



**Auditor of State  
Betty Montgomery**



CITY OF SALEM  
COLUMBIANA COUNTY

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**Auditor of State  
Betty Montgomery**

**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 S. 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 (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 16, 2006. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated June 16, 2006, we reported other matters involving internal control over financial reporting we did not deem a reportable conditions.

**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. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 16, 2006

*CITY OF SALEM, OHIO*

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*Columbiana County, Ohio*



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2005







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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2005

*Prepared by the Auditor's Office*

James A. Armeni  
City Auditor



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CITY OF SALEM  
COLUMBIANA COUNTY, OHIO

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## *INTRODUCTORY SECTION*

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# CITY OF SALEM

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

phone (330) 332-4482

fax (330)-332-3001

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June 16, 2006

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, 2005. 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 Report:**

This Comprehensive Annual Financial Report (CAFR) is designed to assist and guide the reader in understanding its contents. The report is comprised of the following three sections:

1. *The Introductory Section* includes this letter of transmittal which presents the City's organization, operational structure and accomplishments; an organizational chart; a list of elected officials; and the GFOA Certificate of Achievement.
2. *The Financial Section* contains the Independent Accountants' Report, Management's Discussion and Analysis, basic financial statements and notes that provide an overview of the City's financial position and operating results, the combining statements for nonmajor funds and other schedules that provide detailed information relative to the basic financial statements.
3. *The Statistical Section* presents social, economic and historical data in a multi-year format which can be used to identify financial trends and data relative to the fiscal capacity of the City.

***Letter of Transmittal  
For the Year Ended December 31, 2005***

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**The Reporting Entity:**

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

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

**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.

***Letter of Transmittal  
For the Year Ended December 31, 2005***

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The city's strong manufacturing base of the early 1900's remains intact. A 145-acre industrial park now provides for future industrial expansion.

During the past 100 years, Salem has progressed in all areas of endeavor; economic, educational and social. Residents, with the help of sound, well managed local government, have attained a higher standard of living, are better educated, healthier and are provided with more public services.

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.

**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.

***Letter of Transmittal  
For the Year Ended December 31, 2005***

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**ECONOMIC OUTLOOK**

**Local Economy:**

The City's local economy has been in somewhat of a modest recession over the last five years. Along with the City, the economy of Columbiana County and the State of Ohio as a whole is poised for a steady recovery, in light of continued pressure on the City's ability to contain increases in general fund expenditures. The local economy does not depend upon any one single industry, although several local industries are tied to housing, building and automotive companies. Local products are sold in a global market. Major industries include tool and die manufacturing, a local hospital, a stamping plant, sanitary ware fabrication, plastic extrusion, printing companies, machine building companies, a meat processing plant and several machine shops. The industrial base accounts for 75% to 80% of the income of the City of Salem. Approximately 50% of the employees live within a 10 mile radius of the City limits.

The City is continually striving to expand its industrial base. Private developers are actively building residential and commercial units. The local economy is ready for 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 actively pursue the expansion of the City's local industrial base.

**MAJOR INITIATIVES**

During 2005, continuing efforts were made to upgrade services and improve the quality of life for the citizens of Salem.

The Parks Commission approved engineering and design on resurfacing the parking lot by Sunset Drive for a cost of approximately \$150,000. The tentative date of completion is fall 2006.

The Utilities Commission has approved the installation of chemical tanks for phosphorous removal at the Wastewater Plant.

This year 24 asphalt streets were resurfaced and 6 concrete streets were repaired. Instead of grinding out the entire street we ground the asphalt and replaced only the bad areas. We were able to repair 24 streets this way. If we would have resurfaced an entire street, we would have only been able to do 7 streets. Total cost for the street project was \$424,529.

The 2005 Sidewalk Project consisted of the following:

- 1238 lineal feet along Park Avenue from Maple Street to Pershing Avenue
- 539 lineal feet along East Eighth Street from East School Street to Superior Avenue
- 1591 lineal feet along Southeast Boulevard from Franklin Avenue West to the "Y"

The total cost of the sidewalk project was \$60,323.

Two streets were extended in 2005. Phase II of the Bentley Avenue project extended this street 700 feet to the east and Phase III of the Cunningham Road Project extended this street 600 feet to the north. Total cost was \$640,056. 50% of the funding came from the Ohio Public Works Commission at 0% interest. The balance of the funding came from the Capital Improvement Fund.

***Letter of Transmittal  
For the Year Ended December 31, 2005***

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**FINANCIAL INFORMATION**

**Internal Control, Budgetary Control and the Accounting System:**

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

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

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

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

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

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

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

**CITY OF SALEM, OHIO**

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**Letter of Transmittal  
For the Year Ended December 31, 2005**

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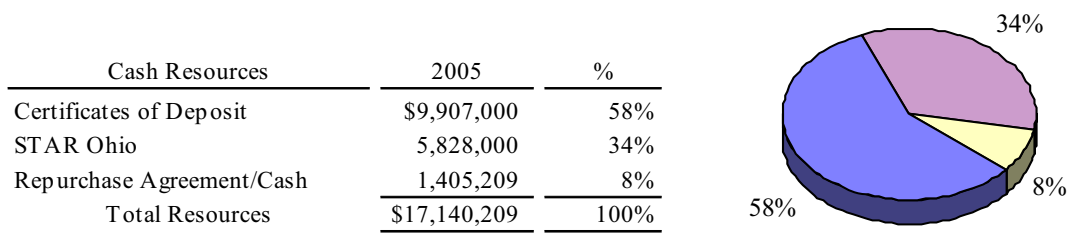
Lower levels within each object are accounted for and reported internally. Such lower levels are referred to as line items of expenditure. Estimated amounts must be encumbered prior to final approval of purchase orders or other contracts to vendors. Encumbrances in excess of the available object level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

**Cash Management:**

Cash management is a vital component of the City of Salem’s overall financial strategy. The primary objective of the City's investment activity is the preservation of capital. The City pools its cash except for that held by fiscal and escrow agents, certain debt service and trust and agency funds for maximum investing efficiency.

Public funds are invested to achieve maximum return on the portfolio without assuming unreasonable risk. The City purchases investments only through member banks of the Federal Reserve System or broker-dealers registered with the U.S. Securities and Exchange Commission. Investments are diversified to avoid incurring unreasonable risks related to a specific type of security or a particular individual financial institution. Portfolio investments remain sufficiently liquid to ensure that all operating requirements are satisfied in a timely manner.

The City's cash resources were invested at December 31, 2005 as follows:



The City earned interest on investments of \$485,741 for fiscal year 2005, allocated as follows:

General Fund	\$457,046
Other Governmental Funds	5,419
Wastewater Fund	<u>23,276</u>
	<u>\$485,741</u>



***Letter of Transmittal  
For the Year Ended December 31, 2005***

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At December 31, 2005, the bank balance of the City's deposits was \$10,043,527 of which \$300,000 was insured by Federal Depository Insurance and the remaining balance was collateralized by pooled collateral. The Ohio Revised Code 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.

**Risk Management:**

The proactive approach that the administration employs in addressing its ongoing operations is reflected in the composition of the City's insurance protection package and its very favorable loss experience.

The City reduces exposure to risk through several initiatives. They include insurance coverages for public officials liability with Cincinnati Insurance Co. and OML – Dawson.

In addition, the City is a participant in the Ohio Municipal League Self – Insurance Pool. The City obtained insurance coverage for losses relating to general liability, automobile liability, law enforcement liability, firefighters liability, public officials liability, and property, automobile, computer and contractors' equipment coverage.

**OTHER INFORMATION**

**Independent Audit:**

The basic financial statements of the City of Salem were audited by Auditor of State, Betty Montgomery. 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, 2004. 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.

***Letter of Transmittal  
For the Year Ended December 31, 2005***

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A Certificate of Achievement is valid for a period of one year only. The City of Salem has received a Certificate of Achievement for five consecutive years (2000 - 2004). 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.

**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, and the Treasurer's Office of Salem City Schools.

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

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

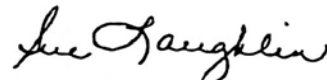
Respectfully,



James Armeni  
City Auditor



Barbara Hasson  
Chief Deputy Auditor



Sue Laughlin  
Administrative Assistant

**CITY OF SALEM, OHIO**

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**List of Principal Officials  
For the Year Ended December 31, 2005**

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<b><i>ELECTED OFFICIALS</i></b>	<b><i>OFFICE</i></b>	<b><i>TERM EXPIRES</i></b>
David Ventresco	President of Council	12/31/05
Mary Lou Popa	Council Member - Ward 1	12/31/07
Steven Andres	Council Member - Ward 2	12/31/07
Greg Oesch	Council Member - Ward 3	12/31/07
Walter Bezeredi	Council Member - Ward 4	12/31/07
Nancy L. Cope	Council Member at Large	12/31/05
A. Fredrick Vogel	Council Member at Large	12/31/05
Alma Apicella	Council Member at Large	12/31/05
Larry D. DeJane	Mayor	12/31/07
James A. Armeni	Auditor	12/31/07
Robert Tullis	Treasurer	12/31/05
C. Brooke Zellers	Law Director	12/31/07

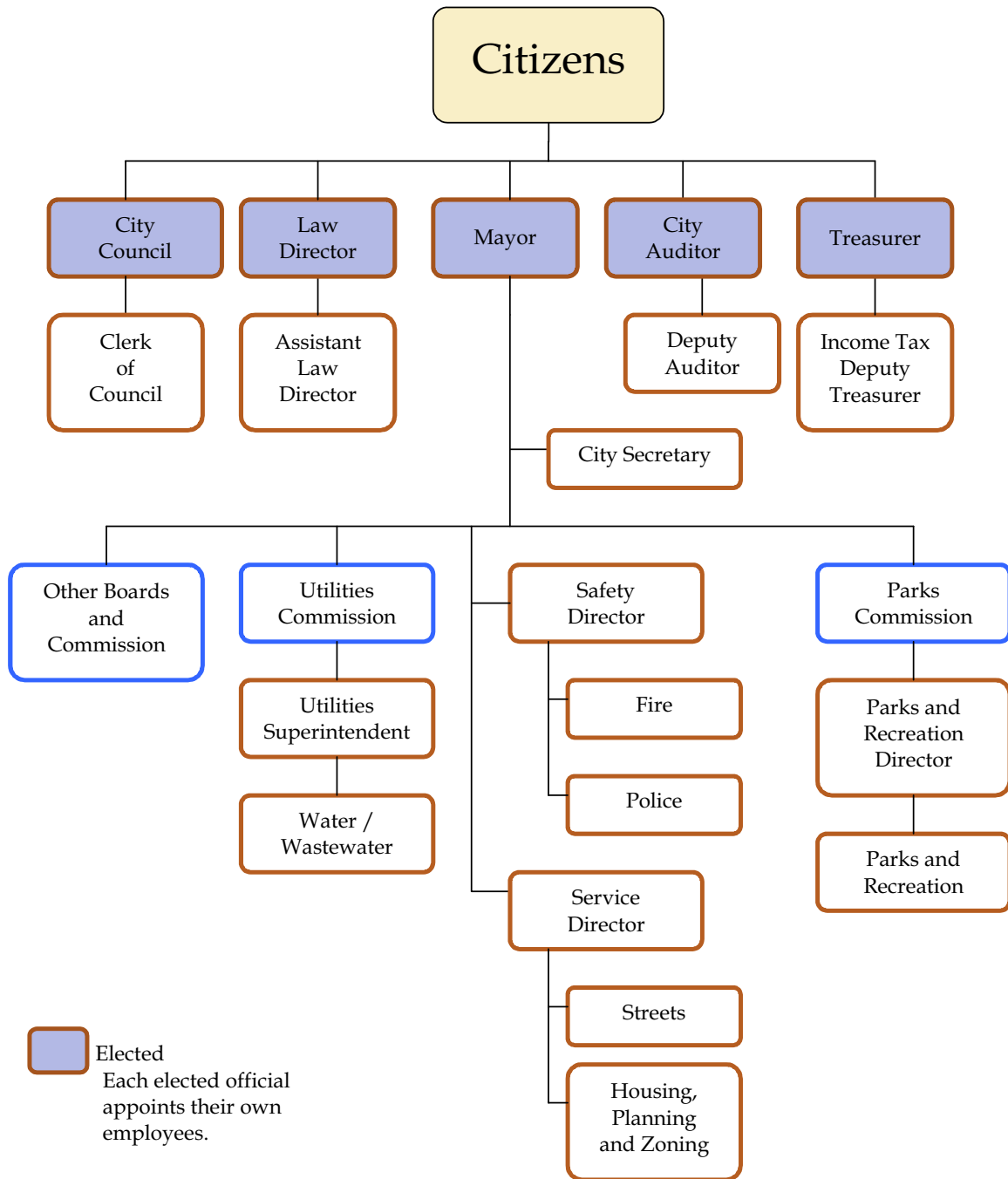
<b><i>ADMINISTRATIVE PERSONNEL</i></b>	<b><i>TITLE</i></b>	<b><i>TERM OF OFFICE</i></b>
C. Michael Weitz	Police Chief	Indefinite
Walt Greenamyre	Fire Chief	Indefinite
Barbara Hasson	Chief Deputy Auditor	Indefinite
Fred Pamer	Income Tax Administrator	Indefinite
Patrick Morrissey	Housing-Planning-Zoning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

**City Address:**

Salem City Hall  
231 South Broadway Avenue  
Salem, Ohio 44460

**City Organizational Chart  
For the Year Ended December 31, 2005**

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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, 2004

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.



*Carla E. Fudge*

President

*Jeffrey R. Emmer*

Executive Director



## *FINANCIAL SECTION*

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

City of Salem  
Columbiana County  
231 S. Broadway Avenue  
Salem, Ohio 44460

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, 2005, 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General and Municipal Income Tax 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 16, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 16, 2006

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, 2005. 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 2005 are as follows:

- In total, net assets increased \$444,595. Net assets of governmental activities decreased \$399,883, which represents a 2% decrease from 2004. Net assets of business-type activities increased \$844,478 or 3% from 2004.
- General revenues accounted for \$6,096,558 in revenue or 53% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,319,032, or 47% of total revenues of \$11,415,590.
- The City had \$7,235,171 in expenses related to governmental activities; only \$1,039,324 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$5,795,964 and net assets were adequate to provide for these programs.
- The general fund had \$5,000,159 in revenues and other financing sources and \$4,805,357 in expenditures and other financing uses. The general fund's fund balance increased from \$906,102 to \$1,111,513.

## **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.

**CITY OF SALEM, OHIO****Management's Discussion and Analysis  
For the Year Ended December 31, 2005****Unaudited**

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

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

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

The following table provides a summary of the City's net assets for 2005 compared to 2004.

