement	2018	174,558	0	(17,456)	157,102	17,456
0.00%	Cunningham Road and						
	Bentley Drive Improvement	2021	225,278	0	(17,329)	207,949	17,329
Total Ohio Public Works Commission Loans			399,836	0	(34,785)	365,051	34,785
Compensated Absences Payable			214,034	328,229	(214,034)	328,229	109,333
Total Governmental Activities			4,023,740	328,229	(392,298)	3,959,671	289,118
Business-Type Activities:							
Ohio Public Works Commission Loan							
0.00%	Stewart Road Elevated						
	Water Tank	2020	256,250	0	(20,500)	235,750	20,500
Compensated Absences			59,531	147,520	(59,531)	147,520	16,704
Total Business-Type Activities			315,781	147,520	(80,031)	383,270	37,204
Totals			\$4,339,521	\$475,749	(\$472,329)	\$4,342,941	\$326,322

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, 2008, of \$60,000 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, 2008**

NOTE 12 - 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, 2008, the refunded bonds had an outstanding balance of \$1,730,000. 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, 2008. 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, 2008 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
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	215,000	117,644	34,785	0	0	0	20,500	0
2014-2018	1,175,000	419,206	156,468	0	0	0	102,500	0
2019-2023	735,000	165,776	34,658	0	0	0	30,750	0
2024-2025	345,000	48,688	0	0	0	0	0	0
Totals	<u>\$3,090,000</u>	<u>\$1,287,078</u>	<u>\$365,051</u>	<u>\$0</u>	<u>\$60,000</u>	<u>\$7,320</u>	<u>\$235,750</u>	<u>\$0</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 13 - 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, 2008, the outstanding bonds have a principal amount payable of \$15,315,000.

NOTE 14 - 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 \$121,041 to the Pool in 2008.

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, 2008 generally protects the Pool against individual losses over \$150,000. 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, 2008**

NOTE 14 - RISK MANAGEMENT (Continued)

During 2008, 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 15 - CONSTRUCTION COMMITMENTS

The City had the following contractual commitments at December 31, 2008:

<u>Project</u>	<u>Remaining Contractual Commitment</u>	<u>Expected Date of Completion</u>
Traffic Signal Project	\$951,726	October 2009
East State Street Sidewalk Project	299,613	October 2010

NOTE 16 - CONTINGENCIES

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

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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



Nonmajor Governmental Funds

Special Revenue Funds

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

Police Pension Fund

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

Fire Pension Fund

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

Law Enforcement Fund

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

D.A.R.E Fund

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

Enforcement and Education Fund

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

Drug Enforcement Agency Equitable Share Fund

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

Street Construction, Maintenance and Repair Fund

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

State Highway Fund

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

Municipal Permissive License Tax Fund

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

(Continued)

Special Revenue Funds

Municipal Lodging Tax Fund

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

Lakes and Grounds Fund

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

Youth Services Grant Fund

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

Community Development Block Grant Fund

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

Rehabilitation Loan Fund

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

Shade Tree Fund

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

Economic Development Loan Fund

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

Central Business District Fund

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

Design Review Board Fund

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

Law Enforcement Assistance Fund

To account for State grant monies received to be used to reimburse costs for continued professional training programs for peace officers and troopers.

Debt Service Funds

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

General Obligation Debt Retirement Fund

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

Special Assessment Debt Retirement Fund

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

Capital Projects Funds

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

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, 2008**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 402,509	\$ 13,427	\$ 556,314	\$ 972,250
Receivables:				
Taxes	148,202	0	0	148,202
Intergovernmental	297,549	0	0	297,549
Special Assessments	0	45,257	0	45,257
Interfund Loans Receivable	162	0	0	162
Inventory of Supplies, at Cost	44,412	0	0	44,412
Total Assets	\$ 892,834	\$ 58,684	\$ 556,314	\$ 1,507,832
Liabilities:				
Accounts Payable	\$ 9,838	\$ 0	\$ 10,625	\$ 20,463
Accrued Wages and Benefits Payable	109,048	0	0	109,048
Interfund Loans Payable	162	0	0	162
Deferred Revenue	348,501	45,257	0	393,758
Total Liabilities	467,549	45,257	10,625	523,431
Fund Balance:				
Reserved for Encumbrances	31,572	0	41,868	73,440
Reserved for Supplies Inventory	44,412	0	0	44,412
Reserved for Debt Service	0	13,427	0	13,427
Undesignated/Unreserved	349,301	0	503,821	853,122
Total Fund Balance	425,285	13,427	545,689	984,401
Total Liabilities and Fund Balance	\$ 892,834	\$ 58,684	\$ 556,314	\$ 1,507,832

CITY OF SALEM, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2008***

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 137,291	\$ 0	\$ 7,146	\$ 144,437
Intergovernmental Revenues	739,287	0	0	739,287
Licenses and Permits	8,215	0	0	8,215
Investment Earnings	7,082	0	0	7,082
Special Assessments	0	17,694	0	17,694
Fines and Forfeitures	1,040	0	0	1,040
All Other Revenue	14,208	0	5,132	19,340
Total Revenue	907,123	17,694	12,278	937,095
Expenditures:				
Current:				
Security of Persons and Property	556,073	0	0	556,073
Leisure Time Activities	20,959	0	0	20,959
Community Environment	93,247	0	0	93,247
Transportation	815,426	0	0	815,426
Capital Outlay	0	0	165,545	165,545
Debt Service:				
Principal Retirement	0	144,785	0	144,785
Interest and Fiscal Charges	0	138,523	0	138,523
Total Expenditures	1,485,705	283,308	165,545	1,934,558
Excess (Deficiency) of Revenues Over (Under) Expenditures	(578,582)	(265,614)	(153,267)	(997,463)
Other Financing Sources (Uses):				
Sale of Capital Assets	16,939	0	0	16,939
Transfers In	434,184	250,060	388,485	1,072,729
Transfers Out	(25,000)	0	0	(25,000)
Total Other Financing Sources (Uses)	426,123	250,060	388,485	1,064,668
Net Change in Fund Balance	(152,459)	(15,554)	235,218	67,205
Fund Balance at Beginning of Year	581,901	28,981	310,471	921,353
Decrease in Inventory Reserve	(4,157)	0	0	(4,157)
Fund Balance End of Year	\$ 425,285	\$ 13,427	\$ 545,689	\$ 984,401

CITY OF SALEM, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2008**

	Police Pension	Fire Pension	Law Enforcement	D.A.R.E.
Assets:				
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 5,112	\$ 45
Receivables:				
Taxes	74,101	74,101	0	0
Intergovernmental	3,005	3,005	0	0
Interfund Loans Receivable	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Total Assets	<u>\$ 77,106</u>	<u>\$ 77,106</u>	<u>\$ 5,112</u>	<u>\$ 45</u>
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	44,681	40,884	0	0
Interfund Loans Payable	0	0	0	0
Deferred Revenue	77,106	77,106	0	0
Total Liabilities	<u>121,787</u>	<u>117,990</u>	<u>0</u>	<u>0</u>
Fund Balance:				
Reserved for Encumbrances	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0
Undesignated/Unreserved	(44,681)	(40,884)	5,112	45
Total Fund Balance	<u>(44,681)</u>	<u>(40,884)</u>	<u>5,112</u>	<u>45</u>
Total Liabilities and Fund Balance	<u>\$ 77,106</u>	<u>\$ 77,106</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>
\$ 11,451	\$ 172,979	\$ 80,078	\$ 4,940	\$ 7,844	\$ 17,852
0	0	0	0	0	0
106	0	233,781	18,955	38,697	0
0	0	0	0	0	0
0	0	44,412	0	0	0
<u>\$ 11,557</u>	<u>\$ 172,979</u>	<u>\$ 358,271</u>	<u>\$ 23,895</u>	<u>\$ 46,541</u>	<u>\$ 17,852</u>
\$ 0	\$ 0	\$ 8,838	\$ 0	\$ 0	\$ 1,000
0	0	23,483	0	0	0
0	0	0	0	0	0
0	0	155,854	12,637	25,798	0
0	0	188,175	12,637	25,798	1,000
0	8,482	10,182	0	2,446	2,000
0	0	44,412	0	0	0
<u>11,557</u>	<u>164,497</u>	<u>115,502</u>	<u>11,258</u>	<u>18,297</u>	<u>14,852</u>
<u>11,557</u>	<u>172,979</u>	<u>170,096</u>	<u>11,258</u>	<u>20,743</u>	<u>16,852</u>
<u>\$ 11,557</u>	<u>\$ 172,979</u>	<u>\$ 358,271</u>	<u>\$ 23,895</u>	<u>\$ 46,541</u>	<u>\$ 17,852</u>

(Continued)

CITY OF SALEM, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	Lakes and Grounds	Youth Services Grant	Community Development Block Grant	Rehabilitation Loan
Assets:				
Cash and Cash Equivalents	\$ 8,409	\$ 19,183	\$ 4,239	\$ 34,765
Receivables:				
Taxes	0	0	0	0
Intergovernmental	0	0	0	0
Interfund Loans Receivable	0	0	0	162
Inventory of Supplies, at Cost	0	0	0	0
Total Assets	<u>\$ 8,409</u>	<u>\$ 19,183</u>	<u>\$ 4,239</u>	<u>\$ 34,927</u>
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	0	0	0	0
Interfund Loans Payable	0	0	162	0
Deferred Revenue	0	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>162</u>	<u>0</u>
Fund Balance:				
Reserved for Encumbrances	592	0	4,700	2,500
Reserved for Supplies Inventory	0	0	0	0
Undesignated/Unreserved	7,817	19,183	(623)	32,427
Total Fund Balance	<u>8,409</u>	<u>19,183</u>	<u>4,077</u>	<u>34,927</u>
Total Liabilities and Fund Balance	<u>\$ 8,409</u>	<u>\$ 19,183</u>	<u>\$ 4,239</u>	<u>\$ 34,927</u>