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$5,801,896	\$6,318,846	\$15,379,856	\$14,245,332	\$21,181,752	\$20,564,178
Capital assets, Net	19,236,832	19,078,739	19,030,176	19,597,642	38,267,008	38,676,381
Total assets	25,038,728	25,397,585	34,410,032	33,842,974	59,448,760	59,240,559
Long-term debt outstanding	3,296,401	653,207	738,044	1,164,188	4,034,445	1,817,395
Other liabilities	1,914,752	4,516,920	2,613,166	2,464,442	4,527,918	6,981,362
Total liabilities	5,211,153	5,170,127	3,351,210	3,628,630	8,562,363	8,798,757
Net assets						
Invested in capital assets, net of related debt	15,650,426	15,761,739	16,022,926	16,149,892	31,673,352	31,911,631
Restricted	1,937,554	1,554,073	0	0	1,937,554	1,554,073
Unrestricted	2,239,595	2,911,646	15,035,896	14,064,452	17,275,491	16,976,098
Total net assets	<u>\$19,827,575</u>	<u>\$20,227,458</u>	<u>\$31,058,822</u>	<u>\$30,214,344</u>	<u>\$50,886,397</u>	<u>\$50,441,802</u>

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**CITY OF SALEM, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2005**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2005 compared to 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for Services and Sales	\$232,639	\$186,886	\$4,279,708	\$4,369,222	\$4,512,347	\$4,556,108
Operating Grants and Contributions	806,685	1,317,938	0	0	806,685	1,317,938
Total Program Revenues	1,039,324	1,504,824	4,279,708	4,369,222	5,319,032	5,874,046
General revenues:						
Property Taxes	937,547	916,673	0	0	937,547	916,673
Income Taxes	3,975,087	3,792,306	0	0	3,975,087	3,792,306
Other Local Taxes	13,838	18,412	0	0	13,838	18,412
Grants and Entitlements not Restricted to Specific Programs	557,635	760,483	0	0	557,635	760,483
Investment Earnings	462,465	380,984	0	0	462,465	380,984
Miscellaneous	149,986	116,436	0	0	149,986	116,436
Total General Revenues	6,096,558	5,985,294	0	0	6,096,558	5,985,294
Total Revenues	7,135,882	7,490,118	4,279,708	4,369,222	11,415,590	11,859,340
Program Expenses						
Security of Persons and Property	3,474,795	3,387,791	0	0	3,474,795	3,387,791
Leisure Time Activities	355,535	359,633	0	0	355,535	359,633
Community Environment	593,717	556,617	0	0	593,717	556,617
Transportation	1,364,558	1,344,882	0	0	1,364,558	1,344,882
General Government	1,262,857	1,082,820	0	0	1,262,857	1,082,820
Interest and Fiscal Charges	183,709	64,959	0	0	183,709	64,959
Water	0	0	1,801,247	1,810,274	1,801,247	1,810,274
Wastewater	0	0	1,934,577	1,816,331	1,934,577	1,816,331
Total expenses	7,235,171	6,796,702	3,735,824	3,626,605	10,970,995	10,423,307
Change in Net Assets before transfers	(99,289)	693,416	543,884	742,617	444,595	1,436,033
Transfers	(300,594)	(237,043)	300,594	237,043	0	0
Total Change in Net Assets	(399,883)	456,373	844,478	979,660	444,595	1,436,033
Beginning Net Assets-Restated	20,227,458	19,771,085	30,214,344	29,234,684	50,441,802	49,005,769
Ending Net Assets	\$19,827,575	\$20,227,458	\$31,058,822	\$30,214,344	\$50,886,397	\$50,441,802

**Governmental Activities**

Net assets of the City's governmental activities remained very stable during 2005, decreasing \$399,883. This represents a 2% change from 2005. Operating grants decreased as a result of decreases in Community Housing Improvement Grants. New business development in the City contributed to increases in income taxes, as well as permits and fees.

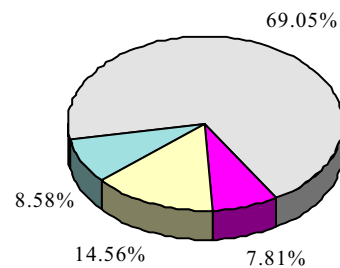
**CITY OF SALEM, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2005**

**Unaudited**

Income taxes and property taxes made up 55.71% and 13.14% respectively of revenues for governmental activities for the City in fiscal year 2005. The City's reliance upon tax revenues is demonstrated by the following graph indicating 69.05% of total revenues from general tax revenues:

Revenue Sources	2005	Percent of Total
General Tax Revenues	\$4,926,472	69.05%
Shared Revenue	557,635	7.81%
Program Revenues	1,039,324	14.56%
General Other	612,451	8.58%
<b>Total Revenue</b>	<b>\$7,135,882</b>	<b>100.00%</b>



**Business-Type Activities**

Net assets of the business-type activities increased \$844,478. Overall, revenues and expenses of the business-type activities remained very stable, with revenues continuing to outpace expenses.

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

The City's governmental funds reported a combined fund balance of \$2,987,652, which is an increase from last year's balance of \$556,882. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2005 and 2004:

	Fund Balance December 31, 2005	Fund Balance/(Deficit) December 31, 2004	Increase (Decrease)
General	\$1,111,513	\$906,102	\$205,411
Municipal Income Tax	505,268	719,307	(214,039)
Income Tax Capital Improvement	373,752	(1,009,534)	1,383,286
Other Governmental	997,119	(58,993)	1,056,112
<b>Total</b>	<b>\$2,987,652</b>	<b>\$556,882</b>	<b>\$2,430,770</b>

**CITY OF SALEM, OHIO**

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**Management's Discussion and Analysis  
For the Year Ended December 31, 2005**

**Unaudited**

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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:

	2005 Revenues	2004 Revenues	Increase (Decrease)
Taxes	\$694,180	\$611,262	\$82,918
Intergovernmental Revenue	512,870	522,000	(9,130)
Charges for Services	61,965	63,278	(1,313)
Licenses, Permits and Fees	122,070	81,579	40,491
Investment Earnings	457,046	378,329	78,717
Special Assessments	3,418	3,631	(213)
Fines and Forfeitures	22,137	21,706	431
All Other Revenue	41,507	16,747	24,760
Total	<u>\$1,915,193</u>	<u>\$1,698,532</u>	<u>\$216,661</u>

General Fund revenues in 2005 increased approximately 13% when compared to revenues in fiscal year 2004. Increases in income taxes can be attributed to new businesses within the City. Licenses, permits and fees also increased due to new business construction.

	2005 Expenditures	2004 Expenditures	Increase (Decrease)
Security of Persons and Property	\$2,910,408	\$2,815,439	\$94,969
Community Environment	162,452	157,086	5,366
Transportation	12,064	25,171	(13,107)
General Government	964,400	846,644	117,756
Total	<u>\$4,049,324</u>	<u>\$3,844,340</u>	<u>\$204,984</u>

General Fund expenditures in 2005 increased \$204,984, or about 5%. Security of persons and property increased due mainly to increases in materials and supplies. The increase in general government was the result of litigation costs associated with a lawsuit brought against the City.

Municipal Income Tax Fund – The City's Municipal Income Tax Fund balance decreased approximately 30%. This decrease was the result of larger amounts of income tax revenues being transferred out to other funds.

Income Tax Capital Improvement Fund - The Income Tax Capital Improvement Fund balance increased over 100%. This increase was the result of the retirement of general obligation notes payable reported within the fund.



## CITY OF SALEM, OHIO

### Management's Discussion and Analysis For the Year Ended December 31, 2005

Unaudited

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 2005 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$1,882,335 was 26% higher than the original budget estimates of \$1,495,718. This increase in budgeted revenues can be attributed to increases in amounts received for taxes, intergovernmental revenues, and investment earnings.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal 2005 the City had \$38,267,008 net of accumulated depreciation invested in land, buildings, equipment and vehicles. Of this total, \$19,236,832 was related to governmental activities and \$19,030,176 to the business-type activities. The following table shows fiscal year 2005 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2005	2004	
Land	\$4,237,171	\$4,184,771	\$52,400
Construction In Progress	409,568	409,568	0
Buildings	2,749,433	2,749,433	0
Improvements Other than Buildings	229,661	229,661	0
Machinery and Equipment	3,300,493	3,274,798	25,695
Infrastructure	20,279,689	19,494,280	785,409
Less: Accumulated Depreciation	(11,969,183)	(11,263,772)	(705,411)
Totals	\$19,236,832	\$19,078,739	\$158,093

The primary increase occurred in infrastructure, which was the result of the City's summer street improvement program as well as new street construction.

	Business-Type Activities		Increase (Decrease)
	2005	2004	
Land	\$465,457	\$425,332	\$40,125
Construction in Progress	815,991	527,445	288,546
Buildings and Improvements	19,020,744	19,020,744	0
Machinery and Equipment	7,801,462	7,915,535	(114,073)
Infrastructure	8,559,029	8,559,029	0
Less: Accumulated Depreciation	(17,632,507)	(16,850,441)	(782,066)
Totals	\$19,030,176	\$19,597,644	(\$567,468)

An increase in construction in progress can mostly be attributed to wastewater treatment plant improvements as well as water main extensions. Additional information on the City's capital assets can be found in Note 9.

**Debt**

At December 31, 2005, the City had \$2,780,000 in General Obligation bonds outstanding, \$475,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Governmental Activities:		
General Obligation Bonds	\$2,480,212	\$0
Special Assessment Bonds	112,000	127,000
Ohio Public Works Commission Loans	469,406	226,926
Capital Lease Payable	14,059	0
Compensated Absences	220,724	299,281
Total Governmental Activities	<u>3,296,401</u>	<u>653,207</u>
Business-Type Activities:		
General Obligation Bonds	400,000	800,000
Ohio Public Works Commission Loans	297,250	317,750
Compensated Absences	40,794	46,438
Total Business-Type Activities	<u>738,044</u>	<u>1,164,188</u>
Totals	<u>\$4,034,445</u>	<u>\$1,817,395</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, 2005, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

**ECONOMIC FACTORS**

During these volatile economic times over the last five years, the administration and City Council have worked diligently to maintain services at a normal level without a reduction in workforce. The unemployment rate for Columbiana County in 2005 averaged out to be 6.6%. Income tax receipts for 2005 were up 3.31% year to date. In 2005, 80% of tax receipts goes to the General Fund, and 20% goes to the Bond Retirement and Capital Improvement funds for payments on debt and to upgrade the city's infrastructure.

**REQUESTS FOR INFORMATION**

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

**CITY OF SALEM, OHIO**

**Statement of Net Assets  
December 31, 2005**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,767,149	\$ 4,428,129	\$ 7,195,278
Investments	0	9,907,000	9,907,000
Receivables:			
Taxes	1,636,221	0	1,636,221
Accounts	28,026	495,245	523,271
Intergovernmental	854,767	0	854,767
Interest	207,618	0	207,618
Special Assessments	98,682	373,379	472,061
Inventory of Supplies	157,265	136,583	293,848
Prepaid Items	52,168	39,520	91,688
Non-Depreciable Capital Assets	4,646,739	1,281,448	5,928,187
Depreciable Capital Assets, Net	14,590,093	17,748,728	32,338,821
<b>Total Assets</b>	<b>25,038,728</b>	<b>34,410,032</b>	<b>59,448,760</b>
<b>Liabilities:</b>			
Accounts Payable	94,842	189,141	283,983
Accrued Wages and Benefits	264,357	61,561	325,918
Due to Others	803	0	803
Deferred Revenue	899,905	0	899,905
Accrued Interest Payable	29,845	52,464	82,309
General Obligation Notes Payable	625,000	2,310,000	2,935,000
Long Term Liabilities:			
Amounts due in less than one year	222,442	420,500	642,942
Amounts due in more than one year	3,073,959	317,544	3,391,503
<b>Total Liabilities</b>	<b>5,211,153</b>	<b>3,351,210</b>	<b>8,562,363</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	15,650,426	16,022,926	31,673,352
Restricted For:			
Capital Projects	516,179	0	516,179
Debt Service	124,011	0	124,011
Street Improvements	463,555	0	463,555
Parks	206,049	0	206,049
Law Enforcement	279,702	0	279,702
Community Environment	254,637	0	254,637
Other Purposes	93,421	0	93,421
Unrestricted	2,239,595	15,035,896	17,275,491
<b>Total Net Assets</b>	<b>\$ 19,827,575</b>	<b>\$ 31,058,822</b>	<b>\$ 50,886,397</b>

See accompanying notes to the basic financial statements

**CITY OF SALEM, OHIO**

**Statement of Activities  
For the Year Ended December 31, 2005**

		Program Revenues	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
<b>Governmental Activities:</b>			
Security of Persons and Property	\$ 3,474,795	\$ 4,197	\$ 171,159
Leisure Time Activities	355,535	19,669	0
Community Environment	593,717	121,853	69,273
Transportation	1,364,558	0	566,253
General Government	1,262,857	86,920	0
Interest and Fiscal Charges	183,709	0	0
<b>Total Governmental Activities</b>	<b>7,235,171</b>	<b>232,639</b>	<b>806,685</b>
<b>Business-Type Activities:</b>			
Water Fund	1,801,247	1,789,364	0
Wastewater Fund	1,934,577	2,490,344	0
<b>Total Business-Type Activities</b>	<b>3,735,824</b>	<b>4,279,708</b>	<b>0</b>
<b>Totals</b>	<b>\$ 10,970,995</b>	<b>\$ 4,512,347</b>	<b>\$ 806,685</b>

**General Revenues**

Property Taxes Levied for:

General Purposes

Special Purposes

Income Tax

Other Local Taxes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

**Transfers**

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year - Restated

Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF SALEM, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,299,439)	\$ 0	\$ (3,299,439)
(335,866)	0	(335,866)
(402,591)	0	(402,591)
(798,305)	0	(798,305)
(1,175,937)	0	(1,175,937)
(183,709)	0	(183,709)
<u>(6,195,847)</u>	<u>0</u>	<u>(6,195,847)</u>
0	(11,883)	(11,883)
0	555,767	555,767
0	543,884	543,884
<u>(6,195,847)</u>	<u>543,884</u>	<u>(5,651,963)</u>
588,819	0	588,819
348,728	0	348,728
3,975,087	0	3,975,087
13,838	0	13,838
557,635	0	557,635
462,465	0	462,465
149,986	0	149,986
<u>(300,594)</u>	<u>300,594</u>	<u>0</u>
<u>5,795,964</u>	<u>300,594</u>	<u>6,096,558</u>
(399,883)	844,478	444,595
<u>20,227,458</u>	<u>30,214,344</u>	<u>50,441,802</u>
<u>\$ 19,827,575</u>	<u>\$ 31,058,822</u>	<u>\$ 50,886,397</u>

**CITY OF SALEM, OHIO**

**Balance Sheet  
Governmental Funds  
December 31, 2005**

	General	Municipal Income Tax	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 784,883	\$ 0	\$ 1,010,788	\$ 971,478	\$ 2,767,149
Receivables:					
Taxes	670,296	616,558	0	349,367	1,636,221
Accounts	28,026	0	0	0	28,026
Intergovernmental	257,614	0	0	597,153	854,767
Interest	207,618	0	0	0	207,618
Special Assessments	0	0	0	98,682	98,682
Interfund Loans Receivable	0	0	0	162	162
Inventory of Supplies	93,769	0	0	63,496	157,265
Prepaid Items	48,756	461	0	2,951	52,168
<b>Total Assets</b>	<b>\$ 2,090,962</b>	<b>\$ 617,019</b>	<b>\$ 1,010,788</b>	<b>\$ 2,083,289</b>	<b>\$ 5,802,058</b>
<b>Liabilities:</b>					
Accounts Payable	\$ 19,018	\$ 3,192	\$ 0	\$ 72,632	\$ 94,842
Accrued Wages and Benefits Payable	161,161	852	0	102,344	264,357
Due to Others	803	0	0	0	803
Interfund Loans Payable	0	0	0	162	162
Deferred Revenue	798,467	107,707	0	911,032	1,817,206
Accrued Interest Payable	0	0	12,036	0	12,036
General Obligation Notes Payable	0	0	625,000	0	625,000
<b>Total Liabilities</b>	<b>979,449</b>	<b>111,751</b>	<b>637,036</b>	<b>1,086,170</b>	<b>2,814,406</b>
<b>Fund Balance:</b>					
Reserved for Encumbrances	31,374	2,827	46,695	152,125	233,021
Reserved for Prepaid Items	48,756	461	0	2,951	52,168
Reserved for Supplies Inventory	93,769	0	0	63,496	157,265
Reserved for Debt Service	0	0	0	43,138	43,138
Undesignated, Unreserved in:					
General Fund	937,614	0	0	0	937,614
Special Revenue Funds	0	501,980	0	592,982	1,094,962
Capital Projects Funds	0	0	327,057	142,427	469,484
<b>Total Fund Balance</b>	<b>1,111,513</b>	<b>505,268</b>	<b>373,752</b>	<b>997,119</b>	<b>2,987,652</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,090,962</b>	<b>\$ 617,019</b>	<b>\$ 1,010,788</b>	<b>\$ 2,083,289</b>	<b>\$ 5,802,058</b>

See accompanying notes to the basic financial statements

**CITY OF SALEM, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2005***

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<b>Total Governmental Fund Balances</b>		\$ 2,987,652
<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.		19,236,832
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		917,301
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(2,380,000)	
Premium on Bonds Issued	(100,212)	
Special Assessment Bonds Payable	(112,000)	
Compensated Absences Payable	(220,724)	
OPWC Loan Payable	(469,406)	
Capital Leases Payable	(14,059)	
Accrued Interest Payable	(17,809)	
		<u>(3,314,210)</u>
<b><i>Net Assets of Governmental Activities</i></b>		<u><u>\$ 19,827,575</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, 2005**

	General	Municipal Income Tax	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 694,180	\$ 3,823,272	\$ 34,161	\$ 352,213	\$ 4,903,826
Intergovernmental Revenues	512,870	0	0	1,184,129	1,696,999
Charges for Services	61,965	0	0	11,626	73,591
Licenses, Permits and Fees	122,070	0	0	8,043	130,113
Investment Earnings	457,046	0	0	5,419	462,465
Special Assessments	3,418	0	0	18,139	21,557
Fines and Forfeitures	22,137	0	0	3,597	25,734
All Other Revenue	41,507	0	25,608	82,871	149,986
<b>Total Revenue</b>	<b>1,915,193</b>	<b>3,823,272</b>	<b>59,769</b>	<b>1,666,037</b>	<b>7,464,271</b>
<b>Expenditures:</b>					
Current:					
Security of Persons and Property	2,910,408	0	0	474,086	3,384,494
Leisure Time Activities	0	0	0	306,464	306,464
Community Environment	162,452	0	0	427,869	590,321
Transportation	12,064	0	0	697,407	709,471
General Government	964,400	186,130	0	0	1,150,530
Capital Outlay	0	0	957,530	259,936	1,217,466
Debt Service:					
Principal Retirement	0	0	0	32,456	32,456
Interest and Fiscal Charges	0	0	59,715	106,831	166,546
<b>Total Expenditures</b>	<b>4,049,324</b>	<b>186,130</b>	<b>1,017,245</b>	<b>2,305,049</b>	<b>7,557,748</b>
Excess (Deficiency) of Revenues Over Expenditures	(2,134,131)	3,637,142	(957,476)	(639,012)	(93,477)
<b>Other Financing Sources (Uses):</b>					
Sale of Capital Assets	4,021	0	2,286	35,880	42,187
General Obligation Bonds Issued	0	0	0	2,380,000	2,380,000
Premium on Bonds Issued	0	0	0	100,212	100,212
Ohio Public Works Commission Loan	0	0	0	259,936	259,936
Other Financing Sources - Capital Lease	0	0	0	21,527	21,527
Transfers In	3,080,945	0	2,338,476	1,559,576	6,978,997
Transfers Out	(756,033)	(3,851,181)	0	(2,672,377)	(7,279,591)
<b>Total Other Financing Sources (Uses)</b>	<b>2,328,933</b>	<b>(3,851,181)</b>	<b>2,340,762</b>	<b>1,684,754</b>	<b>2,503,268</b>
Net Change in Fund Balance	194,802	(214,039)	1,383,286	1,045,742	2,409,791
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>906,102</b>	<b>719,307</b>	<b>(1,009,534)</b>	<b>(58,993)</b>	<b>556,882</b>
Increase in Inventory Reserve	10,609	0	0	10,370	20,979
<b>Fund Balance End of Year</b>	<b>\$ 1,111,513</b>	<b>\$ 505,268</b>	<b>\$ 373,752</b>	<b>\$ 997,119</b>	<b>\$ 2,987,652</b>

See accompanying notes to the basic financial statements



**CITY OF SALEM, OHIO**

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**Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For the Year Ended December 31, 2005**

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Net Change in Fund Balances - Total Governmental Funds \$ 2,409,791

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

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

Capital Outlay	1,097,761	
Depreciation Expense	<u>(912,698)</u>	
		185,063

Governmental Funds only report the disposal of assets to the extent proceeds are received from 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.	<u>(26,970)</u>	(26,970)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (328,389)

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

General Obligation Bond Issued	(2,380,000)	
Premium on Bond Issued	(100,212)	
Special Assessment Bond Principal Payment	15,000	
OPWC Loan Issued	(259,936)	
OPWC Loan Principal Payment	17,456	
New Capital Lease	(21,527)	
Capital Lease Principal Payment	<u>7,468</u>	
		(2,721,751)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (17,163)

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	78,557	
Change in Inventory	<u>20,979</u>	
		99,536

**Change in Net Assets of Governmental Activities** \$ (399,883)

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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 561,618	\$ 706,786	\$ 704,795	\$ (1,991)
Intergovernmental Revenue	476,683	599,897	588,987	(10,910)
Charges for Services	49,359	62,118	61,965	(153)
Licenses and Permits	103,696	130,500	122,070	(8,430)
Investment Earnings	278,113	350,000	360,534	10,534
Special Assessments	2,384	3,000	3,418	418
Fines and Forfeitures	19,468	24,500	21,819	(2,681)
All Other Revenues	4,397	5,534	16,277	10,743
Total Revenues	<u>1,495,718</u>	<u>1,882,335</u>	<u>1,879,865</u>	<u>(2,470)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,845,445	3,010,315	2,929,227	81,088
Community Environment	168,536	178,301	173,241	5,060
Transportation	24,884	26,326	12,925	13,401
General Government	953,363	1,008,602	945,181	63,421
Total Expenditures	<u>3,992,228</u>	<u>4,223,544</u>	<u>4,060,574</u>	<u>162,970</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,496,510)	(2,341,209)	(2,180,709)	160,500
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	1,500	1,500	4,021	2,521
Transfers In	3,091,000	3,091,000	3,090,945	(55)
Transfers Out	(806,852)	(806,852)	(766,033)	40,819
Total Other Financing Sources (Uses):	<u>2,285,648</u>	<u>2,285,648</u>	<u>2,328,933</u>	<u>43,285</u>
Net Change in Fund Balance	(210,862)	(55,561)	148,224	203,785
Fund Balance at Beginning of Year	519,306	519,306	519,306	0
Prior Year Encumbrances	67,825	67,825	67,825	0
Fund Balance at End of Year	<u>\$ 376,269</u>	<u>\$ 531,570</u>	<u>\$ 735,355</u>	<u>\$ 203,785</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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 3,600,000	\$ 3,838,512	\$ 3,838,513	\$ 1
Total Revenues	<u>3,600,000</u>	<u>3,838,512</u>	<u>3,838,513</u>	<u>1</u>
<b>Expenditures:</b>				
General Government	228,110	228,109	193,795	34,314
Total Expenditures	<u>228,110</u>	<u>228,109</u>	<u>193,795</u>	<u>34,314</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,371,890	3,610,403	3,644,718	34,315
<b>Other Financing Sources (Uses):</b>				
Transfers Out	<u>(3,400,000)</u>	<u>(3,854,000)</u>	<u>(3,851,181)</u>	<u>2,819</u>
Total Other Financing Sources (Uses)	<u>(3,400,000)</u>	<u>(3,854,000)</u>	<u>(3,851,181)</u>	<u>2,819</u>
Net Change in Fund Balance	(28,110)	(243,597)	(206,463)	37,134
Fund Balance at Beginning of Year	193,606	193,606	193,606	0
Prior Year Encumbrances	<u>6,840</u>	<u>6,840</u>	<u>6,840</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 172,336</u>	<u>\$ (43,151)</u>	<u>\$ (6,017)</u>	<u>\$ 37,134</u>

See accompanying notes to the basic financial statements

**CITY OF SALEM, OHIO**

**Statement of Net Assets  
Proprietary Funds  
December 31, 2005**

	Water	Wastewater	Total
<b>Assets:</b>			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 2,187,440	\$ 2,240,689	\$ 4,428,129
Investments	2,126,000	7,781,000	9,907,000
<i>Receivables:</i>			
Accounts	200,372	294,873	495,245
Special Assessments	0	373,379	373,379
Inventory of Supplies at Cost	133,840	2,743	136,583
Prepaid Items	19,760	19,760	39,520
<b>Total Current Assets</b>	<b>4,667,412</b>	<b>10,712,444</b>	<b>15,379,856</b>
<i>Noncurrent Assets:</i>			
Non-Depreciable Capital Assets	665,090	616,358	1,281,448
Depreciable Capital Assets, Net	8,364,334	9,384,394	17,748,728
<b>Total Noncurrent Assets</b>	<b>9,029,424</b>	<b>10,000,752</b>	<b>19,030,176</b>
<b>Total Assets</b>	<b>13,696,836</b>	<b>20,713,196</b>	<b>34,410,032</b>
<b>Liabilities:</b>			
<i>Current Liabilities:</i>			
Accounts Payable	130,275	58,866	189,141
Accrued Wages and Benefits	27,445	34,116	61,561
Accrued Interest Payable	2,167	50,297	52,464
General Obligation Notes Payable	0	2,310,000	2,310,000
General Obligation Bonds Payable - Current	400,000	0	400,000
OPWC Loans Payable - Current	20,500	0	20,500
<b>Total Current Liabilities</b>	<b>580,387</b>	<b>2,453,279</b>	<b>3,033,666</b>
<i>Noncurrent Liabilities:</i>			
OPWC Loans Payable	276,750	0	276,750
Compensated Absences Payable	18,689	22,105	40,794
<b>Total Noncurrent Liabilities</b>	<b>295,439</b>	<b>22,105</b>	<b>317,544</b>
<b>Total Liabilities</b>	<b>875,826</b>	<b>2,475,384</b>	<b>3,351,210</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	8,332,174	7,690,752	16,022,926
Unrestricted	4,488,836	10,547,060	15,035,896
<b>Total Net Assets</b>	<b>\$ 12,821,010</b>	<b>\$ 18,237,812</b>	<b>\$ 31,058,822</b>

See accompanying notes to the basic financial statements

**CITY OF SALEM, OHIO**

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**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2005**

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	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Charges for Services	\$ 1,725,224	\$ 2,441,732	\$ 4,166,956
Other Operating Revenue	64,099	25,307	89,406
<b>Total Operating Revenues</b>	<u>1,789,323</u>	<u>2,467,039</u>	<u>4,256,362</u>
<b>Operating Expenses:</b>			
Personal Services	622,129	747,142	1,369,271
Contractual Services	283,799	572,049	855,848
Materials and Supplies	276,562	125,962	402,524
Depreciation	550,615	427,422	978,037
<b>Total Operating Expenses</b>	<u>1,733,105</u>	<u>1,872,575</u>	<u>3,605,680</u>
Operating Income	56,218	594,464	650,682
<b>Nonoperating Revenue (Expenses):</b>			
Investment Earnings	0	23,276	23,276
Interest Expense	(65,869)	(59,384)	(125,253)
Loss on Disposal of Capital Assets	0	(389)	(389)
Other Nonoperating Revenue	41	29	70
Other Nonoperating Expense	(2,273)	(2,229)	(4,502)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(68,101)</u>	<u>(38,697)</u>	<u>(106,798)</u>
Income (Loss) Before Transfers	(11,883)	555,767	543,884
Transfers In	106,514	194,080	300,594
Change in Net Assets	94,631	749,847	844,478
Net Assets Beginning of Year - Restated	<u>12,726,379</u>	<u>17,487,965</u>	<u>30,214,344</u>
Net Assets End of Year	<u>\$ 12,821,010</u>	<u>\$ 18,237,812</u>	<u>\$ 31,058,822</u>

See accompanying notes to the basic financial statements

**CITY OF SALEM, OHIO**

***Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2005***

	Water	Wastewater	Totals
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,809,145	\$2,522,827	\$4,331,972
Cash Payments for Goods and Services	(510,383)	(661,634)	(1,172,017)
Cash Payments to Employees	(645,177)	(760,094)	(1,405,271)
Net Cash Provided by Operating Activities	<u>653,585</u>	<u>1,101,099</u>	<u>1,754,684</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	<u>106,514</u>	<u>194,080</u>	<u>300,594</u>
Net Cash Provided by Noncapital Financing Activities	<u>106,514</u>	<u>194,080</u>	<u>300,594</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Issuance of General Obligation Notes	0	2,310,000	2,310,000
Retirement of General Obligation Notes	0	(2,330,000)	(2,330,000)
Acquisition and Construction of Assets	(167,954)	(151,802)	(319,756)
Principal Paid on General Obligation Bonds	(400,000)	0	(400,000)
Principal Paid on Ohio Public Works Commission Loan	(20,500)	0	(20,500)
Interest Paid on All Debt	(52,000)	(31,455)	(83,455)
Net Cash Used for Capital and Related Financing Activities	<u>(640,454)</u>	<u>(203,257)</u>	<u>(843,711)</u>
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	1,764,000	583,000	2,347,000
Receipt of Interest	0	23,276	23,276
Net Cash Provided by Investing Activities	<u>1,764,000</u>	<u>606,276</u>	<u>2,370,276</u>
Net Increase in Cash and Cash Equivalents	1,883,645	1,698,198	3,581,843
Cash and Cash Equivalents at Beginning of Year	<u>303,795</u>	<u>542,491</u>	<u>846,286</u>
Cash and Cash Equivalents at End of Year	<u>\$2,187,440</u>	<u>\$2,240,689</u>	<u>\$4,428,129</u>

(Continued)

**CITY OF SALEM, OHIO**

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	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	\$56,218	\$594,464	\$650,682
Adjustments to Reconcile Operating Income to			
<u>Net Cash Provided by Operating Activities:</u>			
Depreciation and Amortization Expense	550,615	427,422	978,037
Miscellaneous Nonoperating Expense	(2,563)	(2,229)	(4,792)
Miscellaneous Nonoperating Revenue	1,755	10,029	11,784
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	18,067	19,992	38,059
(Increase) Decrease in Inventory	13,914	(1,123)	12,791
Increase in Prepaid Items	(2,024)	(2,023)	(4,047)
Decrease in Special Assessment Receivable	0	25,767	25,767
Increase in Accounts Payable	13,137	18,488	31,625
Increase in Accrued Wages and Benefits	6,730	13,692	20,422
Decrease in Compensated Absences	(2,264)	(3,380)	(5,644)
Total Adjustments	<u>597,367</u>	<u>506,635</u>	<u>1,104,002</u>
Net Cash Provided by Operating Activities	<u>\$653,585</u>	<u>\$1,101,099</u>	<u>\$1,754,684</u>

See accompanying notes to the basic financial statements

**CITY OF SALEM, OHIO**

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***Statement of Assets and Liabilities  
Fiduciary Funds  
December 31, 2005***

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	Total Agency Funds
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 37,931
<b>Total Assets</b>	<u>37,931</u>
<b>Liabilities:</b>	
Due to Others	<u>37,931</u>
<b>Total Liabilities</b>	<u>\$ 37,931</u>

See accompanying notes to the basic financial statements



***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements are presented as of December 31, 2005 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, 2005***

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

**B. Basis of Presentation - Fund Accounting** (Continued)

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

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

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

***Proprietary Funds***

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

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

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

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

***Fiduciary Funds***

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

**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.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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

**C. Basis of Presentation – Financial Statements (Continued)**

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, 2005***

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

**D. Basis of Accounting**

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

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

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

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

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2005 but which are not intended to finance 2005 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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

**D. Basis of Accounting** (Continued)

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

**E. Budgetary Process**

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

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

**1. Tax Budget**

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

**2. Estimated Resources**

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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

**E. Budgetary Process (Continued)**

2. Estimated Resources (Continued)

amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2005.

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 2005, 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, 2005***

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**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:

	<u>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</u>	
	<u>General Fund</u>	<u>Municipal Income Tax Fund</u>
GAAP Basis (as reported)	\$194,802	(\$214,039)
Increase (Decrease):		
Accrued Revenues at December 31, 2005 received during 2006	(365,087)	(508,851)
Accrued Revenues at December 31, 2004 received during 2005	330,151	524,090
Accrued Expenditures at December 31, 2005 paid during 2006	179,786	4,044
Accrued Expenditures at December 31, 2004 paid during 2005	(135,682)	(5,650)
2004 Prepays for 2005	42,537	421
2005 Prepays for 2006	(48,756)	(461)
Outstanding Encumbrances	(49,527)	(6,017)
Budget Basis	<u>\$148,224</u>	<u>(\$206,463)</u>

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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

**F. Cash and Cash Equivalents**

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

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

**G. Investments**

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

The City had invested funds in the STAR Ohio during 2005. 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, 2005.

**H. Inventory**

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

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.