CITY OF SALEM, OHIO

<u>Shade Tree</u>	<u>Economic Development Loan</u>	<u>Central Business District</u>	<u>Design Review Board</u>	<u>Law Enforcement Assistance</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 220	\$ 26,523	\$ 4,982	\$ 2,277	\$ 1,610	\$ 402,509
0	0	0	0	0	148,202
0	0	0	0	0	297,549
0	0	0	0	0	162
0	0	0	0	0	44,412
<u>\$ 220</u>	<u>\$ 26,523</u>	<u>\$ 4,982</u>	<u>\$ 2,277</u>	<u>\$ 1,610</u>	<u>\$ 892,834</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,838
0	0	0	0	0	109,048
0	0	0	0	0	162
0	0	0	0	0	348,501
0	0	0	0	0	467,549
0	0	670	0	0	31,572
0	0	0	0	0	44,412
220	26,523	4,312	2,277	1,610	349,301
220	26,523	4,982	2,277	1,610	425,285
<u>\$ 220</u>	<u>\$ 26,523</u>	<u>\$ 4,982</u>	<u>\$ 2,277</u>	<u>\$ 1,610</u>	<u>\$ 892,834</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, 2008***

	Police Pension	Fire Pension	Law Enforcement	D.A.R.E.
Revenues:				
Taxes	\$ 66,395	\$ 66,394	\$ 0	\$ 0
Intergovernmental Revenues	7,312	7,312	0	0
Licenses and Permits	0	0	0	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	0	0	0	0
Total Revenue	<u>73,707</u>	<u>73,706</u>	<u>0</u>	<u>0</u>
Expenditures:				
Current:				
Security of Persons and Property	223,790	196,255	0	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
Total Expenditures	<u>223,790</u>	<u>196,255</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(150,083)	(122,549)	0	0
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	0
Transfers In	150,125	120,659	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>150,125</u>	<u>120,659</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	42	(1,890)	0	0
Fund Balance (Deficit) at Beginning of Year	(44,723)	(38,994)	5,112	45
Decrease in Inventory Reserve	0	0	0	0
Fund Balance (Deficit) End of Year	<u>\$ (44,681)</u>	<u>\$ (40,884)</u>	<u>\$ 5,112</u>	<u>\$ 45</u>

CITY OF SALEM, OHIO

Enforcement and Education	Drug Enforcement Agency Equitable Share	Street Construction, Maintenance and Repair	State Highway	Municipal Permissive License Tax	Municipal Lodging Tax
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,502
0	39,570	489,869	39,719	83,325	0
0	0	0	0	0	0
0	6,803	87	19	0	0
1,040	0	0	0	0	0
0	0	3,436	0	0	0
<u>1,040</u>	<u>46,373</u>	<u>493,392</u>	<u>39,738</u>	<u>83,325</u>	<u>4,502</u>
0	129,538	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	3,426
0	0	668,881	45,932	100,613	0
<u>0</u>	<u>129,538</u>	<u>668,881</u>	<u>45,932</u>	<u>100,613</u>	<u>3,426</u>
1,040	(83,165)	(175,489)	(6,194)	(17,288)	1,076
0	0	16,708	0	0	0
0	0	150,000	0	0	13,000
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>166,708</u>	<u>0</u>	<u>0</u>	<u>13,000</u>
1,040	(83,165)	(8,781)	(6,194)	(17,288)	14,076
10,517	256,144	183,034	17,452	38,031	2,776
0	0	(4,157)	0	0	0
<u>\$ 11,557</u>	<u>\$ 172,979</u>	<u>\$ 170,096</u>	<u>\$ 11,258</u>	<u>\$ 20,743</u>	<u>\$ 16,852</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, 2008***

	Lakes and Grounds	Youth Services Grant	Community Development Block Grant	Rehabilitation Loan
Revenues:				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	12,400	56,000	0
Licenses and Permits	8,215	0	0	0
Investment Earnings	0	0	0	113
Fines and Forfeitures	0	0	0	0
All Other Revenue	9,822	0	950	0
Total Revenue	18,037	12,400	56,950	113
Expenditures:				
Current:				
Security of Persons and Property	0	4,320	0	0
Leisure Time Activities	20,959	0	0	0
Community Environment	0	0	81,859	1,356
Transportation	0	0	0	0
Total Expenditures	20,959	4,320	81,859	1,356
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,922)	8,080	(24,909)	(1,243)
Other Financing Sources (Uses):				
Sale of Capital Assets	231	0	0	0
Transfers In	0	0	0	0
Transfers Out	0	0	0	(25,000)
Total Other Financing Sources (Uses)	231	0	0	(25,000)
Net Change in Fund Balance	(2,691)	8,080	(24,909)	(26,243)
Fund Balance (Deficit) at Beginning of Year	11,100	11,103	28,986	61,170
Decrease in Inventory Reserve	0	0	0	0
Fund Balance (Deficit) End of Year	\$ 8,409	\$ 19,183	\$ 4,077	\$ 34,927

CITY OF SALEM, OHIO

Shade Tree	Economic Development Loan	Central Business District	Design Review Board	Law Enforcement Assistance	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 137,291
0	0	0	0	3,780	739,287
0	0	0	0	0	8,215
0	60	0	0	0	7,082
0	0	0	0	0	1,040
0	0	0	0	0	14,208
<u>0</u>	<u>60</u>	<u>0</u>	<u>0</u>	<u>3,780</u>	<u>907,123</u>
0	0	0	0	2,170	556,073
0	0	0	0	0	20,959
276	0	6,330	0	0	93,247
0	0	0	0	0	815,426
<u>276</u>	<u>0</u>	<u>6,330</u>	<u>0</u>	<u>2,170</u>	<u>1,485,705</u>
(276)	60	(6,330)	0	1,610	(578,582)
0	0	0	0	0	16,939
400	0	0	0	0	434,184
0	0	0	0	0	(25,000)
<u>400</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>426,123</u>
124	60	(6,330)	0	1,610	(152,459)
96	26,463	11,312	2,277	0	581,901
0	0	0	0	0	(4,157)
<u>\$ 220</u>	<u>\$ 26,523</u>	<u>\$ 4,982</u>	<u>\$ 2,277</u>	<u>\$ 1,610</u>	<u>\$ 425,285</u>

CITY OF SALEM, OHIO

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2008**

	General Obligation Debt Retirement	Special Assessment Debt Retirement	Total Nonmajor Debt Service Funds
Assets:			
Cash and Cash Equivalents	\$ 261	\$ 13,166	\$ 13,427
Receivables:			
Special Assessments	0	45,257	45,257
Total Assets	<u>\$ 261</u>	<u>\$ 58,423</u>	<u>\$ 58,684</u>
Liabilities:			
Deferred Revenue	\$ 0	\$ 45,257	\$ 45,257
Total Liabilities	<u>0</u>	<u>45,257</u>	<u>45,257</u>
Fund Balance:			
Reserved for Debt Service	261	13,166	13,427
Total Fund Balance	<u>261</u>	<u>13,166</u>	<u>13,427</u>
Total Liabilities and Fund Balance	<u>\$ 261</u>	<u>\$ 58,423</u>	<u>\$ 58,684</u>

CITY OF SALEM, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2008***

	General Obligation Debt Retirement	Special Assessment Debt Retirement	Total Nonmajor Debt Service Funds
Revenues:			
Special Assessments	\$ 0	\$ 17,694	\$ 17,694
Total Revenue	<u>0</u>	<u>17,694</u>	<u>17,694</u>
Expenditures:			
Debt Service:			
Principal Retirement	124,785	20,000	144,785
Interest and Fiscal Charges	<u>133,643</u>	<u>4,880</u>	<u>138,523</u>
Total Expenditures	<u>258,428</u>	<u>24,880</u>	<u>283,308</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(258,428)	(7,186)	(265,614)
Other Financing Sources (Uses):			
Transfers In	<u>250,060</u>	<u>0</u>	<u>250,060</u>
Total Other Financing Sources (Uses)	<u>250,060</u>	<u>0</u>	<u>250,060</u>
Net Change in Fund Balance	(8,368)	(7,186)	(15,554)
Fund Balance at Beginning of Year	<u>8,629</u>	<u>20,352</u>	<u>28,981</u>
Fund Balance End of Year	<u>\$ 261</u>	<u>\$ 13,166</u>	<u>\$ 13,427</u>

CITY OF SALEM, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2008**

	Income Tax Capital Improvement	Industrial Park Development	Industrial Park West Project	Total Nonmajor Capital Projects Funds
Assets:				
Cash and Cash Equivalents	\$ 388,507	\$ 155,200	\$ 12,607	\$ 556,314
Total Assets	<u>\$ 388,507</u>	<u>\$ 155,200</u>	<u>\$ 12,607</u>	<u>\$ 556,314</u>
Liabilities:				
Accounts Payable	\$ 10,625	\$ 0	\$ 0	\$ 10,625
Total Liabilities	<u>10,625</u>	<u>0</u>	<u>0</u>	<u>10,625</u>
Fund Balance:				
Reserved for Encumbrances	41,868	0	0	41,868
Undesignated/Unreserved	336,014	155,200	12,607	503,821
Total Fund Balance	<u>377,882</u>	<u>155,200</u>	<u>12,607</u>	<u>545,689</u>
Total Liabilities and Fund Balance	<u>\$ 388,507</u>	<u>\$ 155,200</u>	<u>\$ 12,607</u>	<u>\$ 556,314</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, 2008**

	Income Tax Capital Improvement	Industrial Park Development	Industrial Park West Project	Total Nonmajor Capital Project Funds
Revenues:				
Taxes	\$ 7,146	\$ 0	\$ 0	\$ 7,146
All Other Revenue	5,132	0	0	5,132
Total Revenue	<u>12,278</u>	<u>0</u>	<u>0</u>	<u>12,278</u>
Expenditures:				
Capital Outlay	165,545	0	0	165,545
Total Expenditures	<u>165,545</u>	<u>0</u>	<u>0</u>	<u>165,545</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(153,267)	0	0	(153,267)
Other Financing Sources (Uses):				
Transfers In	388,485	0	0	388,485
Total Other Financing Sources (Uses)	<u>388,485</u>	<u>0</u>	<u>0</u>	<u>388,485</u>
Net Change in Fund Balance	235,218	0	0	235,218
Fund Balance at Beginning of Year	<u>142,664</u>	<u>155,200</u>	<u>12,607</u>	<u>310,471</u>
Fund Balance End of Year	<u>\$ 377,882</u>	<u>\$ 155,200</u>	<u>\$ 12,607</u>	<u>\$ 545,689</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, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 435,332	\$ 650,185	\$ 677,855	\$ 27,670
Intergovernmental Revenues	282,885	422,500	441,814	19,314
Charges for Services	42,182	63,000	71,666	8,666
Licenses and Permits	97,420	145,500	131,392	(14,108)
Investment Earnings	528,718	789,660	672,779	(116,881)
Special Assessments	2,343	3,500	1,647	(1,853)
Fines and Forfeitures	2,678	4,000	18,741	14,741
All Other Revenues	5,625	8,401	9,528	1,127
Total Revenues	1,397,183	2,086,746	2,025,422	(61,324)
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,603,062	1,666,937	1,618,742	48,195
Materials and Supplies	85,795	89,214	88,055	1,159
Contractual Services	30,674	31,896	30,463	1,433
Capital Outlay	6,714	6,982	6,981	1
Total Police	1,726,245	1,795,029	1,744,241	50,788
School Patrol:				
Personal Services	25,398	26,410	20,555	5,855
Total School Patrol	25,398	26,410	20,555	5,855
Animal Control:				
Personal Services	8,809	9,160	8,997	163
Total Animal Control	8,809	9,160	8,997	163
Fire Fighting:				
Personal Services	1,103,245	1,147,205	1,099,801	47,404
Materials and Supplies	82,169	85,443	67,824	17,619
Contractual Services	20,329	21,139	19,007	2,132
Total Fire Fighting	1,205,743	1,253,787	1,186,632	67,155
Street Lighting:				
Personal Services	47,396	49,284	47,467	1,817
Materials and Supplies	7,546	7,847	3,451	4,396
Contractual Services	97,275	101,151	98,472	2,679
Capital Outlay	1,827	1,900	1,838	62
Total Street Lighting	154,044	160,182	151,228	8,954

(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, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Traffic Safety:				
Personal Services	58,967	61,316	61,211	105
Materials and Supplies	16,371	17,023	14,507	2,516
Contractual Services	13,415	13,950	13,262	688
Total Traffic Safety	<u>88,753</u>	<u>92,289</u>	<u>88,980</u>	<u>3,309</u>
Safety Director:				
Personal Services	2,673	2,779	2,779	0
Materials and Supplies	390	406	406	0
Contractual Services	67	70	46	24
Total Safety Director	<u>3,130</u>	<u>3,255</u>	<u>3,231</u>	<u>24</u>
Total Security of Persons and Property	<u>3,212,122</u>	<u>3,340,112</u>	<u>3,203,864</u>	<u>136,248</u>
Community Environment:				
Housing Planning and Zoning:				
Personal Services	77,389	80,472	79,274	1,198
Materials and Supplies	5,071	5,273	4,154	1,119
Contractual Services	16,009	16,647	15,392	1,255
Other Expenditures	144	150	0	150
Capital Outlay	962	1,000	981	19
Total Housing Planning and Zoning	<u>99,575</u>	<u>103,542</u>	<u>99,801</u>	<u>3,741</u>
Housing Inspector:				
Personal Services	50,214	52,215	51,876	339
Materials and Supplies	1,298	1,350	1,342	8
Total Housing Inspector	<u>51,512</u>	<u>53,565</u>	<u>53,218</u>	<u>347</u>
Total Community Environment	<u>151,087</u>	<u>157,107</u>	<u>153,019</u>	<u>4,088</u>
Transportation:				
Streets:				
Personal Services	13,084	13,605	13,521	84
Materials and Supplies	577	600	532	68
Total Streets	<u>13,661</u>	<u>14,205</u>	<u>14,053</u>	<u>152</u>
Total Transportation	<u>13,661</u>	<u>14,205</u>	<u>14,053</u>	<u>152</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, 2008***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Government:				
Mayor:				
Personal Services	67,024	69,694	68,305	1,389
Materials and Supplies	1,118	1,163	963	200
Contractual Services	45,305	47,110	46,359	751
Capital Outlay	769	800	798	2
Total Mayor	114,216	118,767	116,425	2,342
Auditor:				
Personal Services	148,665	154,590	153,240	1,350
Materials and Supplies	4,568	4,750	4,576	174
Contractual Services	22,093	22,973	22,968	5
Capital Outlay	1,443	1,500	399	1,101
Total Auditor	176,769	183,813	181,183	2,630
Treasurer:				
Personal Services	8,750	9,099	8,394	705
Materials and Supplies	45	47	0	47
Contractual Services	938	975	955	20
Total Treasurer	9,733	10,121	9,349	772
Law Director:				
Personal Services	95,022	98,808	96,955	1,853
Material and Supplies	923	960	760	200
Contractual Services	13,213	13,740	12,008	1,732
Total Law Director	109,158	113,508	109,723	3,785
Service Director:				
Personal Services	83,786	87,124	77,854	9,270
Materials and Supplies	1,346	1,400	158	1,242
Contractual Services	31,066	32,304	23,465	8,839
Capital Outlay	866	900	898	2
Total Service Director	117,064	121,728	102,375	19,353
City Council:				
Personal Services	43,900	45,649	45,200	449
Materials and Supplies	11,444	11,900	1,786	10,114
Contractual Services	3,996	4,155	2,908	1,247
Total City Council	59,340	61,704	49,894	11,810

(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, 2008***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Council Clerk:				
Personal Services	5,670	5,895	5,643	252
Materials and Supplies	201	209	199	10
Capital Outlay	817	850	838	12
Total Council Clerk	6,688	6,954	6,680	274
Civil Service Commission:				
Personal Services	6,547	6,808	6,741	67
Materials and Supplies	8,781	9,131	8,940	191
Total Civil Service Commission	15,328	15,939	15,681	258
City Hall:				
Personal Services	120,549	125,352	119,654	5,698
Materials and Supplies	16,718	17,384	13,635	3,749
Contractual Services	101,468	105,511	102,942	2,569
Capital Outlay	10,932	11,368	10,881	487
Total City Hall	249,667	259,615	247,112	12,503
General Administrative:				
Personal Services	68,826	71,569	61,568	10,001
Contractual Services	95,680	99,492	94,978	4,514
Other Expenditures	27,320	28,409	26,884	1,525
Total General Administrative	191,826	199,470	183,430	16,040
Total General Government	1,049,789	1,091,619	1,021,852	69,767
Total Expenditures	4,426,659	4,603,043	4,392,788	210,255
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,029,476)	(2,516,297)	(2,367,366)	148,931
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	10,094	10,094
Transfers In	3,452,944	3,452,944	3,452,943	(1)
Transfers Out	(1,124,909)	(1,096,136)	(1,063,281)	32,855
Total Other Financing Sources (Uses)	2,328,035	2,356,808	2,399,756	42,948
Net Change in Fund Balance	(701,441)	(159,489)	32,390	191,879
Fund Balance at Beginning of Year	489,739	489,739	489,739	0
Prior Year Encumbrances	50,479	50,479	50,479	0
Fund Balance at End of Year	\$ (161,223)	\$ 380,729	\$ 572,608	\$ 191,879

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, 2008***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 3,800,000	\$ 4,010,308	\$ 4,009,563	\$ (745)
Total Revenues	<u>3,800,000</u>	<u>4,010,308</u>	<u>4,009,563</u>	<u>(745)</u>
Expenditures:				
General Government:				
Personal Services	100,556	128,574	124,908	3,666
Materials and Supplies	5,671	7,251	3,629	3,622
Contractual Services	13,573	17,355	16,020	1,335
Other Expenditures	43,015	55,000	54,997	3
Capital Outlay	<u>1,818</u>	<u>2,325</u>	<u>0</u>	<u>2,325</u>
Total Expenditures	<u>164,633</u>	<u>210,505</u>	<u>199,554</u>	<u>10,951</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,635,367	3,799,803	3,810,009	10,206
Other Financing Sources (Uses):				
Transfers Out	<u>(4,000,000)</u>	<u>(4,341,328)</u>	<u>(4,081,488)</u>	<u>259,840</u>
Total Other Financing Sources (Uses)	<u>(4,000,000)</u>	<u>(4,341,328)</u>	<u>(4,081,488)</u>	<u>259,840</u>
Net Change in Fund Balance	(364,633)	(541,525)	(271,479)	270,046
Fund Balance at Beginning of Year	258,754	258,754	258,754	0
Prior Year Encumbrances	<u>6,243</u>	<u>6,243</u>	<u>6,243</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ (99,636)</u></u>	<u><u>\$ (276,528)</u></u>	<u><u>\$ (6,482)</u></u>	<u><u>\$ 270,046</u></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, 2008***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 318,961	\$ 362,132	\$ 362,132	\$ 0
Intergovernmental Revenues	33,169	37,658	37,658	0
Charges for Services	11,448	12,997	11,258	(1,739)
All Other Revenues	26,796	30,423	30,424	1
Total Revenues	<u>390,374</u>	<u>443,210</u>	<u>441,472</u>	<u>(1,738)</u>
Expenditures:				
Leisure Time Activities:				
Personal Services	297,858	300,397	280,450	19,947
Materials and Supplies	69,992	70,589	62,856	7,733
Contractual Services	46,969	47,370	40,553	6,817
Other Expenditures	1,487	1,500	1,187	313
Capital Outlay	193,415	195,065	129,263	65,802
Total Expenditures	<u>609,721</u>	<u>614,921</u>	<u>514,309</u>	<u>100,612</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(219,347)	(171,711)	(72,837)	98,874
Other Financing Sources (Uses):				
Sale of Capital Assets	16,374	16,374	18,112	1,738
Total Other Financing Sources (Uses)	<u>16,374</u>	<u>16,374</u>	<u>18,112</u>	<u>1,738</u>
Net Change in Fund Balance	(202,973)	(155,337)	(54,725)	100,612
Fund Balance at Beginning of Year	266,943	266,943	266,943	0
Prior Year Encumbrances	41,428	41,428	41,428	0
Fund Balance at End of Year	<u>\$ 105,398</u>	<u>\$ 153,034</u>	<u>\$ 253,646</u>	<u>\$ 100,612</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – Community Housing Improvement Fund - Special Revenue Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 271,384	\$ 271,384	\$ 0
All Other Revenues	0	0	4,932	4,932
Total Revenues	<u>0</u>	<u>271,384</u>	<u>276,316</u>	<u>4,932</u>
Expenditures:				
Community Environment:				
Contractual Services	142,161	241,659	233,210	8,449
Capital Outlay	191,377	325,320	316,191	9,129
Total Expenditures	<u>333,538</u>	<u>566,979</u>	<u>549,401</u>	<u>17,578</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(333,538)	(295,595)	(273,085)	22,510
Other Financing Sources (Uses):				
Transfers In	0	25,000	25,000	0
Advances In	0	16,227	19,295	3,068
Advances Out	0	(19,295)	(19,295)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>21,932</u>	<u>25,000</u>	<u>3,068</u>
Net Change in Fund Balance	(333,538)	(273,663)	(248,085)	25,578
Fund Balance at Beginning of Year	(108,390)	(108,390)	(108,390)	0
Prior Year Encumbrances	212,860	212,860	212,860	0
Fund Balance at End of Year	<u>\$ (229,068)</u>	<u>\$ (169,193)</u>	<u>\$ (143,615)</u>	<u>\$ 25,578</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, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 0	\$ 64,108	\$ 64,108	\$ 0
Total Revenues	<u>0</u>	<u>64,108</u>	<u>64,108</u>	<u>0</u>
Expenditures:				
Capital Outlay	1,243,379	619,594	619,395	199
Debt Service:				
Principal Retirement	735,000	735,000	735,000	0
Interest and Fiscal Charges	52,321	52,321	52,320	1
Total Expenditures	<u>2,030,700</u>	<u>1,406,915</u>	<u>1,406,715</u>	<u>200</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,030,700)	(1,342,807)	(1,342,607)	200
Other Financing Sources (Uses):				
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>710,000</u>	<u>710,000</u>	<u>0</u>
Net Change in Fund Balance	(2,030,700)	(632,807)	(632,607)	200
Fund Balance at Beginning of Year	26,819	26,819	26,819	0
Prior Year Encumbrances	<u>655,892</u>	<u>655,892</u>	<u>655,892</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (1,347,989)</u>	<u>\$ 49,904</u>	<u>\$ 50,104</u>	<u>\$ 200</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