***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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

**J. Capital Assets and Depreciation**

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

**1. Property, Plant and Equipment - Governmental Activities**

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

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

**2. Property, Plant and Equipment – Business Type Activities**

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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

**J. Capital Assets and Depreciation (Continued)**

3. Depreciation

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

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

**K. Long-Term Obligations**

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

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

**L. Compensated Absences**

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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

**L. Compensated Absences** (Continued)

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

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

**M. Net Assets**

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

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

**N. Pensions**

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

**O. Interfund Activity**

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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

**P. Reservations of Fund Balance**

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

**Q. Operating Revenues and Expenses**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items to report during fiscal year 2005.

**NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

The fund deficits at December 31, 2005 of \$41,946 in the Police Pension Fund, \$36,322 in the Fire Pension Fund, \$3,340 in the Community Development Block Grant Fund and \$4,314 in the Community Housing Improvement 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.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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**NOTE 3 – RESTATEMENT OF NET ASSETS**

Certain adjustments were made to the Business-Type Activities beginning net asset balance to account for the correction of errors in capital asset reporting. As a result of the restatement, the City's Business-Type Activities net asset balance at December 31, 2004 increased \$89,348, to a restated amount of \$30,214,344.

**NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005**

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

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

**A. Deposits**

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

At year end the carrying amount of the City's deposits was \$9,878,937 and the bank balance was \$10,043,527. Federal depository insurance covered \$300,000 of the bank balance and \$9,743,527 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>\$9,743,527</u>
Total Balance	<u><u>\$9,743,527</u></u>

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005**

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

**B. Investments**

The City's investments at December 31, 2005 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$5,828,000	AAAm <sup>1</sup>	\$5,828,000	\$0	\$0
Repurchase Agreement	1,433,272	N/A	1,433,272	0	0
Total Investments	<u>\$7,261,272</u>		<u>\$7,261,272</u>	<u>\$0</u>	<u>\$0</u>

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

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

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

**C. Reconciliation of Cash, Cash Equivalents and Investments**

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

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

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$7,233,209	\$9,907,000
Certificates of Deposit (with maturities of more than 3 months)	9,907,000	(9,907,000)
Investments:		
STAR Ohio	(5,828,000)	5,828,000
Repurchase Agreements	(1,433,272)	1,433,272
Per GASB Statement No. 3	<u>\$9,878,937</u>	<u>\$7,261,272</u>

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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**NOTE 5 - TAXES**

**A. Property Taxes**

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

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually: the first payment is due April 30; the remainder payable by September 20.

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

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

The full tax rate for all City operations for the year ended December 31, 2005 was \$4.90 per \$1,000 of assessed value. The assessed value upon which the 2005 tax receipts were based was \$232,940,940. This amount constitutes \$178,792,810 in real property assessed value, \$5,303,490 in public utility assessed value and \$48,844,640 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 .49% (4.9 mills) of assessed value.



**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005**

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**NOTE 5 - TAXES (Continued)**

**B. Income Tax**

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

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

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

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2005 consisted of taxes, accounts, interest, special assessments and intergovernmental receivables arising from shared revenues.

**NOTE 7 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2005:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$3,080,945	\$756,033
Municipal Income Tax Fund	0	3,851,181
Income Tax Capital Improvement Fund	2,338,476	0
Other Governmental Funds	1,559,576	2,672,377
Total Governmental Funds	6,978,997	7,279,591
Water Fund	106,514	0
Wastewater Fund	194,080	0
Total Proprietary Funds	300,594	0
Totals	<u>\$7,279,591</u>	<u>\$7,279,591</u>

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005**

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

The following is a summary of interfund loans receivable and payable for all funds for 2005:

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

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

**NOTE 9 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2005:

***Historical Cost:***

Class	December 31, 2004	Additions	Deletions	December 31, 2005
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$4,184,771	\$52,400	\$0	\$4,237,171
Construction in Progress	409,568	0	0	409,568
Subtotal	4,594,339	52,400	0	4,646,739
<b><i>Capital assets being depreciated:</i></b>				
Buildings	2,749,433	0	0	2,749,433
Improvements Other than Buildings	229,661	0	0	229,661
Machinery and Equipment	3,274,798	100,357	(74,662)	3,300,493
Infrastructure	19,494,280	945,004	(159,595)	20,279,689
Subtotal	25,748,172	1,045,361	(234,257)	26,559,276
Total Cost	\$30,342,511	\$1,097,761	(\$234,257)	\$31,206,015

***Accumulated Depreciation:***

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Buildings	(\$1,057,508)	(\$79,687)	\$0	(\$1,137,195)
Improvements Other than Buildings	(206,932)	(4,458)	0	(211,390)
Machinery and Equipment	(1,868,439)	(213,141)	68,298	(2,013,282)
Infrastructure	(8,130,893)	(615,412)	138,989	(8,607,316)
Total Depreciation	(\$11,263,772)	(\$912,698) *	\$207,287	(\$11,969,183)
<b><i>Net Value:</i></b>	\$19,078,739			\$19,236,832

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005**

**NOTE 9 - CAPITAL ASSETS (Continued)**

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

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

Security of Persons and Property	\$165,391
Leisure Time Activities	48,944
Community Environment	2,134
Transportation	677,217
General Government	19,012
Total Depreciation Expense	<u>\$912,698</u>

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

Summary by Category at December 31, 2005:

**Historical Cost:**

Class	December 31, 2004	Additions	Deletions	December 31, 2005
<b>Capital assets not being depreciated:</b>				
Land	\$425,332	\$40,125	\$0	\$465,457
Construction in Progress	527,445	288,546	0	815,991
Subtotal	952,777	328,671	0	1,281,448
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	19,020,744	0	0	19,020,744
Machinery and Equipment	7,915,535	82,288	(196,361)	7,801,462
Infrastructure	8,559,029	0	0	8,559,029
Subtotal	35,495,308	82,288	(196,361)	35,381,235
Total Cost	<u>\$36,448,085</u>	<u>\$410,959</u>	<u>(\$196,361)</u>	<u>\$36,662,683</u>

**Accumulated Depreciation:**

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Buildings and Improvements	(\$7,705,441)	(\$612,436)	\$0	(\$8,317,877)
Machinery and Equipment	(7,017,191)	(122,460)	195,972	(6,943,679)
Infrastructure	(2,127,811)	(243,140)	0	(2,370,951)
Total Depreciation	<u>(\$16,850,443)</u>	<u>(\$978,036)</u>	<u>\$195,972</u>	<u>(\$17,632,507)</u>
<b>Net Value:</b>	<u>\$19,597,642</u>			<u>\$19,030,176</u>

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

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

**A. Ohio Public Employees Retirement System (the "Ohio PERS")**

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

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

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2005 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2005, 2004, and 2003 were \$301,386, \$291,112 and \$307,327, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year 2005 was 4.0% of covered payroll which amounted to \$88,970.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2004. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2004 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 376,109. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2004 is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2005, 2004, and 2003 were \$192,502, \$186,660 and \$177,508 for police and \$174,992, \$174,881 and \$175,719 for firefighters, respectively, which were equal to the required contributions for each year.

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

The portion of the 2005 covered payroll that was used to fund postemployment health care benefits was \$76,507 representing 7.75% of covered payroll for police and \$56,508 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2004, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,812 for police and 10,528 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2004 were \$102,173,796, which was net of member contributions of \$55,665,341.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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**NOTE 11 – COMPENSATED ABSENCES**

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

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

**NOTE 12 - NOTES PAYABLE**

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

Following are the notes outstanding in the Capital Projects and Enterprise Funds at December 31, 2005:

	Balance December 31, 2004	Issued (Retired)	Balance December 31, 2005
Capital Projects Fund Notes Payable:			
1.550% Salem Industrial Park West	\$800,000	(\$800,000)	\$0
1.550% Street Improvements	2,242,000	(2,242,000)	0
1.550% Street Improvements	148,000	(148,000)	0
2.950% Various Purpose	0	625,000	625,000
1.450% Various Purpose	0	2,390,000	
		(2,390,000)	0
Total Capital Projects Fund Notes Payable	3,190,000	(2,565,000)	625,000
Enterprise Fund Note Payable:			
1.350% North East Sanitary Sewer Project	2,330,000	(2,330,000)	0
3.050% North East Sanitary Sewer Project	0	2,310,000	2,310,000
Total Enterprise Fund Notes Payable	2,330,000	(20,000)	2,310,000
Total Notes Payable	\$5,520,000	(\$2,585,000)	\$2,935,000

**CITY OF SALEM, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005**

**NOTE 13 - LONG-TERM DEBT OBLIGATIONS**

Long-term debt and other long-term obligations of the City at December 31, 2005 were as follows:

			Balance December 31, 2004	Additions	Deductions	Balance December 31, 2005	Amount Due Within One Year
<b>Governmental Activities:</b>							
General Obligation Bond:							
3.1-4.15%	Various Purpose	2025	\$0	\$2,380,000	\$0	\$2,380,000	\$75,000
	Premium		0	100,212	0	100,212	0
			0	2,480,212	0	2,480,212	75,000
Special Assessment Bond: (with governmental commitment)							
6.10%	Street Improvement	2011	127,000	0	(15,000)	112,000	12,000
Ohio Public Works Commission Loans							
0.00%	South East Boulevard Improvement		226,926	0	(17,456)	209,470	17,456
0.00%	Cunningham Road and Bentley Drive Improvement		0	259,936	0	259,936	17,329
Total Ohio Public Works Commission Loans			226,926	259,936	(17,456)	469,406	34,785
Capital Leases Payable			0	21,527	(7,468)	14,059	6,887
Compensated Absences Payable			299,281	220,724	(299,281)	220,724	93,770
Total Governmental Activities			653,207	2,982,399	(339,205)	3,296,401	222,442
<b>Business-Type Activities:</b>							
General Obligation Bond:							
4.35-6.50%	Series Water	2006	800,000	0	(400,000)	400,000	400,000
Ohio Public Works Commission Loan							
0.00%	Stewart Road Elevated Water Tank		317,750	0	(20,500)	297,250	20,500
Compensated Absences			46,438	40,794	(46,438)	40,794	0
Total Business-Type Activities			1,164,188	40,794	(466,938)	738,044	420,500
Totals			\$1,817,395	\$3,023,193	(\$806,143)	\$4,034,445	\$642,942

The principal amount of the City's special assessment debt outstanding at December 31, 2005, of \$112,000 is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners.

**A. Defeased Debt**

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



**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005**

**NOTE 13 - LONG-TERM DEBT OBLIGATIONS (Continued)**

**A. Defeased Debt (Continued)**

At the time of defeasance, funds were deposited with the City's trustee, Society Investment Management and Trust Services. The principal and interest in these reserve accounts are used solely to pay the principal and interest requirements on the original issue bonds as they come due. At December 31, 2005, the refunded bonds had an outstanding balance of \$3,120,000. 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, 2005. Similarly, as no obligation is recorded, neither are the funds held on deposit with the trustee that will be used to service the obligation.

In April 1998, the City defeased \$2,400,000 of Mortgage Revenue Bonds for Water Improvements dated March 1, 1992 (the "1992" Bonds). There were no refunding bonds issued. Chase Manhattan Bank (the trustee) had \$2,476,327 in cash and investments which coupled with investment earnings thereon, were determined to be sufficient to pay, when due, the remaining debt service payments. As a result, the old bonds are considered to be defeased and the liability for those bonds has been removed from the enterprise balance sheet. At December 31, 2005, the refunded bonds had an outstanding balance of \$300,000.

**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, 2005 follows:

Years	General Obligation Bonds		OPWC Loans		Special Assessment Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$475,000	\$138,058	\$55,286	\$0	\$12,000	\$6,832
2007	85,000	101,000	55,286	0	20,000	6,100
2008	90,000	98,238	55,286	0	20,000	4,880
2009	90,000	95,088	55,286	0	20,000	3,660
2010	90,000	91,938	55,286	0	20,000	2,440
2011-2015	510,000	403,962	276,430	0	20,000	1,220
2016-2020	635,000	284,764	213,796	0	0	0
2021-2025	805,000	118,276	0	0	0	0
Totals	<u>\$2,780,000</u>	<u>\$1,331,324</u>	<u>\$766,656</u>	<u>\$0</u>	<u>\$112,000</u>	<u>\$25,132</u>

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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**NOTE 14 - CAPITAL LEASES**

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

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2005:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>
2006	\$7,468
2007	<u>7,468</u>
Minimum Lease Payments	<u>14,936</u>
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(877)</u>
Present value of minimum lease payments	<u><u>\$14,059</u></u>

**NOTE 15 - CONDUIT DEBT OBLIGATIONS**

The City has issued Revenue Bonds to provide financial assistance to the City's hospital facilities. The monies are used primarily for upgrades to these facilities. In addition, the City has issued bonds to provide the necessary funds for the construction of a community recreation center. The City has no obligation for the repayment of this debt. The bonds are not bonded indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 2005, the outstanding bonds have a principal amount payable of \$18,415,000.

**NOTE 16 - RISK MANAGEMENT**

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

The Pool's general objectives are to formulate, develop and administer a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool, as well as current members, are subject to a supplemental assessment or a refund, at the discretion of the Board of Trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date there have been no assessments or refunds due to the limited period of time that the Pool has been in existence and the nature of the coverage that is afforded to the participants. The City contributed \$140,997 to the Pool in 2005.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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**NOTE 16 - RISK MANAGEMENT (Continued)**

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

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

In the ordinary course of business, the Pool cedes a portion of its exposure to other insurers. These arrangements limit the Pool's maximum net loss on individual risks. Treaty basis casualty excess of loss contracts in force at December 31, 2005 generally protects the Pool against individual losses over \$175,000. Additionally, treaty basis property coverage protects the Pool against losses subject to a deductible of the lesser of \$50,000 per location or \$50,000 per occurrence. Since November 1, 1990, the Pool is limited to an annual aggregate loss of \$300,000. The Pool is, and the participants are, contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

During 2005, the City carried commercial insurance coverage for all other risks as follows:

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

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005***

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**NOTE 17 - CONTINGENCIES**

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

*COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES*

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



***Nonmajor Governmental Funds***

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***Special Revenue Funds***

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

**Police Pension Fund**

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

**Fire Pension Fund**

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

**Law Enforcement Fund**

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

**D.A.R.E Fund**

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

**Enforcement and Education Fund**

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

**Drug Enforcement Agency Equitable Share Fund**

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

**Street Construction, Maintenance and Repair Fund**

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

**State Highway Fund**

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

**Municipal Permissive License Tax Fund**

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

(Continued)

***Special Revenue Funds***

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**Municipal Lodging Tax Fund**

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

**Lakes and Grounds Fund**

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

**Parks Fund**

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

**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.



***Special Revenue Funds***

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**Community Housing Improvement Fund**

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

***Debt Service Funds***

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

**General Obligation Debt Retirement Fund**

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

**Special Assessment Debt Retirement Fund**

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

***Capital Projects Funds***

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

**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.

**Cunningham and Bentley Road Improvement Fund**

To account for Ohio Public Works Commission Loan proceeds to be used for improvements to Cunningham Drive and Bentley Road. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

**CITY OF SALEM, OHIO**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2005**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 785,913	\$ 43,138	\$ 142,427	\$ 971,478
Receivables:				
Taxes	349,367	0	0	349,367
Intergovernmental	597,153	0	0	597,153
Special Assessments	0	98,682	0	98,682
Interfund Loans Receivable	162	0	0	162
Inventory of Supplies, at Cost	63,496	0	0	63,496
Prepaid Items	2,951	0	0	2,951
<b>Total Assets</b>	<b>\$ 1,799,042</b>	<b>\$ 141,820</b>	<b>\$ 142,427</b>	<b>\$ 2,083,289</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 72,632	\$ 0	\$ 0	\$ 72,632
Accrued Wages and Benefits Payable	102,344	0	0	102,344
Interfund Loans Payable	162	0	0	162
Deferred Revenue	812,350	98,682	0	911,032
<b>Total Liabilities</b>	<b>987,488</b>	<b>98,682</b>	<b>0</b>	<b>1,086,170</b>
<b>Fund Balance:</b>				
Reserved for Encumbrances	152,125	0	0	152,125
Reserved for Prepaid Items	2,951	0	0	2,951
Reserved for Supplies Inventory	63,496	0	0	63,496
Reserved for Debt Service	0	43,138	0	43,138
Undesignated/Unreserved	592,982	0	142,427	735,409
<b>Total Fund Balance</b>	<b>811,554</b>	<b>43,138</b>	<b>142,427</b>	<b>997,119</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,799,042</b>	<b>\$ 141,820</b>	<b>\$ 142,427</b>	<b>\$ 2,083,289</b>