POLICE PENSION FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 64,764	\$ 66,395	\$ 1,631
Intergovernmental Revenues	0	7,312	7,312
Total Revenues	<u>64,764</u>	<u>73,707</u>	<u>8,943</u>
Expenditures:			
Security of Persons and Property:			
Personal Services	240,800	223,832	16,968
Total Expenditures	<u>240,800</u>	<u>223,832</u>	<u>16,968</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(176,036)	(150,125)	25,911
Other Financing Sources (Uses):			
Transfers In	159,068	150,125	(8,943)
Total Other Financing Sources (Uses)	<u>159,068</u>	<u>150,125</u>	<u>(8,943)</u>
Net Change in Fund Balance	(16,968)	0	16,968
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$ (16,968)</u>	<u>\$ 0</u>	<u>\$ 16,968</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	FIRE PENSION FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Taxes	\$ 64,764	\$ 66,394	\$ 1,630
Intergovernmental Revenues	0	7,312	7,312
Total Revenues	<u>64,764</u>	<u>73,706</u>	<u>8,942</u>
Expenditures:			
Security of Persons and Property:			
Personal Services	<u>209,200</u>	<u>194,365</u>	<u>14,835</u>
Total Expenditures	<u>209,200</u>	<u>194,365</u>	<u>14,835</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(144,436)	(120,659)	23,777
Other Financing Sources (Uses):			
Transfers In	<u>129,602</u>	<u>120,659</u>	<u>(8,943)</u>
Total Other Financing Sources (Uses)	<u>129,602</u>	<u>120,659</u>	<u>(8,943)</u>
Net Change in Fund Balance	(14,834)	0	14,834
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ (14,834)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 14,834</u></u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

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

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

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

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

ENFORCEMENT AND EDUCATION FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 1,002	\$ 1,002	\$ 0
Total Revenues	<u>1,002</u>	<u>1,002</u>	<u>0</u>
Expenditures:			
Security of Persons and Property:			
Materials and Supplies	<u>4,000</u>	<u>0</u>	<u>4,000</u>
Total Expenditures	<u>4,000</u>	<u>0</u>	<u>4,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,998)	1,002	4,000
Fund Balance at Beginning of Year	<u>10,449</u>	<u>10,449</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 7,451</u>	<u>\$ 11,451</u>	<u>\$ 4,000</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

DRUG ENFORCEMENT AGENCY EQUITABLE SHARE FUND			Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental Revenues	\$ 39,597	\$ 39,570	\$ (27)
Investment Earnings	6,803	6,803	0
Total Revenues	<u>46,400</u>	<u>46,373</u>	<u>(27)</u>
Expenditures:			
Security of Persons and Property:			
Personal Services	5,000	700	4,300
Materials And Supplies	28,003	26,536	1,467
Contractual Services	2,500	1,548	952
Capital Outlay	115,382	110,910	4,472
Total Expenditures	<u>150,885</u>	<u>139,694</u>	<u>11,191</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(104,485)	(93,321)	11,164
Fund Balance at Beginning of Year	248,037	248,037	0
Prior Year Encumbrances	9,781	9,781	0
Fund Balance at End of Year	<u>\$ 153,333</u>	<u>\$ 164,497</u>	<u>\$ 11,164</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 504,000	\$ 492,011	\$ (11,989)
Investment Earnings	0	87	87
All Other Revenues	0	3,436	3,436
Total Revenues	<u>504,000</u>	<u>495,534</u>	<u>(8,466)</u>
Expenditures:			
Transportation:			
Personal Services	513,082	488,942	24,140
Materials and Supplies	194,411	183,308	11,103
Contractual Services	21,169	20,542	627
Total Expenditures	<u>728,662</u>	<u>692,792</u>	<u>35,870</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(224,662)	(197,258)	27,404
Other Financing Sources (Uses):			
Sale of Capital Assets	8,225	16,708	8,483
Transfers In	100,000	150,000	50,000
Total Other Financing Sources (Uses)	<u>108,225</u>	<u>166,708</u>	<u>58,483</u>
Net Change in Fund Balance	(116,437)	(30,550)	85,887
Fund Balance at Beginning of Year	69,476	69,476	0
Prior Year Encumbrances	22,132	22,132	0
Fund Balance at End of Year	<u>\$ (24,829)</u>	<u>\$ 61,058</u>	<u>\$ 85,887</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 40,000	\$ 39,893	\$ (107)
Investment Earnings	0	19	19
Total Revenues	<u>40,000</u>	<u>39,912</u>	<u>(88)</u>
Expenditures:			
Transportation:			
Personal Services	41,300	40,382	918
Materials and Supplies	8,333	7,175	1,158
Total Expenditures	<u>49,633</u>	<u>47,557</u>	<u>2,076</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,633)	(7,645)	1,988
Fund Balance at Beginning of Year	9,543	9,543	0
Prior Year Encumbrances	3,042	3,042	0
Fund Balance at End of Year	<u>\$ 2,952</u>	<u>\$ 4,940</u>	<u>\$ 1,988</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 84,953	\$ 82,952	\$ (2,001)
Total Revenues	<u>84,953</u>	<u>82,952</u>	<u>(2,001)</u>
Expenditures:			
Transportation:			
Personal Services	80,000	74,058	5,942
Materials and Supplies	<u>31,684</u>	<u>30,685</u>	<u>999</u>
Total Expenditures	<u>111,684</u>	<u>104,743</u>	<u>6,941</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,731)	(21,791)	4,940
Fund Balance at Beginning of Year	25,505	25,505	0
Prior Year Encumbrances	<u>1,684</u>	<u>1,684</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 458</u>	<u>\$ 5,398</u>	<u>\$ 4,940</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 4,502	\$ 4,502	\$ 0
Total Revenues	<u>4,502</u>	<u>4,502</u>	<u>0</u>
Expenditures:			
Community Environment:			
Materials and Supplies	75	41	34
Contractual Services	<u>12,004</u>	<u>7,189</u>	<u>4,815</u>
Total Expenditures	<u>12,079</u>	<u>7,230</u>	<u>4,849</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,577)	(2,728)	4,849
Other Financing Sources (Uses):			
Transfers In	<u>10,000</u>	<u>13,000</u>	<u>3,000</u>
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>13,000</u>	<u>3,000</u>
Net Change in Fund Balance	2,423	10,272	7,849
Fund Balance at Beginning of Year	380	380	0
Prior Year Encumbrances	<u>4,200</u>	<u>4,200</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 7,003</u>	<u>\$ 14,852</u>	<u>\$ 7,849</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Licenses and Permits	\$ 8,000	\$ 8,215	\$ 215
All Other Revenues	10,268	9,822	(446)
Total Revenues	<u>18,268</u>	<u>18,037</u>	<u>(231)</u>
Expenditures:			
Leisure Time Activities:			
Personal Services	19,881	16,185	3,696
Materials and Supplies	5,380	3,186	2,194
Contractual Services	2,365	2,225	140
Capital Outlay	3,000	0	3,000
Total Expenditures	<u>30,626</u>	<u>21,596</u>	<u>9,030</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,358)	(3,559)	8,799
Other Financing Sources (Uses):			
Sale of Capital Assets	<u>0</u>	<u>231</u>	<u>231</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>231</u>	<u>231</u>
Net Change in Fund Balance	(12,358)	(3,328)	9,030
Fund Balance at Beginning of Year	9,716	9,716	0
Prior Year Encumbrances	<u>1,429</u>	<u>1,429</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (1,213)</u>	<u>\$ 7,817</u>	<u>\$ 9,030</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 12,400	\$ 12,400	\$ 0
Total Revenues	<u>12,400</u>	<u>12,400</u>	<u>0</u>
Expenditures:			
Security of Persons and Property:			
Personal Services	6,000	4,250	1,750
Materials and Supplies	<u>1,000</u>	<u>70</u>	<u>930</u>
Total Expenditures	<u>7,000</u>	<u>4,320</u>	<u>2,680</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,400	8,080	2,680
Fund Balance at Beginning of Year	<u>11,103</u>	<u>11,103</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 16,503</u>	<u>\$ 19,183</u>	<u>\$ 2,680</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 56,000	\$ 56,000	\$ 0
All Other Revenues	950	950	0
Total Revenues	<u>56,950</u>	<u>56,950</u>	<u>0</u>
Expenditures:			
Community Environment:			
Contractual Services	15,128	15,128	0
Capital Outlay	<u>71,431</u>	<u>71,431</u>	<u>0</u>
Total Expenditures	<u>86,559</u>	<u>86,559</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,609)	(29,609)	0
Fund Balance at Beginning of Year	(283)	(283)	0
Prior Year Encumbrances	<u>29,431</u>	<u>29,431</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (461)</u>	<u>\$ (461)</u>	<u>\$ 0</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

REHABILITATION LOAN FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment Earnings	\$ 107	\$ 113	\$ 6
Total Revenues	<u>107</u>	<u>113</u>	<u>6</u>
Expenditures:			
Community Environment:			
Contractual Services	132	131	1
Capital Outlay	3,725	3,725	0
Total Expenditures	<u>3,857</u>	<u>3,856</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,750)	(3,743)	7
Other Financing Sources (Uses):			
Transfers Out	(25,000)	(25,000)	0
Advances In	19,295	19,295	0
Advances Out	(19,295)	(19,295)	0
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>0</u>
Net Change in Fund Balance	(28,750)	(28,743)	7
Fund Balance at Beginning of Year	57,933	57,933	0
Prior Year Encumbrances	3,075	3,075	0
Fund Balance at End of Year	<u>\$ 32,258</u>	<u>\$ 32,265</u>	<u>\$ 7</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Community Environment:			
Personal Services	200	80	120
Materials and Supplies	200	196	4
Total Expenditures	400	276	124
Excess (Deficiency) of Revenues Over (Under) Expenditures	(400)	(276)	124
Other Financing Sources (Uses):			
Transfers In	400	400	0
Total Other Financing Sources (Uses)	400	400	0
Net Change in Fund Balance	0	124	124
Fund Balance at Beginning of Year	96	96	0
Fund Balance at End of Year	\$ 96	\$ 220	\$ 124

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment Earnings	\$ 67	\$ 60	\$ (7)
Total Revenues	<u>67</u>	<u>60</u>	<u>(7)</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	67	60	(7)
Fund Balance at Beginning of Year	<u>26,463</u>	<u>26,463</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 26,530</u>	<u>\$ 26,523</u>	<u>\$ (7)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Community Environment:			
Other Expenditures	<u>11,312</u>	<u>7,000</u>	<u>4,312</u>
Total Expenditures	<u>11,312</u>	<u>7,000</u>	<u>4,312</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,312)	(7,000)	4,312
Fund Balance at Beginning of Year	<u>11,312</u>	<u>11,312</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 4,312</u>	<u>\$ 4,312</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

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

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 3,780	\$ 3,780	\$ 0
Total Revenues	<u>3,780</u>	<u>3,780</u>	<u>0</u>
Expenditures:			
Security of Persons and Property:			
Personal Services	<u>3,780</u>	<u>2,170</u>	<u>1,610</u>
Total Expenditures	<u>3,780</u>	<u>2,170</u>	<u>1,610</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	1,610	1,610
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 1,610</u>	<u>\$ 1,610</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2008***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Debt Service:			
Principal Retirement	124,800	124,785	15
Interest and Fiscal Charges	163,120	133,643	29,477
Total Expenditures	287,920	258,428	29,492
Excess (Deficiency) of Revenues Over (Under) Expenditures	(287,920)	(258,428)	29,492
Other Financing Sources (Uses):			
Transfers In	250,060	250,060	0
Total Other Financing Sources (Uses)	250,060	250,060	0
Net Change in Fund Balance	(37,860)	(8,368)	29,492
Fund Balance at Beginning of Year	8,629	8,629	0
Fund Balance at End of Year	\$ (29,231)	\$ 261	\$ 29,492

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2008**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
SPECIAL ASSESSMENT DEBT RETIREMENT FUND			
Revenues:			
Special Assessments	\$ 17,694	\$ 17,694	\$ 0
Total Revenues	<u>17,694</u>	<u>17,694</u>	<u>0</u>
Expenditures:			
Debt Service:			
Principal Retirement	20,000	20,000	0
Interest and Fiscal Charges	<u>4,880</u>	<u>4,880</u>	<u>0</u>
Total Expenditures	<u>24,880</u>	<u>24,880</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,186)	(7,186)	0
Fund Balance at Beginning of Year	<u>20,352</u>	<u>20,352</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 13,166</u>	<u>\$ 13,166</u>	<u>\$ 0</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2008***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 0	\$ 7,146	\$ 7,146
All Other Revenues	0	5,132	5,132
Total Revenues	0	12,278	12,278
Expenditures:			
Capital Outlay	391,910	226,724	165,186
Total Expenditures	391,910	226,724	165,186
Excess (Deficiency) of Revenues Over (Under) Expenditures	(391,910)	(214,446)	177,464
Other Financing Sources (Uses):			
Transfers In	352,264	388,485	36,221
Total Other Financing Sources (Uses)	352,264	388,485	36,221
Net Change in Fund Balance	(39,646)	174,039	213,685
Fund Balance at Beginning of Year	27,032	27,032	0
Prior Year Encumbrances	134,943	134,943	0
Fund Balance at End of Year	<u>\$ 122,329</u>	<u>\$ 336,014</u>	<u>\$ 213,685</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2008***

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

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2008***

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

Fiduciary Funds

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

Agency Funds

Miscellaneous Agency Fund

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

Street Opening Fund

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

Developers Fund

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

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, 2008**

	Balance December 31, 2007	Additions	Deductions	Balance December 31, 2008
<u>Miscellaneous Agency Fund</u>				
Assets:				
Cash and Cash Equivalents	\$112	\$210	(\$176)	\$146
Total Assets	\$112	\$210	(\$176)	\$146
Liabilities:				
Due to Others	\$112	\$210	(\$176)	\$146
Total Liabilities	\$112	\$210	(\$176)	\$146
<u>Street Opening Fund</u>				
Assets:				
Cash and Cash Equivalents	\$1,070	\$0	\$0	\$1,070
Total Assets	\$1,070	\$0	\$0	\$1,070
Liabilities:				
Due to Others	\$1,070	\$0	\$0	\$1,070
Total Liabilities	\$1,070	\$0	\$0	\$1,070
<u>Developers Fund</u>				
Assets:				
Cash and Cash Equivalents	\$23,962	\$24,430	(\$18,930)	\$29,462
Total Assets	\$23,962	\$24,430	(\$18,930)	\$29,462
Liabilities:				
Due to Others	\$23,962	\$24,430	(\$18,930)	\$29,462
Total Liabilities	\$23,962	\$24,430	(\$18,930)	\$29,462
<u>Demolition Fund</u>				
Assets:				
Cash and Cash Equivalents	\$12,000	\$0	(\$12,000)	\$0
Total Assets	\$12,000	\$0	(\$12,000)	\$0
Liabilities:				
Due to Others	\$12,000	\$0	(\$12,000)	\$0
Total Liabilities	\$12,000	\$0	(\$12,000)	\$0
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$37,144	\$24,640	(\$31,106)	\$30,678
Total Assets	\$37,144	\$24,640	(\$31,106)	\$30,678
Liabilities:				
Due to Others	\$37,144	\$24,640	(\$31,106)	\$30,678
Total Liabilities	\$37,144	\$24,640	(\$31,106)	\$30,678

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF SALEM, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2008***

<u>Capital Assets</u>	
Land	\$4,586,123
Construction in Progress	409,568
Buildings	2,274,772
Improvements Other Than Buildings	711,242
Machinery and Equipment	2,947,554
Infrastructure	<u>21,549,580</u>
Total Capital Assets	<u><u>\$32,478,839</u></u>

<u>Investment in Capital Assets</u>	
General Fund	\$894,681
Special Revenue Funds	19,779,154
Capital Projects Funds	11,794,998
Donations	<u>10,006</u>
Total Investment in Capital Assets	<u><u>\$32,478,839</u></u>

CITY OF SALEM, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2008**

<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>3,933,663</u>	<u>0</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>\$4,586,123</u></u>	<u><u>\$409,568</u></u>	<u><u>\$2,274,772</u></u>	<u><u>\$711,242</u></u>

CITY OF SALEM, OHIO

<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
6,655	0	928,390
<u>4,656</u>	<u>0</u>	<u>21,348</u>
<u>32,436</u>	<u>0</u>	<u>973,808</u>
422,101	0	452,226
1,186,836	0	1,800,265
<u>85,560</u>	<u>0</u>	<u>145,860</u>
<u>1,694,497</u>	<u>0</u>	<u>2,398,351</u>
<u>970,303</u>	<u>21,549,580</u>	<u>26,834,036</u>
<u>226,024</u>	<u>0</u>	<u>2,238,591</u>
<u>6,444</u>	<u>0</u>	<u>6,444</u>
<u>17,850</u>	<u>0</u>	<u>27,609</u>
<u>\$2,947,554</u>	<u>\$21,549,580</u>	<u>\$32,478,839</u>

CITY OF SALEM, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For Year Ended December 31, 2008***

<u>Function and Activity</u>	<u>December 31, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2008</u>
<u>General Government:</u>				
Mayor	\$1,041	\$0	\$0	\$1,041
Auditor	21,890	0	0	21,890
Law Director	1,139	0	0	1,139
City Hall	942,848	0	(14,458)	928,390
Income Tax	21,348	0	0	21,348
Total	<u>988,266</u>	<u>0</u>	<u>(14,458)</u>	<u>973,808</u>
<u>Security of Persons and Property:</u>				
Police	387,431	70,272	(5,477)	452,226
Fire	1,800,265	0	0	1,800,265
Traffic	144,493	3,447	(2,080)	145,860
Total	<u>2,332,189</u>	<u>73,719</u>	<u>(7,557)</u>	<u>2,398,351</u>
<u>Transportation:</u>				
Street	<u>26,724,170</u>	<u>461,707</u>	<u>(351,841)</u>	<u>26,834,036</u>
<u>Leisure Time Activities:</u>				
Parks	<u>2,331,124</u>	<u>48,613</u>	<u>(141,146)</u>	<u>2,238,591</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>(2,480)</u>	<u>27,609</u>
Total Capital Assets	<u><u>\$32,412,282</u></u>	<u><u>\$584,039</u></u>	<u><u>(\$517,482)</u></u>	<u><u>\$32,478,839</u></u>

STATISTICAL SECTION



STATISTICAL TABLES

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

Contents

Financial Trends	S 2 – S 13
These schedules contain trend information to help the reader understand how the City’s financial position has changed over time.	
Revenue Capacity	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.	
Debt Capacity	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.	
Economic and Demographic Information	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.	
Operating Information	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 Six Years
(accrual basis of accounting)*

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

Source: City Auditor's Office

City of Salem

<u>2007</u>	<u>2008</u>
\$14,483,970	\$14,201,641
1,923,915	1,587,446
2,366,239	2,011,860
<u>\$18,774,124</u>	<u>\$17,800,947</u>
\$17,456,953	\$17,416,246
15,617,056	16,315,854
<u>\$33,074,009</u>	<u>\$33,732,100</u>
\$31,940,923	\$31,617,887
1,923,915	1,587,446
17,983,295	18,327,714
<u>\$51,848,133</u>	<u>\$51,533,047</u>