**CITY OF SALEM, OHIO**

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2005***

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 352,213	\$ 0	\$ 0	\$ 352,213
Intergovernmental Revenues	1,184,129	0	0	1,184,129
Charges for Services	11,626	0	0	11,626
Licenses and Permits	8,043	0	0	8,043
Investment Earnings	5,419	0	0	5,419
Special Assessments	0	18,139	0	18,139
Fines and Forfeitures	3,597	0	0	3,597
All Other Revenue	82,871	0	0	82,871
<b>Total Revenue</b>	<b>1,647,898</b>	<b>18,139</b>	<b>0</b>	<b>1,666,037</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	474,086	0	0	474,086
Leisure Time Activities	306,464	0	0	306,464
Community Environment	427,869	0	0	427,869
Transportation	697,407	0	0	697,407
Capital Outlay	0	0	259,936	259,936
Debt Service:				
Principal Retirement	0	32,456	0	32,456
Interest and Fiscal Charges	0	102,525	4,306	106,831
<b>Total Expenditures</b>	<b>1,905,826</b>	<b>134,981</b>	<b>264,242</b>	<b>2,305,049</b>
Excess (Deficiency) of Revenues Over Expenditures	(257,928)	(116,842)	(264,242)	(639,012)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	0	35,880	35,880
General Obligation Bonds Issued	0	2,380,000	0	2,380,000
Premium on Bonds Issued	0	100,212	0	100,212
Ohio Public Works Commission Loan	0	0	259,936	259,936
Other Financing Sources - Capital Lease	21,527	0	0	21,527
Transfers In	455,439	291,737	812,400	1,559,576
Transfers Out	0	(2,672,377)	0	(2,672,377)
<b>Total Other Financing Sources (Uses)</b>	<b>476,966</b>	<b>99,572</b>	<b>1,108,216</b>	<b>1,684,754</b>
Net Change in Fund Balance	219,038	(17,270)	843,974	1,045,742
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>582,146</b>	<b>60,408</b>	<b>(701,547)</b>	<b>(58,993)</b>
Increase in Inventory Reserve	10,370	0	0	10,370
<b>Fund Balance End of Year</b>	<b>\$ 811,554</b>	<b>\$ 43,138</b>	<b>\$ 142,427</b>	<b>\$ 997,119</b>

**CITY OF SALEM, OHIO**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2005**

	Police Pension	Fire Pension	Law Enforcement	D.A.R.E.
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 4,871	\$ 45
Receivables:				
Taxes	71,680	71,680	0	0
Intergovernmental	0	0	338	0
Interfund Loans Receivable	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Prepaid Items	0	0	0	0
<b>Total Assets</b>	<u>\$ 71,680</u>	<u>\$ 71,680</u>	<u>\$ 5,209</u>	<u>\$ 45</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	44,512	38,888	0	0
Interfund Loans Payable	0	0	0	0
Deferred Revenue	69,114	69,114	0	0
<b>Total Liabilities</b>	<u>113,626</u>	<u>108,002</u>	<u>0</u>	<u>0</u>
<b>Fund Balance:</b>				
Reserved for Encumbrances	0	0	0	0
Reserved for Prepaid Items	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0
Undesignated/Unreserved	(41,946)	(36,322)	5,209	45
<b>Total Fund Balance</b>	<u>(41,946)</u>	<u>(36,322)</u>	<u>5,209</u>	<u>45</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 71,680</u>	<u>\$ 71,680</u>	<u>\$ 5,209</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>	<u>Lakes and Grounds</u>
\$ 6,827	\$ 279,702	\$ 105,763	\$ 14,884	\$ 34,278	\$ 24,478	\$ 3,739
0	0	0	0	0	430	0
0	0	267,792	21,713	40,332	0	0
0	0	0	0	0	0	0
0	0	63,496	0	0	0	0
0	0	0	0	0	0	0
<u>\$ 6,827</u>	<u>\$ 279,702</u>	<u>\$ 437,051</u>	<u>\$ 36,597</u>	<u>\$ 74,610</u>	<u>\$ 24,908</u>	<u>\$ 3,739</u>
\$ 0	\$ 0	\$ 14,722	\$ 0	\$ 5,072	\$ 5,519	\$ 0
0	0	13,419	0	0	0	0
0	0	0	0	0	0	0
0	0	178,528	14,475	26,888	0	0
0	0	206,669	14,475	31,960	5,519	0
0	28,695	7,654	0	1,463	31	538
0	0	0	0	0	0	0
0	0	63,496	0	0	0	0
6,827	251,007	159,232	22,122	41,187	19,358	3,201
6,827	279,702	230,382	22,122	42,650	19,389	3,739
<u>\$ 6,827</u>	<u>\$ 279,702</u>	<u>\$ 437,051</u>	<u>\$ 36,597</u>	<u>\$ 74,610</u>	<u>\$ 24,908</u>	<u>\$ 3,739</u>

(Continued)

**CITY OF SALEM, OHIO**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005**

	Parks	Youth Services Grant	Community Development Block Grant	Rehabilitation Loan
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 182,281	\$ 5,114	\$ 1,319	\$ 52,771
Receivables:				
Taxes	205,577	0	0	0
Intergovernmental	0	0	68,000	0
Interfund Loans Receivable	0	0	0	162
Inventory of Supplies, at Cost	0	0	0	0
Prepaid Items	2,951	0	0	0
<b>Total Assets</b>	<u>\$ 390,809</u>	<u>\$ 5,114</u>	<u>\$ 69,319</u>	<u>\$ 52,933</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 3,882	\$ 0	\$ 4,497	\$ 0
Accrued Wages and Benefits Payable	5,525	0	0	0
Interfund Loans Payable	0	0	162	0
Deferred Revenue	191,940	0	68,000	0
<b>Total Liabilities</b>	<u>201,347</u>	<u>0</u>	<u>72,659</u>	<u>0</u>
<b>Fund Balance:</b>				
Reserved for Encumbrances	7,938	0	203	4,000
Reserved for Prepaid Items	2,951	0	0	0
Reserved for Supplies Inventory	0	0	0	0
Undesignated/Unreserved	178,573	5,114	(3,543)	48,933
<b>Total Fund Balance</b>	<u>189,462</u>	<u>5,114</u>	<u>(3,340)</u>	<u>52,933</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 390,809</u>	<u>\$ 5,114</u>	<u>\$ 69,319</u>	<u>\$ 52,933</u>

**CITY OF SALEM, OHIO**

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<u>Shade Tree</u>	<u>Economic Development Loan</u>	<u>Central Business District</u>	<u>Design Review Board</u>	<u>Community Housing Improvement</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 57	\$ 26,256	\$ 11,312	\$ 2,277	\$ 29,939	\$ 785,913
0	0	0	0	0	349,367
0	0	0	0	198,978	597,153
0	0	0	0	0	162
0	0	0	0	0	63,496
0	0	0	0	0	2,951
<u>\$ 57</u>	<u>\$ 26,256</u>	<u>\$ 11,312</u>	<u>\$ 2,277</u>	<u>\$ 228,917</u>	<u>\$ 1,799,042</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,940	\$ 72,632
0	0	0	0	0	102,344
0	0	0	0	0	162
0	0	0	0	194,291	812,350
0	0	0	0	233,231	987,488
0	0	0	0	101,603	152,125
0	0	0	0	0	2,951
0	0	0	0	0	63,496
57	26,256	11,312	2,277	(105,917)	592,982
57	26,256	11,312	2,277	(4,314)	811,554
<u>\$ 57</u>	<u>\$ 26,256</u>	<u>\$ 11,312</u>	<u>\$ 2,277</u>	<u>\$ 228,917</u>	<u>\$ 1,799,042</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, 2005**

	Police Pension	Fire Pension	Law Enforcement	D.A.R.E.
<b>Revenues:</b>				
Taxes	\$ 62,412	\$ 62,412	\$ 0	\$ 0
Intergovernmental Revenues	6,791	6,791	0	0
Charges for Services	0	0	0	0
Licenses and Permits	0	0	0	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	0	0	2,173	0
All Other Revenue	0	0	0	0
<b>Total Revenue</b>	<b>69,203</b>	<b>69,203</b>	<b>2,173</b>	<b>0</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	192,502	174,992	0	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
<b>Total Expenditures</b>	<b>192,502</b>	<b>174,992</b>	<b>0</b>	<b>0</b>
Excess (Deficiency) of Revenues Over Expenditures	(123,299)	(105,789)	2,173	0
<b>Other Financing Sources (Uses):</b>				
Other Financing Sources - Capital Lease	0	0	0	0
Transfers In	129,296	114,073	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>129,296</b>	<b>114,073</b>	<b>0</b>	<b>0</b>
Net Change in Fund Balance	5,997	8,284	2,173	0
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>(47,943)</b>	<b>(44,606)</b>	<b>3,036</b>	<b>45</b>
Increase in Inventory Reserve	0	0	0	0
<b>Fund Balance (Deficit) End of Year</b>	<b>\$ (41,946)</b>	<b>\$ (36,322)</b>	<b>\$ 5,209</b>	<b>\$ 45</b>



**CITY OF SALEM, OHIO**

<u>Enforcement and Education</u>	<u>Drug Enforcement Agency Equitable Share</u>	<u>Street Construction, Maintenance and Repair</u>	<u>State Highway</u>	<u>Municipal Permissive License Tax</u>	<u>Municipal Lodging Tax</u>	<u>Lakes and Grounds</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,485	\$ 0
0	161,410	493,724	37,438	35,091	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	8,043
0	3,812	703	144	0	0	0
1,424	0	0	0	0	0	0
0	3,615	784	0	0	0	9,111
<u>1,424</u>	<u>168,837</u>	<u>495,211</u>	<u>37,582</u>	<u>35,091</u>	<u>3,485</u>	<u>17,154</u>
0	99,341	0	0	0	0	0
0	0	0	0	0	0	18,598
0	0	0	0	0	13,732	0
0	0	597,557	33,808	66,042	0	0
<u>0</u>	<u>99,341</u>	<u>597,557</u>	<u>33,808</u>	<u>66,042</u>	<u>13,732</u>	<u>18,598</u>
1,424	69,496	(102,346)	3,774	(30,951)	(10,247)	(1,444)
0	21,527	0	0	0	0	0
0	0	140,000	0	0	22,000	0
<u>0</u>	<u>21,527</u>	<u>140,000</u>	<u>0</u>	<u>0</u>	<u>22,000</u>	<u>0</u>
1,424	91,023	37,654	3,774	(30,951)	11,753	(1,444)
5,403	188,679	182,358	18,348	73,601	7,636	5,183
0	0	10,370	0	0	0	0
<u>\$ 6,827</u>	<u>\$ 279,702</u>	<u>\$ 230,382</u>	<u>\$ 22,122</u>	<u>\$ 42,650</u>	<u>\$ 19,389</u>	<u>\$ 3,739</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, 2005**

	Parks	Youth Services Grant	Community Development Block Grant	Rehabilitation Loan
<b>Revenues:</b>				
Taxes	\$ 223,904	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	21,582	9,749	64,750	0
Charges for Services	11,626	0	0	0
Licenses and Permits	0	0	0	0
Investment Earnings	0	0	0	399
Fines and Forfeitures	0	0	0	0
All Other Revenue	45,096	0	0	24,229
<b>Total Revenue</b>	<b>302,208</b>	<b>9,749</b>	<b>64,750</b>	<b>24,628</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	0	7,251	0	0
Leisure Time Activities	287,866	0	0	0
Community Environment	0	0	72,700	780
Transportation	0	0	0	0
<b>Total Expenditures</b>	<b>287,866</b>	<b>7,251</b>	<b>72,700</b>	<b>780</b>
Excess (Deficiency) of Revenues Over Expenditures	14,342	2,498	(7,950)	23,848
<b>Other Financing Sources (Uses):</b>				
Other Financing Sources - Capital Lease	0	0	0	0
Transfers In	50,000	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>50,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Change in Fund Balance	64,342	2,498	(7,950)	23,848
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>125,120</b>	<b>2,616</b>	<b>4,610</b>	<b>29,085</b>
Increase in Inventory Reserve	0	0	0	0
<b>Fund Balance (Deficit) End of Year</b>	<b>\$ 189,462</b>	<b>\$ 5,114</b>	<b>\$ (3,340)</b>	<b>\$ 52,933</b>

**CITY OF SALEM, OHIO**

Shade Tree	Economic Development Loan	Central Business District	Design Review Board	Community Housing Improvement	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 352,213
0	0	0	0	346,803	1,184,129
0	0	0	0	0	11,626
0	0	0	0	0	8,043
0	361	0	0	0	5,419
0	0	0	0	0	3,597
0	0	36	0	0	82,871
0	361	36	0	346,803	1,647,898
0	0	0	0	0	474,086
0	0	0	0	0	306,464
20	0	0	0	340,637	427,869
0	0	0	0	0	697,407
20	0	0	0	340,637	1,905,826
(20)	361	36	0	6,166	(257,928)
0	0	0	0	0	21,527
70	0	0	0	0	455,439
70	0	0	0	0	476,966
50	361	36	0	6,166	219,038
7	25,895	11,276	2,277	(10,480)	582,146
0	0	0	0	0	10,370
<u>\$ 57</u>	<u>\$ 26,256</u>	<u>\$ 11,312</u>	<u>\$ 2,277</u>	<u>\$ (4,314)</u>	<u>\$ 811,554</u>

**CITY OF SALEM, OHIO**

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**Combining Balance Sheet  
Nonmajor Debt Service Funds  
December 31, 2005**

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	General Obligation Debt Retirement	Special Assessment Debt Retirement	Total Nonmajor Debt Service Funds
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 15,891	\$ 27,247	\$ 43,138
Receivables:			
Special Assessments	0	98,682	98,682
<b>Total Assets</b>	<u>\$ 15,891</u>	<u>\$ 125,929</u>	<u>\$ 141,820</u>
<b>Liabilities:</b>			
Deferred Revenue	\$ 0	\$ 98,682	\$ 98,682
<b>Total Liabilities</b>	<u>0</u>	<u>98,682</u>	<u>98,682</u>
<b>Fund Balance:</b>			
Reserved for Debt Service	15,891	27,247	43,138
<b>Total Fund Balance</b>	<u>15,891</u>	<u>27,247</u>	<u>43,138</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 15,891</u>	<u>\$ 125,929</u>	<u>\$ 141,820</u>

**CITY OF SALEM, OHIO**

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Debt Service Funds  
For the Year Ended December 31, 2005**

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	General Obligation Debt Retirement	Special Assessment Debt Retirement	Total Nonmajor Debt Service Funds
<b>Revenues:</b>			
Special Assessments	\$ 0	\$ 18,139	\$ 18,139
<b>Total Revenue</b>	<u>0</u>	<u>18,139</u>	<u>18,139</u>
<b>Expenditures:</b>			
Debt Service:			
Principal Retirement	17,456	15,000	32,456
Interest and Fiscal Charges	94,726	7,799	102,525
<b>Total Expenditures</b>	<u>112,182</u>	<u>22,799</u>	<u>134,981</u>
Excess (Deficiency) of Revenues Over Expenditures	(112,182)	(4,660)	(116,842)
<b>Other Financing Sources (Uses):</b>			
General Obligation Bonds Issued	2,380,000	0	2,380,000
Premium on Bonds Issued	100,212	0	100,212
Transfers In	291,737	0	291,737
Transfers Out	(2,672,377)	0	(2,672,377)
<b>Total Other Financing Sources (Uses)</b>	<u>99,572</u>	<u>0</u>	<u>99,572</u>
Net Change in Fund Balance	(12,610)	(4,660)	(17,270)
<b>Fund Balance at Beginning of Year</b>	<u>28,501</u>	<u>31,907</u>	<u>60,408</u>
<b>Fund Balance End of Year</b>	<u>\$ 15,891</u>	<u>\$ 27,247</u>	<u>\$ 43,138</u>

**CITY OF SALEM, OHIO**

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**Combining Balance Sheet  
Nonmajor Capital Projects Funds  
December 31, 2005**