City of Salem

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

	2003	2004	2005	2006
Expenses				
Governmental Activities:				
Security of Persons and Property	\$3,548,093	\$3,387,791	\$3,474,795	\$3,569,615
Leisure Time Activities	936,681	359,633	355,535	386,183
Community Environment	527,756	556,617	593,717	488,304
Transportation	690,976	1,344,882	1,364,558	1,421,650
General Government	1,009,745	1,082,820	1,262,857	1,142,076
Interest and Fiscal Charges	60,922	64,959	183,709	163,843
<i>Total Governmental Activities Expenses</i>	<u>6,774,173</u>	<u>6,796,702</u>	<u>7,235,171</u>	<u>7,171,671</u>
Business-type Activities:				
Water	1,882,782	1,810,274	1,801,247	1,760,567
Wastewater	1,898,975	1,816,331	1,934,577	1,995,000
<i>Total Business-type Activities Expenses</i>	<u>3,781,757</u>	<u>3,626,605</u>	<u>3,735,824</u>	<u>3,755,567</u>
<i>Total Primary Government Expenses</i>	<u><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>
Program Revenues				
Governmental Activities:				
Charges for Services				
Security of Persons and Property	\$3,510	\$2,501	\$4,197	\$3,653
Leisure Time Activities	22,560	14,180	19,669	17,789
Community Environment	68,326	82,290	121,853	137,448
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

<u>2007</u>	<u>2008</u>
\$3,672,803	\$4,017,233
560,188	562,624
441,002	616,095
1,943,913	1,685,193
1,181,181	1,199,000
219,274	176,394
<u>8,018,361</u>	<u>8,256,539</u>
1,939,956	1,885,617
1,838,202	2,007,729
<u>3,778,158</u>	<u>3,893,346</u>
<u>\$11,796,519</u>	<u>\$12,149,885</u>

\$3,048	\$8,507
14,320	19,473
75,552	72,459
316	0
84,664	83,282
746,100	1,264,291
0	0
<u>924,000</u>	<u>1,448,012</u>

(Continued)

City of Salem

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

	2003	2004	2005	2006
Business-type Activities:				
Charges for Services				
Water	1,703,843	1,699,131	1,789,364	1,787,867
Wastewater	3,284,389	2,670,091	2,490,344	2,352,724
Operating Grants and Contributions	0	0	0	0
Capital Grants and Contributions	0	0	0	0
<i>Total Business-type Activities Program Revenues</i>	4,988,232	4,369,222	4,279,708	4,140,591
<i>Total Primary Government Program Revenues</i>	5,460,355	5,874,046	5,319,032	5,931,185
Net (Expense)/Revenue				
Governmental Activities	(6,302,050)	(5,291,878)	(6,195,847)	(5,381,077)
Business-type Activities	1,206,475	742,617	543,884	385,024
<i>Total Primary Government Net (Expense)/Revenue</i>	(\$5,095,575)	(\$4,549,261)	(\$5,651,963)	(\$4,996,053)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Property Taxes Levied for:				
(General Purposes	\$873,943	\$564,322	\$588,819	\$615,838
(Special Purpose	0	352,351	348,728	509,272
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
Change in Net Assets				
Governmental Activities	(\$195,922)	\$456,373	(\$399,883)	\$259,182
Business-type Activities	1,468,959	979,660	844,478	1,099,391
<i>Total Primary Government Change in Net Assets</i>	\$1,273,037	\$1,436,033	\$444,595	\$1,358,573

Source: City Auditor's Office

City of Salem

<u>2007</u>	<u>2008</u>
1,441,260	1,465,836
2,316,539	2,334,707
0	0
0	0
<u>3,757,799</u>	<u>3,800,543</u>
<u>4,681,799</u>	<u>5,248,555</u>
(7,094,361)	(6,808,527)
(20,359)	(92,803)
<u>(\$7,114,720)</u>	<u>(\$6,901,330)</u>
\$667,066	\$646,778
511,086	494,921
55,107	64,108
4,005,682	4,108,314
66,338	80,965
508,737	421,003
829,319	672,086
109,586	63,824
(915,036)	(716,649)
<u>5,837,885</u>	<u>5,835,350</u>
21,119	34,245
915,036	716,649
<u>936,155</u>	<u>750,894</u>
<u>\$6,774,040</u>	<u>\$6,586,244</u>
(\$1,256,476)	(\$973,177)
915,796	658,091
<u>(\$340,680)</u>	<u>(\$315,086)</u>

City of Salem

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

	1999	2000	2001	2002	2003
General Fund					
Reserved	\$145,080	\$125,909	\$177,099	\$124,697	\$162,385
Unreserved	1,061,729	895,615	547,628	627,689	467,714
<i>Total General Fund</i>	<u>1,206,809</u>	<u>1,021,524</u>	<u>724,727</u>	<u>752,386</u>	<u>630,099</u>
All Other Governmental Funds					
Reserved	421,086	935,852	414,477	630,512	1,070,534
Unreserved, Undesignated, Reported in:					
Special Revenue Funds	826,555	1,052,405	1,079,949	518,147	902,091
Capital Projects Funds	(44,403)	(169,899)	185,976	(235,035)	(2,159,694)
Total All Other Governmental Funds	<u>1,203,238</u>	<u>1,818,358</u>	<u>1,680,402</u>	<u>913,624</u>	<u>(187,069)</u>
<i>Total Governmental Funds</i>	<u>\$2,410,047</u>	<u>\$2,839,882</u>	<u>\$2,405,129</u>	<u>\$1,666,010</u>	<u>\$443,030</u>

Source: City Auditor's Office

City of Salem

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$183,282	\$173,899	\$133,344	\$149,536	\$146,081
<u>722,820</u>	<u>937,614</u>	<u>889,468</u>	<u>451,969</u>	<u>518,595</u>
<u>906,102</u>	<u>1,111,513</u>	<u>1,022,812</u>	<u>601,505</u>	<u>664,676</u>
438,149	311,693	644,474	1,158,601	385,082
1,188,086	1,094,962	1,127,022	1,397,556	974,882
<u>(1,975,455)</u>	<u>469,484</u>	<u>(890,029)</u>	<u>(493,438)</u>	<u>(160,434)</u>
<u>(349,220)</u>	<u>1,876,139</u>	<u>881,467</u>	<u>2,062,719</u>	<u>1,199,530</u>
<u>\$556,882</u>	<u>\$2,987,652</u>	<u>\$1,904,279</u>	<u>\$2,664,224</u>	<u>\$1,864,206</u>

City of Salem

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

	1999	2000	2001	2002
Revenues:				
Taxes	\$4,797,447	\$4,549,651	\$4,352,963	\$4,485,201
Intergovernmental Revenues	1,610,766	1,574,008	1,303,058	2,024,725
Charges for Services	63,577	59,252	61,017	71,803
Licenses and Permits	68,624	70,483	65,639	109,586
Investment Earnings	148,061	180,146	148,274	384,637
Special Assessments	22,620	30,957	19,055	23,175
Fines and Forfeitures	47,810	44,076	34,588	47,027
All Other Revenue	107,475	85,326	275,882	59,130
Total Revenue	6,866,380	6,593,899	6,260,476	7,205,284
Expenditures:				
Current:				
Security of Persons and Property	2,488,877	2,767,324	2,801,303	2,945,543
Leisure Time Activities	297,182	306,338	332,362	344,476
Community Environment	705,811	510,250	566,184	732,774
Transportation	620,635	629,656	651,166	647,798
General Government	896,253	782,365	972,342	884,549
Capital Outlay	747,261	1,021,276	1,454,517	1,864,668
Debt Service:				
Principal Retirement	270,000	160,000	160,000	160,000
Interest and Fiscal Charges	103,362	88,907	69,115	55,215
Total Expenditures	6,129,381	6,266,116	7,006,989	7,635,023
Excess (Deficiency) of Revenues Over (Under) Expenditures	736,999	327,783	(746,513)	(429,739)

City of Salem

2003	2004	2005	2006	2007	2008
\$4,623,253	\$4,743,926	\$4,903,826	\$5,154,745	\$5,188,880	\$5,279,645
2,010,794	1,591,197	1,696,999	1,543,248	1,576,559	1,444,788
65,601	72,379	73,591	73,735	73,419	82,037
92,031	86,658	130,113	143,171	140,763	143,299
307,208	380,984	462,465	703,268	723,648	729,582
25,865	22,592	21,557	22,841	20,335	19,341
36,734	23,507	25,734	25,291	21,485	19,363
87,048	116,436	149,986	71,172	109,586	63,824
<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>	<u>7,781,879</u>
3,340,877	3,230,200	3,384,494	3,423,302	3,529,760	3,754,092
332,390	307,139	306,464	338,316	510,690	505,414
510,618	557,427	590,321	486,766	439,924	631,136
727,501	694,350	709,471	723,917	769,744	830,606
1,007,890	1,026,015	1,150,530	1,125,981	1,155,722	1,189,167
2,083,258	647,449	1,217,466	1,717,308	651,237	720,234
177,456	177,456	32,456	121,785	139,785	169,785
61,717	65,765	166,546	177,738	215,878	190,106
<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>	<u>7,990,540</u>
(993,173)	331,878	(93,477)	(377,642)	441,935	(208,661)

(Continued)

City of Salem

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

	1999	2000	2001	2002
Other Financing Sources (Uses):				
Sale of Capital Assets	30,985	58,248	14,855	13,357
Other Financing Sources - Capital Leases	0	0	0	0
Ohio Public Works Commission Loan	0	0	212,606	49,232
General Obligation Bonds Issued	0	0	0	0
Premium on General Obligation Bonds	0	0	0	0
Transfers In	4,187,235	4,132,666	4,157,313	4,118,160
Transfers Out	(4,187,235)	(4,132,666)	(4,157,313)	(4,428,082)
Total Other Financing Sources (Uses)	<u>30,985</u>	<u>58,248</u>	<u>227,461</u>	<u>(247,333)</u>
Net Change in Fund Balance	<u>\$767,984</u>	<u>\$386,031</u>	<u>(\$519,052)</u>	<u>(\$677,072)</u>
 Debt Service as a Percentage of Noncapital Expenditures	 7.45%	 4.98%	 4.30%	 3.87%