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	<u>Industrial Park Development</u>	<u>Industrial Park West Project</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 129,820	\$ 12,607	\$ 142,427
<b>Total Assets</b>	<u>\$ 129,820</u>	<u>\$ 12,607</u>	<u>\$ 142,427</u>
<b>Liabilities:</b>			
<b>Total Liabilities</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Fund Balance:</b>			
Undesignated/Unreserved	<u>129,820</u>	<u>12,607</u>	<u>142,427</u>
<b>Total Fund Balance</b>	<u>129,820</u>	<u>12,607</u>	<u>142,427</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 129,820</u>	<u>\$ 12,607</u>	<u>\$ 142,427</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, 2005**

	Industrial Park Development	Industrial Park West Project	Cunningham and Bentley Road Improvement	Total Nonmajor Capital Project Funds
<b>Revenues:</b>				
<b>Total Revenue</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>Expenditures:</b>				
Capital Outlay	0	0	259,936	259,936
Debt Service:				
Interest & Fiscal Charges	0	4,306	0	4,306
<b>Total Expenditures</b>	0	4,306	259,936	264,242
Excess (Deficiency) of Revenues Over Expenditures	0	(4,306)	(259,936)	(264,242)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	35,880	0	0	35,880
Ohio Public Works Commission Loan	0	0	259,936	259,936
Transfers In	0	812,400	0	812,400
<b>Total Other Financing Sources (Uses)</b>	35,880	812,400	259,936	1,108,216
Net Change in Fund Balance	35,880	808,094	0	843,974
<b>Fund Balance (Deficit) at Beginning of Year</b>	93,940	(795,487)	0	(701,547)
<b>Fund Balance End of Year</b>	\$ 129,820	\$ 12,607	\$ 0	\$ 142,427

**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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 561,618	\$ 706,786	\$ 704,795	\$ (1,991)
Intergovernmental Revenues	476,683	599,897	588,987	(10,910)
Charges for Services	49,359	62,118	61,965	(153)
Licenses and Permits	103,696	130,500	122,070	(8,430)
Investment Earnings	278,113	350,000	360,534	10,534
Special Assessments	2,384	3,000	3,418	418
Fines and Forfeitures	19,468	24,500	21,819	(2,681)
All Other Revenues	4,397	5,534	16,277	10,743
Total Revenues	<u>1,495,718</u>	<u>1,882,335</u>	<u>1,879,865</u>	<u>(2,470)</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Police:				
Personal Services	1,496,679	1,583,400	1,559,160	24,240
Materials and Supplies	72,541	76,744	75,846	898
Contractual Services	17,226	18,224	16,026	2,198
Capital Outlay	1,890	2,000	200	1,800
Total Police	<u>1,588,336</u>	<u>1,680,368</u>	<u>1,651,232</u>	<u>29,136</u>
School Patrol:				
Personal Services	21,457	22,700	18,133	4,567
Total School Patrol	<u>21,457</u>	<u>22,700</u>	<u>18,133</u>	<u>4,567</u>
Animal Control:				
Personal Services	8,044	8,510	8,453	57
Total Animal Control	<u>8,044</u>	<u>8,510</u>	<u>8,453</u>	<u>57</u>
Fire Fighting:				
Personal Services	982,942	1,039,895	1,025,673	14,222
Materials and Supplies	30,143	31,890	27,976	3,914
Contractual Services	18,784	19,872	18,528	1,344
Total Fire Fighting	<u>1,031,869</u>	<u>1,091,657</u>	<u>1,072,177</u>	<u>19,480</u>
Street Lighting:				
Personal Services	42,359	44,813	44,021	792
Materials and Supplies	8,965	9,485	7,845	1,640
Contractual Services	57,185	60,498	45,688	14,810
Total Street Lighting	<u>108,509</u>	<u>114,796</u>	<u>97,554</u>	<u>17,242</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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Traffic Safety:				
Personal Services	45,741	48,392	43,951	4,441
Materials and Supplies	13,902	14,707	12,720	1,987
Contractual Services	16,015	16,943	13,924	3,019
Total Traffic Safety	<u>75,658</u>	<u>80,042</u>	<u>70,595</u>	<u>9,447</u>
Safety Director:				
Personal Services	9,586	10,141	9,964	177
Materials and Supplies	1,087	1,150	258	892
Contractual Services	899	951	861	90
Total Safety Director	<u>11,572</u>	<u>12,242</u>	<u>11,083</u>	<u>1,159</u>
Total Security of Persons and Property	<u>2,845,445</u>	<u>3,010,315</u>	<u>2,929,227</u>	<u>81,088</u>
Community Environment:				
Housing Planning and Zoning:				
Personal Services	92,224	97,567	97,393	174
Materials and Supplies	5,600	5,924	4,967	957
Contractual Services	21,788	23,050	21,840	1,210
Other Expenditures	189	200	30	170
Capital Outlay	217	230	230	0
Total Housing Planning and Zoning	<u>120,018</u>	<u>126,971</u>	<u>124,460</u>	<u>2,511</u>
Design Review Board:				
Personal Services	600	600	0	600
Materials and Supplies	203	250	0	250
Total Design Review Board	<u>803</u>	<u>850</u>	<u>0</u>	<u>850</u>
Housing Inspector:				
Personal Services	46,715	49,480	47,835	1,645
Materials and Supplies	1,000	1,000	946	54
Total Housing Inspector	<u>47,715</u>	<u>50,480</u>	<u>48,781</u>	<u>1,699</u>
Total Community Environment	<u>168,536</u>	<u>178,301</u>	<u>173,241</u>	<u>5,060</u>
Transportation:				
Streets:				
Personal Services	15,432	16,326	12,175	4,151
Materials and Supplies	3,308	3,500	350	3,150
Contractual Services	6,144	6,500	400	6,100
Total Streets	<u>24,884</u>	<u>26,326</u>	<u>12,925</u>	<u>13,401</u>
Total Transportation	<u>24,884</u>	<u>26,326</u>	<u>12,925</u>	<u>13,401</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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Government:				
Mayor:				
Personal Services	64,304	68,029	66,856	1,173
Materials and Supplies	331	350	234	116
Contractual Services	6,364	6,733	6,631	102
Total Mayor	70,999	75,112	73,721	1,391
Auditor:				
Personal Services	143,080	151,370	150,357	1,013
Materials and Supplies	2,876	3,043	2,834	209
Contractual Services	23,668	25,039	25,001	38
Capital Outlay	945	1,000	648	352
Total Auditor	170,569	180,452	178,840	1,612
Treasurer:				
Personal Services	8,026	8,491	8,357	134
Materials and Supplies	236	250	67	183
Contractual Services	871	921	841	80
Capital Outlay	1,418	1,500	880	620
Total Treasurer	10,551	11,162	10,145	1,017
Law Director:				
Personal Services	91,529	96,832	92,550	4,282
Material and Supplies	1,229	1,300	491	809
Contractual Services	76,178	80,592	75,508	5,084
Total Law Director	168,936	178,724	168,549	10,175
Service Director:				
Personal Services	75,269	79,630	79,201	429
Materials and Supplies	945	1,000	913	87
Contractual Services	21,223	22,453	12,365	10,088
Total Service Director	97,437	103,083	92,479	10,604
City Council:				
Personal Services	41,409	43,808	43,640	168
Materials and Supplies	14,367	15,199	195	15,004
Contractual Services	5,860	6,200	5,432	768
Total City Council	61,636	65,207	49,267	15,940

(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, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Council Clerk:				
Personal Services	5,001	5,301	5,297	4
Materials and Supplies	175	175	162	13
Total Council Clerk	<u>5,176</u>	<u>5,476</u>	<u>5,459</u>	<u>17</u>
Civil Service Commission:				
Personal Services	5,678	6,297	6,263	34
Materials and Supplies	5,000	5,000	4,435	565
Total Civil Service Commission	<u>10,678</u>	<u>11,297</u>	<u>10,698</u>	<u>599</u>
City Hall:				
Personal Services	101,915	107,820	102,099	5,721
Materials and Supplies	14,241	15,066	11,400	3,666
Contractual Services	112,428	118,942	108,630	10,312
Total City Hall	<u>228,584</u>	<u>241,828</u>	<u>222,129</u>	<u>19,699</u>
General Administrative:				
Personal Services	32,826	34,729	33,791	938
Contractual Services	81,611	86,340	84,912	1,428
Other Expenditures	14,360	15,192	15,191	1
Total General Administrative	<u>128,797</u>	<u>136,261</u>	<u>133,894</u>	<u>2,367</u>
Total General Government	<u>953,363</u>	<u>1,008,602</u>	<u>945,181</u>	<u>63,421</u>
Total Expenditures	<u>3,992,228</u>	<u>4,223,544</u>	<u>4,060,574</u>	<u>162,970</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,496,510)	(2,341,209)	(2,180,709)	160,500
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	1,500	1,500	4,021	2,521
Transfers In	3,091,000	3,091,000	3,090,945	(55)
Transfers Out	(806,852)	(806,852)	(766,033)	40,819
Total Other Financing Sources (Uses)	<u>2,285,648</u>	<u>2,285,648</u>	<u>2,328,933</u>	<u>43,285</u>
Net Change in Fund Balance	(210,862)	(55,561)	148,224	203,785
Fund Balance at Beginning of Year	519,306	519,306	519,306	0
Prior Year Encumbrances	67,825	67,825	67,825	0
Fund Balance at End of Year	<u>\$ 376,269</u>	<u>\$ 531,570</u>	<u>\$ 735,355</u>	<u>\$ 203,785</u>

**CITY OF SALEM, OHIO**

***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Fund – Municipal Income Tax Fund - Special Revenue Fund  
For the Year Ended December 31, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 3,600,000	\$ 3,838,512	\$ 3,838,513	\$ 1
Total Revenues	<u>3,600,000</u>	<u>3,838,512</u>	<u>3,838,513</u>	<u>1</u>
<b>Expenditures:</b>				
General Government:				
Personal Services	123,180	123,179	118,483	4,696
Materials and Supplies	9,925	9,925	6,407	3,518
Contractual Services	19,005	19,005	15,564	3,441
Other Expenditures	75,000	75,000	52,605	22,395
Capital Outlay	1,000	1,000	736	264
Total Expenditures	<u>228,110</u>	<u>228,109</u>	<u>193,795</u>	<u>34,314</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,371,890	3,610,403	3,644,718	34,315
<b>Other Financing Sources (Uses):</b>				
Transfers Out	<u>(3,400,000)</u>	<u>(3,854,000)</u>	<u>(3,851,181)</u>	<u>2,819</u>
Total Other Financing Sources (Uses)	<u>(3,400,000)</u>	<u>(3,854,000)</u>	<u>(3,851,181)</u>	<u>2,819</u>
Net Change in Fund Balance	(28,110)	(243,597)	(206,463)	37,134
Fund Balance at Beginning of Year	193,606	193,606	193,606	0
Prior Year Encumbrances	<u>6,840</u>	<u>6,840</u>	<u>6,840</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 172,336</u>	<u>\$ (43,151)</u>	<u>\$ (6,017)</u>	<u>\$ 37,134</u>

**CITY OF SALEM, OHIO**

***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Fund – Income Tax Capital Improvement Fund - Capital Projects Fund  
For the Year Ended December 31, 2005***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 31,208	\$ 34,161	\$ 34,161	\$ 0
All Other Revenues	23,393	25,607	25,608	1
Total Revenues	<u>54,601</u>	<u>59,768</u>	<u>59,769</u>	<u>1</u>
<b>Expenditures:</b>				
Capital Outlay	1,472,929	1,484,429	1,004,226	480,203
Total Expenditures	<u>1,472,929</u>	<u>1,484,429</u>	<u>1,004,226</u>	<u>480,203</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,418,328)	(1,424,661)	(944,457)	480,204
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	2,286	2,286	2,286	0
General Obligation Notes Issued	23,113	23,113	23,113	0
Transfers In	100,000	478,500	478,499	(1)
Total Other Financing Sources (Uses)	<u>125,399</u>	<u>503,899</u>	<u>503,898</u>	<u>(1)</u>
Net Change in Fund Balance	(1,292,929)	(920,762)	(440,559)	480,203
Fund Balance at Beginning of Year	1,140,278	1,140,278	1,140,278	0
Prior Year Encumbrances	264,373	264,373	264,373	0
Fund Balance at End of Year	<u>\$ 111,722</u>	<u>\$ 483,889</u>	<u>\$ 964,092</u>	<u>\$ 480,203</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 63,804	\$ 63,212	\$ (592)
Intergovernmental Revenues	6,200	6,791	591
Total Revenues	<u>70,004</u>	<u>70,003</u>	<u>(1)</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Personal Services	<u>199,301</u>	<u>199,300</u>	<u>1</u>
Total Expenditures	<u>199,301</u>	<u>199,300</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(129,297)	(129,297)	0
<b>Other Financing Sources (Uses):</b>			
Transfers In	<u>129,296</u>	<u>129,296</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>129,296</u>	<u>129,296</u>	<u>0</u>
Net Change in Fund Balance	(1)	(1)	0
Fund Balance at Beginning of Year	<u>1</u>	<u>1</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 63,803	\$ 63,212	\$ (591)
Intergovernmental Revenues	6,200	6,791	591
Total Revenues	<u>70,003</u>	<u>70,003</u>	<u>0</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Personal Services	<u>184,077</u>	<u>184,077</u>	<u>0</u>
Total Expenditures	<u>184,077</u>	<u>184,077</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(114,074)	(114,074)	0
<b>Other Financing Sources (Uses):</b>			
Transfers In	<u>114,074</u>	<u>114,073</u>	<u>(1)</u>
Total Other Financing Sources (Uses)	<u>114,074</u>	<u>114,073</u>	<u>(1)</u>
Net Change in Fund Balance	0	(1)	(1)
Fund Balance at Beginning of Year	<u>1</u>	<u>1</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ (1)</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Fines and Forfeitures	\$ 1,835	\$ 1,835	\$ 0
Total Revenues	<u>1,835</u>	<u>1,835</u>	<u>0</u>
<b>Expenditures:</b>			
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	(1,165)	1,835	3,000
Fund Balance at Beginning of Year	<u>3,036</u>	<u>3,036</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,871</u>	<u>\$ 4,871</u>	<u>\$ 3,000</u>