Source: City Auditor's Office

City of Salem

2003	2004	2005	2006	2007	2008
6,303	15,310	42,187	35,880	2,180	45,145
0	0	21,527	0	0	0
0	0	259,936	0	0	0
0	0	2,380,000	0	985,000	0
0	0	100,212	0	34,680	0
4,199,468	3,966,256	6,978,997	4,148,775	4,371,893	4,540,672
(4,461,952)	(4,203,299)	(7,279,591)	(4,863,142)	(5,062,929)	(5,159,769)
(256,181)	(221,733)	2,503,268	(678,487)	330,824	(573,952)
(\$1,249,354)	\$110,145	\$2,409,791	(\$1,056,129)	\$772,759	(\$782,613)
4.06%	4.17%	3.18%	4.92%	5.18%	5.11%

City of Salem

Income Tax Revenues by Source, Governmental Funds Last Ten Years

Tax year	1999	2000	2001	2002	2003
Income Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%
Total Tax Collected	\$3,905,950	\$3,713,010	\$3,659,509	\$3,628,465	\$3,699,668
Income Tax Receipts					
Withholding	2,772,435	2,888,182	2,843,044	2,877,596	2,910,992
Percentage	70.98%	77.79%	77.69%	79.31%	78.68%
Business	693,423	366,119	346,264	247,982	326,910
Percentage	17.75%	9.86%	9.46%	6.83%	8.84%
Individuals	440,092	458,709	470,201	502,887	461,766
Percentage	11.27%	12.35%	12.85%	13.86%	12.48%

Source: City Income Tax Department

City of Salem

2004	2005	2006	2007	2008
1.00%	1.00%	1.00%	1.00%	1.00%
\$3,715,547	\$3,838,513	\$3,893,538	\$3,983,037	\$4,009,565
2,924,481	2,976,895	2,937,396	3,076,302	3,156,888
78.71%	77.55%	75.44%	77.23%	78.73%
309,042	327,638	415,317	406,169	378,683
8.32%	8.54%	10.67%	10.20%	9.45%
482,024	533,980	540,825	500,566	473,994
12.97%	13.91%	13.89%	12.57%	11.82%



City of Salem

Income Tax Statistics Current Year and Nine Years Ago

Calendar Year 2008

Income Tax Filers	Number of Filers	Percent of Total	Taxable Income	Percent of Income	Income Tax Collections	Percent of Income
Top Ten	10	0.13%	\$139,265,588	34.73%	\$1,392,656	34.73%
All Others	7,948	99.87%	261,690,914	65.27%	2,616,909	65.27%
Total	7,958	100.00%	\$400,956,502	100.00%	\$4,009,565	100.00%

Calendar Year 1999

Income Tax Filers	Number of Filers	Percent of Total	Taxable Income	Percent of Income	Income Tax Collections	Percent of Income
Top Ten	10	0.13%	\$123,713,243	31.67%	\$1,237,133	31.67%
All Others	7,976	99.87%	266,881,717	68.33%	2,668,817	68.33%
Total	7,986	100.00%	\$390,594,960	100.00%	\$3,905,950	100.00%

Source: City Income Tax Department

City of Salem

Ratios of Outstanding Debt By Type Last Ten Years

	1999	2000	2001	2002
Governmental Activities ⁽¹⁾				
General Obligation Bonds Payable	\$750,000	\$600,000	\$450,000	\$300,000
General Obligation Bonds Payable (TIF supported)	0	0	0	0
Special Assessment Bonds Payable	177,000	167,000	157,000	147,000
OPWC Loan Payable	0	0	212,606	261,838
Capital Leases	0	0	0	0
Business-type Activities ⁽¹⁾				
Mortgage Revenue Bonds Payable	\$1,125,000	\$800,000	\$0	\$0
General Obligation Bonds Payable	2,180,000	2,090,000	2,000,000	1,600,000
OPWC Loan Payable	0	399,750	379,250	358,750
Capital Leases	3,616	0	0	0
Total Primary Government	<u>\$4,235,616</u>	<u>\$4,056,750</u>	<u>\$3,198,856</u>	<u>\$2,667,588</u>
Population ⁽²⁾				
City of Salem	12,233	12,197	12,197	12,197
Outstanding Debt Per Capita	\$346	\$333	\$262	\$219
Income ^{(3) (a)}				
Personal (in thousands)	257,713	267,480	269,700	275,628
Percentage of Personal Income	1.64%	1.52%	1.19%	0.97%

Sources:

- (1) City Auditor's Office
 - (2) U.S. Bureau of Census, Population Division
 - (3) U.S. Department of Commerce, Bureau of Economic Analysis information is only available through 2007, for the presentation of 2008 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

2003	2004	2005	2006	2007	2008
\$150,000	\$0	\$2,480,212	\$2,400,201	\$2,310,190	\$2,215,179
0	0	0	0	1,019,680	991,212
137,000	127,000	112,000	100,000	80,000	60,000
244,382	226,926	469,406	434,621	399,836	365,051
0	0	14,059	7,172	0	0
\$0	\$0	\$0	\$0	\$0	\$0
1,200,000	800,000	400,000	0	0	0
338,250	317,750	297,250	276,750	256,250	235,750
0	0	0	0	0	0
<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>	<u>\$3,867,192</u>
12,197	12,197	12,197	12,197	12,197	12,197
\$170	\$121	\$309	\$264	\$333	\$317
283,263	293,191	293,606	303,352	319,354	319,354
0.73%	0.50%	1.29%	1.06%	1.27%	1.21%

City of Salem

Ratios of General Bonded Debt Outstanding Last Ten Years

Year	1999	2000	2001	2002
Population (1)	12,233	12,197	12,197	12,197
Personal Income (2)	\$257,712,611	\$267,480,210	\$215,757,110	\$275,627,806
General Bonded Debt				
General Obligation Bonds	\$2,930,000	\$2,690,000	\$2,450,000	\$1,900,000
Resources Available to Pay Principal	\$126,040	\$136,204	\$30,114	\$33,713
Net General Bonded Debt	\$2,803,960	\$2,553,796	\$2,419,886	\$1,866,287
Ratio of Net Bonded Debt to Total Personal Income	1.09%	0.95%	1.12%	0.68%
Net Bonded Debt per Capita	\$229.21	\$209.38	\$198.40	\$153.01

Source:

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

(2) U.S. Department of Commerce, Bureau of Economic Analysis

City of Salem

2003	2004	2005	2006	2007	2008
12,197	12,197	12,197	12,197	12,197	12,197
\$283,263,128	\$293,191,486	\$293,606,184	\$303,351,587	\$319,354,051	\$319,354,051
\$1,350,000	\$800,000	\$2,880,212	\$2,400,201	\$3,329,870	\$3,206,391
\$31,438	\$60,408	\$43,138	\$69,121	\$8,629	\$261
\$1,318,562	\$739,592	\$2,837,074	\$2,331,080	\$3,321,241	\$3,206,130
0.47%	0.25%	0.97%	0.77%	1.04%	1.00%
\$108.11	\$60.64	\$232.60	\$191.12	\$272.30	\$262.86



City of Salem

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2008*

<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>
Direct:			
City of Salem	\$2,840,000	100.00%	\$2,840,000
Overlapping:			
South Range School District	20,099,996	1.06%	213,060
Mahoning County	42,948,891	0.04%	17,180
Columbiana County	1,697,600	13.47%	228,667
		Subtotal	458,907
		Total	<u>\$3,298,907</u>

(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

	1999	2000	2001	2002
<u>Total Debt</u>				
Net Assessed Valuation	\$200,874,530	\$197,612,970	\$212,504,160	\$215,757,110
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	21,091,826	20,749,362	22,312,937	22,654,497
City Debt Outstanding (2)	1,650,000	1,350,000	1,050,000	1,100,000
Less: Applicable Debt Service Fund Amounts	(8)	(12)	(54)	(55)
Net Indebtedness Subject to Limitation	<u>1,649,992</u>	<u>1,349,988</u>	<u>1,049,946</u>	<u>1,099,945</u>
Overall Legal Debt Margin	<u><u>\$19,441,834</u></u>	<u><u>\$19,399,374</u></u>	<u><u>\$21,262,991</u></u>	<u><u>\$21,554,552</u></u>
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$200,874,530	\$197,612,970	\$212,504,160	\$215,757,110
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	11,048,099	10,868,713	11,687,729	11,866,641
City Debt Outstanding (2)	1,650,000	1,350,000	1,050,000	1,100,000
Less: Applicable Debt Service Fund Amounts	(8)	(12)	(54)	(55)
Net Indebtedness Subject to Limitation	<u>1,649,992</u>	<u>1,349,988</u>	<u>1,049,946</u>	<u>1,099,945</u>
Unvoted Legal Debt Margin	<u><u>\$9,398,107</u></u>	<u><u>\$9,518,725</u></u>	<u><u>\$10,637,783</u></u>	<u><u>\$10,766,696</u></u>

(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

2003	2004	2005	2006	2007	2008
\$221,745,930	\$232,940,940	\$235,173,250	\$225,238,610	\$221,045,275	\$210,634,845
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
23,283,323	24,458,799	24,693,191	23,650,054	23,209,754	22,116,659
3,192,000	3,190,000	3,005,000	3,480,000	2,930,000	2,840,000
0	(28,501)	(15,891)	(69,121)	(8,629)	(261)
3,192,000	3,161,499	2,989,109	3,410,879	2,921,371	2,839,739
<u>\$20,091,323</u>	<u>\$21,297,300</u>	<u>\$21,704,082</u>	<u>\$20,239,175</u>	<u>\$20,288,383</u>	<u>\$19,276,920</u>
\$221,745,930	\$232,940,940	\$235,173,250	\$225,238,610	\$221,045,275	\$210,634,845
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
12,196,026	12,811,752	12,934,529	12,388,124	12,157,490	11,584,916
3,192,000	3,190,000	3,005,000	3,480,000	2,930,000	2,840,000
0	(28,501)	(15,891)	(69,121)	(8,629)	(261)
3,192,000	3,161,499	2,989,109	3,410,879	2,921,371	2,839,739
<u>\$9,004,026</u>	<u>\$9,650,253</u>	<u>\$9,945,420</u>	<u>\$8,977,245</u>	<u>\$9,236,119</u>	<u>\$8,745,177</u>

City of Salem

Pledged Revenue Coverage Last Ten Years

	1999	2000	2001	2002	2003
Wastewater Mortgage Bonds (1)					
Gross Revenues (2)	\$2,772,412	\$2,713,760	\$2,574,897	\$0	\$0
Direct Operating Expenses (3)	1,022,104	1,156,735	1,149,518	0	0
Net Revenue Available for Debt Service	1,750,308	1,557,025	1,425,379	0	0
Annual Debt Service Requirement	257,050	370,075	818,800	0	0
Coverage	6.81	4.21	1.74	0.00	0.00
Special Assessment Bond (4)					
Special Assessment Collections	\$22,620	\$30,957	\$19,055	\$23,175	\$16,747
Debt Service					
Principal	10,000	10,000	10,000	10,000	10,000
Interest	11,407	10,797	10,187	9,577	8,967
Coverage	1.06	1.49	0.94	1.18	0.88
Tax Increment Financing (TIF) (5)					
Payment in Lieu of Taxes	\$0	\$0	\$0	\$0	\$0
Debt Service					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Coverage	0.00	0.00	0.00	0.00	0.00

- (1) Gross revenues include operating revenues plus interest income.
 (2) Gross revenues include operating revenues plus interest income.
 (3) Direct operating expenses include operating expenses less depreciation.
 (4) Street Improvement Bond.
 (5) East Main Street Improvements.

Source: City Auditor's Office

City of Salem

2004	2005	2006	2007	2008
\$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
\$18,961	\$18,139	\$19,370	\$19,860	\$18,263
10,000	15,000	12,000	20,000	20,000
8,357	7,748	6,832	6,100	4,880
1.03	0.80	1.03	0.76	0.73
\$0	\$0	\$0	\$0	\$64,108
0	0	0	0	25,000
0	0	0	0	52,320
0.00	0.00	0.00	0.00	0.83

City of Salem

Demographic and Economic Statistics Last Ten Years

Calendar Year	1999	2000	2001	2002
Population (1)				
City of Salem	12,233	12,197	12,197	12,197
Columbiana County	108,276	112,075	112,075	112,075
Income (2) (a)				
Total Personal (in thousands)	257,713	267,480	269,700	275,628
Per Capita	21,067	21,930	22,112	22,598
Unemployment Rate (3)				
Federal	4.5%	4.2%	3.8%	4.8%
State	4.3%	4.3%	3.7%	4.3%
Columbiana County	5.8%	5.1%	5.5%	6.8%
Civilian Work Force Estimates (3)				
State	5,749,000	5,900,400	5,857,000	5,828,000
Columbiana County	52,500	51,700	51,500	50,800

Sources:

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

(2) U.S. Department of Commerce, Bureau of Economic Analysis information is only available through 2007, for the presentation of 2008 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

2003	2004	2005	2006	2007	2008
12,197	12,197	12,197	12,197	12,197	12,197
112,075	112,075	110,928	110,928	110,542	110,542
283,263	293,191	293,606	303,352	319,354	319,354
23,224	24,038	24,072	24,871	26,183	26,183
5.8%	6.0%	5.5%	5.0%	4.6%	5.8%
5.7%	6.1%	6.0%	5.9%	5.6%	6.6%
7.9%	7.4%	7.1%	6.5%	6.3%	7.3%
5,915,000	5,875,300	5,900,400	5,934,000	5,976,500	5,986,400
51,900	53,600	53,700	53,500	53,400	53,500



City of Salem

Principal Employers Current Year and Nine Years Ago

		2008		
Employer	Nature of Business	Number of Employees	Rank	Percentage of Total Employment
	Health Care	1,147	1	6.91%
	Food Processing	1,244	2	7.49%
	Manufacturing	982	3	5.91%
	Manufacturing	887	4	5.34%
	Manufacturing	468	5	2.82%
	Education	393	6	2.37%
	Health Care	351	7	2.11%
	Manufacturing	337	8	2.03%
	Retail	309	9	1.86%
	Manufacturing	130	10	0.78%
Total		<u>6,248</u>		
Total Employment within the City		<u><u>16,604</u></u>		

		1999		
Employer	Nature of Business	Number of Employees	Rank	Percentage of Total Employment
	Food Processing	1,540	1	8.32%
	Health Care	949	2	5.13%
	Manufacturing	862	3	4.66%
	Manufacturing	599	4	3.24%
	Education	441	5	2.38%
	Manufacturing	406	6	2.19%
	Manufacturing	300	7	1.62%
	Manufacturing	250	8	1.35%
	Manufacturing	186	9	1.01%
	Manufacturing	162	10	0.88%
Total		<u>5,695</u>		
Total Employment within the City		<u><u>18,500</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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Governmental Activities					
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	3.00	3.00	2.00	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	25.00	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					
Business-Type Activities					
Utilities					
Water Plant	4.00	4.00	4.00	4.00	4.00
Wastewater Plant	6.00	6.00	6.00	6.00	6.00
Water and Wastewater Distribution	7.00	7.00	7.00	7.00	7.00
Water and Wastewater Administration	4.00	4.00	4.00	4.00	4.00
<i>Total Employees</i>	<u>138.50</u>	<u>138.50</u>	<u>137.50</u>	<u>137.50</u>	<u>137.50</u>

Source: City Auditor's Office

City of Salem

2004	2005	2006	2007	2008
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	0.00
2.50	2.50	2.50	2.50	2.50
25.00	25.00	25.00	25.00	23.00
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
1.00	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	17.00
4.00	4.00	4.00	4.00	4.00
2.00	2.00	2.00	2.00	1.00
2.00	2.00	2.00	2.00	2.00
4.00	4.00	4.00	4.00	5.00
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>136.50</u>	<u>136.50</u>	<u>136.50</u>	<u>136.50</u>	<u>139.50</u>

City of Salem

Operating Indicators by Function Last Ten Years

	1999	2000	2001	2002
Governmental Activities				
General Government				
Security of Persons and Property				
Police				
Numbers of Calls for Service	6,177	7,606	7,343	8,134
Thefts	55	41	55	58
Murder/ Homicide	0	0	0	0
MV/Accidents-TTL	374	399	391	431
MV/Accidents-Fatal	0	1	0	0
DUI	28	25	31	60
Arrests	1,262	1,243	1,179	1,467
Fire				
Number of Fire Calls	79	54	64	59
Number of EMS Runs	123	166	283	331
Number of other Runs	384	430	394	449
Number of Inspections	125	127	173	120
Number of Demo Permits	22	15	20	11
Transportation				
Street				
Number of Streets Resurfaced by feet	9,370	15,935	11,709	8,832
Number of Concrete Streets Repaired by Yards	2,723	2,562	2,326	0
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	350	355	441	456
Estimated Cost Value of Construction	6,049,310	5,615,740	30,904,180	11,000,454
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

2003	2004	2005	2006	2007	2008
8,839	7,943	7,983	7,853	11,907	8,018
74	80	78	105	145	106
0	2	0	0	0	0
455	514	444	479	508	458
1	1	0	0	0	1
84	59	72	95	59	35
1,493	1,126	1,211	1,083	1,190	1,093
62	72	53	67	71	55
354	251	393	478	488	608
479	519	457	492	508	594
155	200	196	420	299	277
10	9	18	12	8	6
25,725	0	31,483	37,300	24,055	0
0	0	1,423	0	0	0
9	9	9	9	9	9
11	11	11	11	11	11
351	359	450	459	376	338
7,524,099	31,713,664	10,237,534	23,876,613	11,010,640	20,106,637
N/A	N/A	374	374	315	271
N/A	N/A	67	72	55	61
N/A	N/A	9	13	6	6
N/A	N/A	237	530	516	426
N/A	N/A	1,640	1,704	1,800	1,800

(Continued)

City of Salem

Operating Indicators by Function Last Ten Years

	1999	2000	2001	2002
Business-Type Activities				
Water				
Number of Service Connections	6,547	6,584	6,611	6,653
Water Main Breaks	44	43	23	46
Daily Average Consumption (thousands of gallons)	2,376	2,325	2,413	2,425
Peak Daily Consumption (thousands of gallons)	3,393	3,373	3,364	3,122
Wastewater				
Number of Sewer Service Connections	5,981	6,014	6,038	6,175
Daily Average Sewage Treatment (thousands of gallons)	2,593	2,617	2,507	2,425

Source: City Auditor's Office

Source: Utilities Superintendent

Source: Service Director

Source: Zoning Department

N/A = Not Available

City of Salem

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
6,685	6,708	6,754	6,833	6,855	6,874
42	30	31	17	54	42
2,401	2,423	2,676	2,421	2,221	2,065
3,314	3,495	3,630	3,565	3,167	2,925
6,228	6,248	6,285	6,360	6,380	6,389
3,176	3,349	2,801	2,825	2,900	2,724

City of Salem

Capital Asset Statistics by Function Last Ten Years

	1999	2000	2001	2002
Governmental Activities				
General Government				
Public Land and Buildings				
Land (acres)	1,514	1,514	1,722	1,722
Buildings	2	2	2	2
Security of Persons and Property				
Police				
Stations	1	1	1	1
Vehicles	11	11	11	11
Fire				
Stations	1	1	1	1
Vehicles	5	5	5	5
Transportation				
Street				
Streets (lane miles)	60	60	62	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
Business-Type Activities				
Utilities				
Water				
Waterlines (Miles)	106.636	107.136	107.957	110.581
Pump Stations	1	3	3	3
Number of Hydrants	736	740	753	774
Average Daily Consumption	2,376	2,325	2,413	2,425
Storage Capacity (thousands of gallons)	3,800	3,800	3,800	3,800
Wastewater				
Sanitary Sewer Mains (miles)	64.223	64.223	65.637	69.384
Sanitary Force Mains (miles)	4.525	4.525	4.525	5.197
Lift Stations	15	15	15	15

Source: City Auditor's Office

City of Salem

2003	2004	2005	2006	2007	2008
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	6	6	6	6	6
62	62	62	62	62	63
1,421	1,421	1,421	1,421	1,421	1,423
9	9	9	9	9	9
12	12	12	13	13	10
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
111.013	111.316	112.782	113.608	113.688	115.210
3	3	3	3	3	3
785	791	811	825	827	835
2,401	2,423	2,676	2,421	3,167	2,065
3,800	3,800	3,800	3,800	3,800	4,694
69.975	70.578	71.471	71.968	72.003	72.010
5.197	6.080	6.080	6.080	6.080	6.080
16	16	17	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 7, 2009