**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Fines and Forfeitures	\$ 1,449	\$ 1,448	\$ (1)
Total Revenues	<u>1,449</u>	<u>1,448</u>	<u>(1)</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Materials and Supplies	<u>5,375</u>	<u>0</u>	<u>5,375</u>
Total Expenditures	<u>5,375</u>	<u>0</u>	<u>5,375</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,926)	1,448	5,374
Fund Balance at Beginning of Year	<u>5,378</u>	<u>5,378</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,452</u>	<u>\$ 6,826</u>	<u>\$ 5,374</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 166,525	\$ 161,410	\$ (5,115)
Investment Earnings	0	3,812	3,812
All Other Revenues	2,311	3,615	1,304
Total Revenues	<u>168,836</u>	<u>168,837</u>	<u>1</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Materials And Supplies	25,000	2,635	22,365
Contractual Services	7,500	0	7,500
Capital Outlay	167,500	111,342	56,158
Total Expenditures	<u>200,000</u>	<u>113,977</u>	<u>86,023</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,164)	54,860	86,024
Fund Balance at Beginning of Year	<u>196,147</u>	<u>196,147</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 164,983</u>	<u>\$ 251,007</u>	<u>\$ 86,024</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 480,358	\$ 478,871	\$ (1,487)
Investment Earnings	0	703	703
All Other Revenues	0	784	784
Total Revenues	<u>480,358</u>	<u>480,358</u>	<u>0</u>
<b>Expenditures:</b>			
Transportation:			
Personal Services	494,474	480,599	13,875
Materials and Supplies	123,036	119,787	3,249
Contractual Services	20,372	18,175	2,197
Total Expenditures	<u>637,882</u>	<u>618,561</u>	<u>19,321</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(157,524)	(138,203)	19,321
<b>Other Financing Sources (Uses):</b>			
Transfers In	<u>140,000</u>	<u>140,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>140,000</u>	<u>140,000</u>	<u>0</u>
Net Change in Fund Balance	(17,524)	1,797	19,321
Fund Balance at Beginning of Year	64,712	64,712	0
Prior Year Encumbrances	<u>17,443</u>	<u>17,443</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 64,631</u>	<u>\$ 83,952</u>	<u>\$ 19,321</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 36,500	\$ 36,232	\$ (268)
Investment Earnings	0	144	144
Total Revenues	<u>36,500</u>	<u>36,376</u>	<u>(124)</u>
<b>Expenditures:</b>			
Transportation:			
Personal Services	28,000	28,000	0
Materials and Supplies	6,325	5,808	517
Total Expenditures	<u>34,325</u>	<u>33,808</u>	<u>517</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,175	2,568	393
Fund Balance at Beginning of Year	11,490	11,490	0
Prior Year Encumbrances	825	825	0
Fund Balance at End of Year	<u>\$ 14,490</u>	<u>\$ 14,883</u>	<u>\$ 393</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 86,981	\$ 86,980	\$ (1)
Total Revenues	<u>86,981</u>	<u>86,980</u>	<u>(1)</u>
<b>Expenditures:</b>			
Transportation:			
Personal Services	74,000	46,389	27,611
Materials and Supplies	<u>27,301</u>	<u>27,301</u>	<u>0</u>
Total Expenditures	<u>101,301</u>	<u>73,690</u>	<u>27,611</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,320)	13,290	27,610
Fund Balance at Beginning of Year	11,273	11,273	0
Prior Year Encumbrances	<u>3,180</u>	<u>3,180</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 133</u>	<u>\$ 27,743</u>	<u>\$ 27,610</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 3,460	\$ 3,460	\$ 0
Total Revenues	<u>3,460</u>	<u>3,460</u>	<u>0</u>
<b>Expenditures:</b>			
Community Environment:			
Materials and Supplies	100	32	68
Contractual Services	<u>18,363</u>	<u>13,731</u>	<u>4,632</u>
Total Expenditures	<u>18,463</u>	<u>13,763</u>	<u>4,700</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,003)	(10,303)	4,700
<b>Other Financing Sources (Uses):</b>			
Transfers In	<u>22,000</u>	<u>22,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>22,000</u>	<u>22,000</u>	<u>0</u>
Net Change in Fund Balance	6,997	11,697	4,700
Fund Balance at Beginning of Year	21	21	0
Prior Year Encumbrances	<u>7,211</u>	<u>7,211</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 14,229</u>	<u>\$ 18,929</u>	<u>\$ 4,700</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Licenses and Permits	\$ 8,042	\$ 8,043	\$ 1
All Other Revenues	9,113	9,111	(2)
Total Revenues	<u>17,155</u>	<u>17,154</u>	<u>(1)</u>
<b>Expenditures:</b>			
Leisure Time Activities:			
Personal Services	14,275	14,093	182
Materials and Supplies	4,733	3,244	1,489
Contractual Services	1,952	1,951	1
Total Expenditures	<u>20,960</u>	<u>19,288</u>	<u>1,672</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,805)	(2,134)	1,671
Fund Balance at Beginning of Year	4,228	4,228	0
Prior Year Encumbrances	1,107	1,107	0
Fund Balance at End of Year	<u>\$ 1,530</u>	<u>\$ 3,201</u>	<u>\$ 1,671</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, 2005**

	PARKS FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
<b>Revenues:</b>			
Taxes	\$ 235,968	\$ 221,409	\$ (14,559)
Intergovernmental Revenues	21,000	21,582	582
Charges for Services	15,000	11,626	(3,374)
All Other Revenues	45,825	45,096	(729)
Total Revenues	<u>317,793</u>	<u>299,713</u>	<u>(18,080)</u>
<b>Expenditures:</b>			
Leisure Time Activities:			
Personal Services	257,631	247,993	9,638
Materials and Supplies	37,328	23,605	13,723
Contractual Services	27,922	25,123	2,799
Other Expenditures	500	195	305
Capital Outlay	122,500	0	122,500
Total Expenditures	<u>445,881</u>	<u>296,916</u>	<u>148,965</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(128,088)	2,797	130,885
<b>Other Financing Sources (Uses):</b>			
Transfers In	32,000	50,000	18,000
Total Other Financing Sources (Uses)	<u>32,000</u>	<u>50,000</u>	<u>18,000</u>
Net Change in Fund Balance	(96,088)	52,797	148,885
Fund Balance at Beginning of Year	104,012	104,012	0
Prior Year Encumbrances	16,585	16,585	0
Fund Balance at End of Year	<u>\$ 24,509</u>	<u>\$ 173,394</u>	<u>\$ 148,885</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 9,750	\$ 9,750	\$ 0
Total Revenues	<u>9,750</u>	<u>9,750</u>	<u>0</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Personal Services	7,100	6,995	105
Materials and Supplies	500	256	244
Total Expenditures	<u>7,600</u>	<u>7,251</u>	<u>349</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,150	2,499	349
Fund Balance at Beginning of Year	<u>2,616</u>	<u>2,616</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 4,766</u>	<u>\$ 5,115</u>	<u>\$ 349</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 66,000	\$ 66,000	\$ 0
Total Revenues	<u>66,000</u>	<u>66,000</u>	<u>0</u>
<b>Expenditures:</b>			
Community Environment:			
Contractual Services	20,200	16,200	4,000
Capital Outlay	<u>56,704</u>	<u>56,703</u>	<u>1</u>
Total Expenditures	<u>76,904</u>	<u>72,903</u>	<u>4,001</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,904)	(6,903)	4,001
Fund Balance at Beginning of Year	(1,378)	(1,378)	0
Prior Year Encumbrances	<u>4,900</u>	<u>4,900</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (7,382)</u>	<u>\$ (3,381)</u>	<u>\$ 4,001</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment Earnings	\$ 400	\$ 399	\$ (1)
All Other Revenues	24,228	24,229	1
Total Revenues	<u>24,628</u>	<u>24,628</u>	<u>0</u>
<b>Expenditures:</b>			
Community Environment:			
Contractual Services	5,000	4,569	431
Capital Outlay	531	531	0
Total Expenditures	<u>5,531</u>	<u>5,100</u>	<u>431</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,097	19,528	431
<b>Other Financing Sources (Uses):</b>			
Advances In	28,896	50,277	21,381
Advances Out	<u>(53,360)</u>	<u>(50,277)</u>	<u>3,083</u>
Total Other Financing Sources (Uses)	<u>(24,464)</u>	<u>0</u>	<u>24,464</u>
Net Change in Fund Balance	(5,367)	19,528	24,895
Fund Balance at Beginning of Year	25,129	25,129	0
Prior Year Encumbrances	4,114	4,114	0
Fund Balance at End of Year	<u>\$ 23,876</u>	<u>\$ 48,771</u>	<u>\$ 24,895</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	<b>SHADE TREE FUND</b>		
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures:</b>			
Community Environment:			
Personal Services	55	0	55
Materials and Supplies	<u>20</u>	<u>20</u>	<u>0</u>
Total Expenditures	<u>75</u>	<u>20</u>	<u>55</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75)	(20)	55
<b>Other Financing Sources (Uses):</b>			
Transfers In	<u>70</u>	<u>70</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>70</u>	<u>70</u>	<u>0</u>
Net Change in Fund Balance	(5)	50	55
Fund Balance at Beginning of Year	<u>7</u>	<u>7</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 2</u></u>	<u><u>\$ 57</u></u>	<u><u>\$ 55</u></u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment Earnings	\$ 362	\$ 361	\$ (1)
Total Revenues	<u>362</u>	<u>361</u>	<u>(1)</u>
<b>Expenditures:</b>			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	362	361	(1)
Fund Balance at Beginning of Year	<u>25,895</u>	<u>25,895</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 26,257</u>	<u>\$ 26,256</u>	<u>\$ (1)</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures:</b>			
Community Environment:			
Other Expenditures	<u>36</u>	<u>36</u>	<u>0</u>
Total Expenditures	<u>36</u>	<u>36</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36)	(36)	0
Fund Balance at Beginning of Year	<u>11,348</u>	<u>11,348</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 11,312</u>	<u>\$ 11,312</u>	<u>\$ 0</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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



**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 397,895	\$ 347,617	\$ (50,278)
Total Revenues	<u>397,895</u>	<u>347,617</u>	<u>(50,278)</u>
<b>Expenditures:</b>			
Community Environment:			
Contractual Services	356,000	373,918	(17,918)
Capital Outlay	<u>215,000</u>	<u>102,004</u>	<u>112,996</u>
Total Expenditures	<u>571,000</u>	<u>475,922</u>	<u>95,078</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(173,105)	(128,305)	44,800
<b>Other Financing Sources (Uses):</b>			
Advances In	0	50,277	50,277
Advances Out	<u>(29,000)</u>	<u>(50,277)</u>	<u>(21,277)</u>
Total Other Financing Sources (Uses)	<u>(29,000)</u>	<u>0</u>	<u>29,000</u>
Net Change in Fund Balance	(202,105)	(128,305)	73,800
Fund Balance at Beginning of Year	<u>17,701</u>	<u>17,701</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (184,404)</u>	<u>\$ (110,604)</u>	<u>\$ 73,800</u>

**CITY OF SALEM, OHIO**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Debt Service Funds  
For the Year Ended December 31, 2005**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	\$ 0	\$ 0	\$ 0
<b>Expenditures:</b>			
Debt Service:			
Principal Retirement	5,597,456	5,597,456	0
Interest and Fiscal Charges	178,991	178,990	1
Total Expenditures	5,776,447	5,776,446	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,776,447)	(5,776,446)	1
<b>Other Financing Sources (Uses):</b>			
General Obligation Notes Issued	2,991,887	2,991,887	0
General Obligation Bonds Issued	2,380,000	2,380,000	0
Premium on Bonds Issued	100,212	100,212	0
Transfers In	291,737	291,737	0
Total Other Financing Sources (Uses)	5,763,836	5,763,836	0
Net Change in Fund Balance	(12,611)	(12,610)	1
Fund Balance at Beginning of Year	28,501	28,501	0
Fund Balance at End of Year	\$ 15,890	\$ 15,891	\$ 1

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Debt Service Funds  
For the Year Ended December 31, 2005***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Special Assessments	\$ 18,138	\$ 18,138	\$ 0
Total Revenues	<u>18,138</u>	<u>18,138</u>	<u>0</u>
<b>Expenditures:</b>			
Debt Service:			
Principal Retirement	3,874	3,874	0
Interest and Fiscal Charges	<u>19,024</u>	<u>18,925</u>	<u>99</u>
Total Expenditures	<u>22,898</u>	<u>22,799</u>	<u>99</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,760)	(4,661)	99
Fund Balance at Beginning of Year	<u>31,908</u>	<u>31,908</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 27,148</u>	<u>\$ 27,247</u>	<u>\$ 99</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Capital Projects Funds  
For the Year Ended December 31, 2005***

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	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures:</b>			
Capital Outlay	<u>93,940</u>	<u>0</u>	<u>93,940</u>
Total Expenditures	<u>93,940</u>	<u>0</u>	<u>93,940</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(93,940)	0	93,940
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	<u>35,880</u>	<u>35,880</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>35,880</u>	<u>35,880</u>	<u>0</u>
Net Change in Fund Balance	(58,060)	35,880	93,940
Fund Balance at Beginning of Year	<u>93,940</u>	<u>93,940</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 35,880</u>	<u>\$ 129,820</u>	<u>\$ 93,940</u>

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Capital Projects Funds  
For the Year Ended December 31, 2005***

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

**CITY OF SALEM, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Capital Projects Funds  
For the Year Ended December 31, 2005***

---

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures:</b>			
Capital Outlay	<u>335,000</u>	<u>259,936</u>	<u>75,064</u>
Total Expenditures	<u>335,000</u>	<u>259,936</u>	<u>75,064</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(335,000)	(259,936)	75,064
<b>Other Financing Sources (Uses):</b>			
Ohio Public Works Commission Loan	<u>259,936</u>	<u>259,936</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>259,936</u>	<u>259,936</u>	<u>0</u>
Net Change in Fund Balance	(75,064)	0	75,064
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (75,064)</u>	<u>\$ 0</u>	<u>\$ 75,064</u>



***Fiduciary Funds***

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

***Agency Funds***

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**Miscellaneous Agency Fund**

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

**Street Opening Fund**

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

**Developers Fund**

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



**CITY OF SALEM, OHIO**

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***Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended December 31, 2005***

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	Balance December 31, 2004	Additions	Deductions	Balance December 31, 2005
<u>Miscellaneous Agency Fund</u>				
Assets:				
Cash and Cash Equivalents	\$1	\$212	(\$114)	\$99
Total Assets	\$1	\$212	(\$114)	\$99
Liabilities:				
Due to Others	\$1	\$212	(\$114)	\$99
Total Liabilities	\$1	\$212	(\$114)	\$99
<u>Street Opening Fund</u>				
Assets:				
Cash and Cash Equivalents	\$1,070	\$250	(\$250)	\$1,070
Total Assets	\$1,070	\$250	(\$250)	\$1,070
Liabilities:				
Due to Others	\$1,070	\$250	(\$250)	\$1,070
Total Liabilities	\$1,070	\$250	(\$250)	\$1,070
<u>Developers Fund</u>				
Assets:				
Cash and Cash Equivalents	\$27,249	\$40,769	(\$31,256)	\$36,762
Total Assets	\$27,249	\$40,769	(\$31,256)	\$36,762
Liabilities:				
Due to Others	\$27,249	\$40,769	(\$31,256)	\$36,762
Total Liabilities	\$27,249	\$40,769	(\$31,256)	\$36,762
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$28,320	\$41,231	(\$31,620)	\$37,931
Total Assets	\$28,320	\$41,231	(\$31,620)	\$37,931
Liabilities:				
Due to Others	\$28,320	\$41,231	(\$31,620)	\$37,931
Total Liabilities	\$28,320	\$41,231	(\$31,620)	\$37,931

*CAPITAL ASSETS USED IN THE  
OPERATION OF GOVERNMENTAL FUNDS*

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**CITY OF SALEM, OHIO**

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***Capital Assets Used in the Operation of Governmental Funds  
Schedule by Source  
December 31, 2005***

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<u>Capital Assets</u>	
Land	\$4,237,171
Construction in Progress	409,568
Buildings	2,749,433
Improvements Other than Buildings	229,661
Machinery and Equipment	3,300,493
Infrastructure	<u>20,279,689</u>
Total Capital Assets	<u><u>\$31,206,015</u></u>

<u>Investment in Capital Assets</u>	
General Fund	\$894,681
Special Revenue Funds	19,779,154
Capital Projects Funds	10,522,174
Donations	<u>10,006</u>
Total Investment in Capital Assets	<u><u>\$31,206,015</u></u>

**CITY OF SALEM, OHIO**

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***Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity  
December 31, 2005***

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<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings and Improvements</u>	<u>Land Improvements</u>
<u>General Government:</u>				
Mayor	\$0	\$0	\$1,041	\$0
Auditor	0	0	1,904	0
Law Director	0	0	0	0
City Hall	323,637	0	598,098	0
Income Tax	0	0	16,692	0
Total	<u>323,637</u>	<u>0</u>	<u>617,735</u>	<u>0</u>
<u>Security of Persons and Property:</u>				
Police	0	0	30,125	0
Fire	0	0	606,509	0
Traffic	0	0	60,300	0
Total	<u>0</u>	<u>0</u>	<u>696,934</u>	<u>0</u>
<u>Transportation:</u>				
Street	<u>3,584,711</u>	<u>0</u>	<u>380,490</u>	<u>0</u>
<u>Leisure Time Activities:</u>				
Parks	<u>328,823</u>	<u>409,568</u>	<u>1,044,515</u>	<u>229,661</u>
<u>Public Health and Welfare:</u>				
Health	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Community Environment:</u>				
Housing, Planning, Zoning	<u>0</u>	<u>0</u>	<u>9,759</u>	<u>0</u>
Total Capital Assets	<u>\$4,237,171</u>	<u>\$409,568</u>	<u>\$2,749,433</u>	<u>\$229,661</u>

**CITY OF SALEM, OHIO**

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<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$0	\$0	\$1,041
26,435	0	28,339
1,139	0	1,139
21,113	0	942,848
4,656	0	21,348
<u>53,343</u>	<u>0</u>	<u>994,715</u>
287,467	0	317,592
1,572,235	0	2,178,744
86,123	0	146,423
<u>1,945,825</u>	<u>0</u>	<u>2,642,759</u>
<u>1,022,820</u>	<u>20,279,689</u>	<u>25,267,710</u>
<u>251,731</u>	<u>0</u>	<u>2,264,298</u>
<u>6,444</u>	<u>0</u>	<u>6,444</u>
<u>20,330</u>	<u>0</u>	<u>30,089</u>
<u>\$3,300,493</u>	<u>\$20,279,689</u>	<u>\$31,206,015</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, 2005**

<u>Function and Activity</u>	<u>December 31, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2005</u>
<u>General Government:</u>				
Mayor	\$1,041	\$0	\$0	\$1,041
Auditor	28,339	0	0	28,339
Law Director	1,139	0	0	1,139
City Hall	942,848	0	0	942,848
Income Tax	23,420	0	(2,072)	21,348
Total	<u>996,787</u>	<u>0</u>	<u>(2,072)</u>	<u>994,715</u>
<u>Security of Persons and Property:</u>				
Police	289,513	100,357	(72,278)	317,592
Fire	2,178,744	0	0	2,178,744
Traffic	146,735	0	(312)	146,423
Total	<u>2,614,992</u>	<u>100,357</u>	<u>(72,590)</u>	<u>2,642,759</u>
<u>Transportation:</u>				
Street	<u>24,429,901</u>	<u>997,404</u>	<u>(159,595)</u>	<u>25,267,710</u>
<u>Leisure Time Activities:</u>				
Parks	<u>2,264,298</u>	<u>0</u>	<u>0</u>	<u>2,264,298</u>
<u>Public Health and Welfare:</u>				
Health	<u>6,444</u>	<u>0</u>	<u>0</u>	<u>6,444</u>
<u>Community Environment:</u>				
Housing, Planning, Zoning	<u>30,089</u>	<u>0</u>	<u>0</u>	<u>30,089</u>
Total Capital Assets	<u>\$30,342,511</u>	<u>\$1,097,761</u>	<u>(\$234,257)</u>	<u>\$31,206,015</u>

*STATISTICAL SECTION*

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*STATISTICAL TABLES*

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*THE FOLLOWING UNAUDITED STATISTICAL TABLES REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND FISCAL CAPACITY OF THE CITY.*

**CITY OF SALEM, OHIO**

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)  
LAST TEN YEARS**

<b>Year</b>	<b>Security of Persons and Property</b>	<b>Public Health and Welfare</b>	<b>Leisure Time Activities</b>	<b>Community Environment</b>	<b>Trans- portation</b>	<b>General Government</b>	<b>Capital Outlay</b>	<b>Debt Service</b>	<b>Other</b>	<b>Total</b>
1996	\$2,167,226	\$0	\$245,997	\$236,801	\$520,427	\$842,123	\$76,816	\$388,234	\$0	\$4,477,624
1997	2,250,122	0	230,922	669,445	557,055	992,101	0	367,825	25,000	5,092,470
1998	2,347,476	184	278,949	512,734	567,995	773,925	0	417,041	0	4,898,304
1999	2,563,752	0	297,182	705,871	620,635	821,378	0	338,767	0	5,347,585
2000	2,767,324	0	306,338	510,250	629,656	782,365	0	211,934	0	5,207,867
2001	2,801,303	0	332,362	566,184	651,166	972,342	0	201,575	0	5,524,932
2002	2,945,543	0	344,476	732,774	647,798	884,549	0	196,564	0	5,751,704
2003	3,340,877	0	332,390	510,618	727,501	1,007,890	2,083,258	239,173	0	8,241,707
2004	3,230,200	0	307,139	557,427	694,350	1,026,015	647,449	243,221	0	6,705,801
2005	3,384,494	0	306,464	590,321	709,471	1,150,530	1,217,466	199,002	0	7,557,748

(1) Includes General Fund, Special Revenue Funds and Debt Service Funds  
Beginning in 2003, includes all Governmental Funds

**CITY OF SALEM, OHIO**

**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)  
LAST TEN YEARS**

<b>Year</b>	<b>Taxes</b>	<b>Inter-Governmental Revenues</b>	<b>Charges for Services</b>	<b>Licenses and Permits</b>	<b>Investment Earnings</b>	<b>Fines and Forfeitures</b>	<b>All Other (2)</b>	<b>Total</b>
1996	\$4,102,952	\$961,184	\$61,392	\$57,369	\$117,830	\$91,718	\$176,927	\$5,569,372
1997	4,033,823	1,297,926	58,487	68,115	118,507	64,834	129,359	5,771,051
1998	4,408,279	1,278,362	60,718	75,265	80,367	71,409	190,992	6,165,392
1999	4,797,447	1,610,766	63,577	68,152	145,980	47,810	79,502	6,813,234
2000	4,549,651	1,484,008	59,252	70,483	179,262	44,076	116,283	6,503,015
2001	4,352,963	1,303,058	61,017	65,639	145,629	34,588	273,983	6,236,877
2002	4,480,251	1,208,916	71,803	109,586	384,637	47,027	66,789	6,369,009
2003	4,623,253	2,010,794	65,601	92,031	307,208	36,734	112,913	7,248,534
2004	4,743,926	1,591,197	72,379	86,658	380,984	23,507	139,028	7,037,679
2005	4,903,826	1,696,999	73,591	130,113	462,465	25,734	171,543	7,464,271

(1) Includes General Fund, Special Revenue Funds and Debt Service Funds Beginning in 2003, includes all Governmental Funds

(2) Includes Special Assessment Revenue

**CITY OF SALEM, OHIO**

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN YEARS**

Collection Year	Total Tax Levy	Current Tax Collections		Delinquent Tax Collections		Total Tax Collections	Percent of Total Tax Collections To Tax Levy		Accumulated Outstanding Delinquent Taxes		Percentage of Accumulated Delinquent Taxes To Total Tax Levy
1996	\$467,063	\$441,648			N/A	\$441,648	94.56%		\$24,655		5.28%
1997	439,888	403,805		15,859		419,664	95.40%		23,669		5.38%
1998	555,477	515,270		15,660		530,930	95.58%		18,663		3.36%
1999	644,138	605,304		12,661		617,965	95.94%		27,856		4.32%
2000	653,332	606,424		21,959		628,383	96.18%		24,950		3.82%
2001	669,618	634,063		20,562		654,625	97.76%		14,993		2.24%
2002	712,754	657,512		15,665		673,177	94.45%		39,578		5.55%
2003	761,074	702,618		24,436		727,054	95.53%		34,020		4.47%
2004	790,145	714,102		31,483		745,585	94.36%		44,559		5.64%
2005	859,144	766,185		40,753		806,938	93.92%		52,206		6.08%

Source: Columbiana County Auditor

**CITY OF SALEM, OHIO**

**ASSESSED VALUATIONS AND ESTIMATED TRUE VALUES  
OF TAXABLE PROPERTY  
LAST TEN YEARS**

Tax Year	Real Property		Public Utility Personal		Tangible Personal Property		Total		Assessed Value as a Percent of Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Actual	
1996	\$105,623,160	\$301,780,457	\$7,436,810	\$8,450,920	\$44,158,630	\$176,634,520	\$157,218,600	\$486,865,898	32.29%
1997	106,349,850	303,856,714	7,466,800	8,485,000	49,164,620	196,658,480	162,981,270	509,000,194	32.02%
1998	133,221,260	380,632,171	7,350,205	8,352,506	54,790,720	219,162,880	195,362,185	608,147,557	32.12%
1999	134,226,200	383,503,429	7,250,430	8,239,125	59,397,900	237,591,600	200,874,530	629,334,154	31.92%
2000	139,908,780	399,739,371	5,414,530	6,152,875	52,289,660	209,158,640	197,612,970	615,050,886	32.13%
2001	152,057,740	434,450,686	5,639,160	6,408,136	54,807,260	219,229,040	212,504,160	660,087,862	32.19%
2002	158,035,190	451,529,114	5,303,490	6,026,693	52,418,430	209,673,720	215,757,110	667,229,527	32.34%
2003	165,979,880	474,228,229	5,303,490	6,026,693	50,462,560	201,850,240	221,745,930	682,105,162	32.51%
2004	178,792,810	510,836,600	5,303,490	6,026,693	48,844,640	195,378,560	232,940,940	712,241,853	32.71%
2005	180,858,680	516,739,086	5,303,490	6,026,693	49,011,080	196,044,320	235,173,250	718,810,099	32.72%

Source: Columbiana County Auditor

**CITY OF SALEM, OHIO**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
(PER \$1,000 OF ASSESSED VALUATIONS)  
LAST TEN YEARS**

Collection Year	City of Salem										Total Township	Total
	General Fund	Police Pension	Fire Pension	Park Fund	Total City	Salem City School District	Columbiana County					
1996	2.80	0.30	0.30	1.00	4.40	48.30	8.70	0.20			61.60	
1997	2.80	0.30	0.30	0.50	3.90	47.90	8.70	0.20			60.70	
1998	2.80	0.30	0.30	1.50	4.90	42.00	10.30	0.20			57.40	
1999	2.80	0.30	0.30	1.50	4.90	47.30	10.30	0.20			62.70	
2000	2.80	0.30	0.30	1.50	4.90	42.00	10.30	0.20			57.40	
2001	2.80	0.30	0.30	1.50	4.90	49.80	9.05	0.20			63.95	
2002	2.80	0.30	0.30	1.50	4.90	49.20	9.05	0.20			63.35	
2003	2.80	0.30	0.30	1.50	4.90	48.50	9.05	0.20			62.65	
2004	2.80	0.30	0.30	1.50	4.90	47.10	9.05	0.20			61.25	
2005	2.80	0.30	0.30	1.50	4.90	46.70	9.05	0.20			60.85	

Source: Columbiana County Auditor  
Columbiana County Treasurer

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS  
LAST TEN YEARS**

<b>Collection Year</b>	<b>Amount Billed</b>	<b>Amount Collected</b>	<b>Percent Collected</b>
1996	N/A	N/A	N/A
1997	\$23,216	\$20,129	86.70%
1998	25,415	23,703	93.26%
1999	27,614	25,421	92.06%
2000	33,966	29,951	88.18%
2001	20,695	19,778	95.57%
2002	25,360	24,089	94.99%
2003	21,273	17,418	81.88%
2004	30,817	24,107	78.23%
2005	31,046	24,962	80.40%

Source: Columbiana County Auditor

This table reflects only those special assessments collected through the County Auditor's office. It does not reflect lump sum payments received by the City.

**COMPUTATION OF LEGAL DEBT MARGIN  
DECEMBER 31, 2005**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$235,173,250	\$235,173,250
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	24,693,191	12,934,529
City Debt Outstanding (2)	3,005,000	3,005,000
Less: Applicable Debt Service Fund Amounts	<u>(15,891)</u>	<u>(15,891)</u>
Net Indebtedness Subject to Limitation	<u>2,989,109</u>	<u>2,989,109</u>
Legal Debt Margin	<u>\$21,704,082</u>	<u>\$9,945,420</u>

(1) Direct Debt Limitation Based Upon Section 133, The Uniform Bond Act of the Ohio Revised Code

(2) City Debt Outstanding Includes all General Obligation Notes and General Obligation Bonded Debt Supported by Property Taxes Enterprise Debt and Special Assessment Debt is Not Considered in the Computation of the Legal Debt Margin.



**CITY OF SALEM, OHIO**

**RATIO OF NET GENERAL OBLIGATION DEBT TO ASSESSED  
VALUE AND NET GENERAL OBLIGATION DEBT PER CAPITA  
LAST TEN YEARS**

Levy Year	Population (1)	Assessed Value (2)	Gross General Obligation Debt (3)	Debt Service Funds Available	Net General Obligation Debt	Ratio of Net	
						General Obligation Debt to Assessed Valuation	Net General Obligation Debt Per Capita
1996	12,233	\$157,218,600	\$1,505,000	\$23,015	\$1,481,985	0.94%	\$121.15
1997	12,233	162,981,270	1,270,000	98,292	1,171,708	0.72%	95.78
1998	12,233	195,362,185	1,010,000	93	1,009,907	0.52%	82.56
1999	12,233	200,874,530	1,650,000	8	1,649,992	0.82%	134.88
2000	12,233	197,612,970	1,350,000	12	1,349,988	0.68%	110.36
2001	12,197	212,504,160	1,050,000	54	1,049,946	0.49%	86.08
2002	12,197	215,757,110	1,100,000	55	1,099,945	0.51%	90.18
2003	12,197	221,745,930	3,192,000	0	3,192,000	1.44%	261.70
2004	12,197	232,940,940	3,190,000	28,501	3,161,499	1.36%	259.20
2005	12,197	235,173,250	3,005,000	15,891	2,989,109	1.27%	245.07

(1) Source: U.S. Bureau of Census.

(2) Source: Columbiana County Auditor.

(3) Includes all general obligation notes and general obligation bonded debt supported by property taxes.

**CITY OF SALEM, OHIO**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES  
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
LAST TEN YEARS**

<b>Year</b>	<b>Debt Principal</b>	<b>Debt Interest</b>	<b>Total Debt Service</b>	<b>Total General Governmental Expenditures</b>	<b>Ratio of Total Debt Service to Governmental Expenditures</b>
1996	\$235,000	\$102,625	\$337,625	\$4,477,624	7.54%
1997	235,000	88,325	323,325	5,092,470	6.35%
1998	260,000	73,195	333,195	4,898,304	6.80%
1999	260,000	57,185	317,185	5,347,585	5.93%
2000	150,000	39,638	189,638	5,207,867	3.64%
2001	150,000	31,088	181,088	5,524,932	3.28%
2002	150,000	22,388	172,388	5,751,704	3.00%
2003	150,000	13,538	163,538	5,895,015	2.77%
2004	150,000	4,538	154,538	6,705,801	2.30%
2005	0	0	0	7,557,748	0

**CITY OF SALEM, OHIO**

**COMPUTATION OF ALL DIRECT AND OVERLAPPING  
GENERAL OBLIGATION DEBT  
DECEMBER 31, 2005**

<b>Jurisdiction</b>	<b>Net Debt Outstanding (1)</b>	<b>Percentage Applicable to City of Salem (2)</b>	<b>Amount Applicable to City of Salem</b>
<b>Direct</b>			
City of Salem	\$2,989,109	100.00%	\$2,989,109
<b>Overlapping Subdivisions</b>			
Columbiana County	1,841,000	14.83%	273,020
South Range School District	2,565,000	0.37%	9,491
		Subtotal	282,511
		Total	\$3,271,620

(1) Does not include Self-Supporting General Obligation Bonds and Notes

(2) The percentage of gross indebtedness of the City's overlapping political subdivisions was determined by dividing each overlapping subdivision's assessed value within the City by its total assessed value

**CITY OF SALEM, OHIO**

**REVENUE BOND COVERAGE - WATER MORTGAGE BONDS (1)  
LAST TEN YEARS**

<b>Year</b>	<b>Gross Revenues (2)</b>	<b>Direct Operating Expenses (3)</b>	<b>Net Revenue Available For Debt Service</b>	<b>Debt Service Requirement (4)</b>	<b>Coverage</b>
1996	\$1,732,398	\$784,666	\$947,732	\$328,750	2.88%
1997	1,858,809	914,806	944,003	418,500	2.26%
1998	0	0	0	0	0.00%
1999	0	0	0	0	0.00%
2000	0	0	0	0	0.00%
2001	0	0	0	0	0.00%
2002	0	0	0	0	0.00%
2003	0	0	0	0	0.00%
2004	0	0	0	0	0.00%
2005	0	0	0	0	0.00%

(1) The \$2,400,000 balance of the Mortgage Revenue Bonds were defeased in April, 1998. There were no refunding bonds issued. Chase Manhattan Bank had \$2,476,327 in cash and investments which, coupled with investment earnings there on, were considered sufficient to pay, when due, the remaining debt service payments. As the money on deposit with the trustee is adequate to service the refunded debt, the original issue bonds are not included in the annual debt service requirements above.

(2) Gross revenues include total operating revenues plus investment earnings

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

(4) Annual debt service requirements include principal and interest on revenue bonds only.

It does not include the general obligation bonds reported in the Water Revenue Fund

**CITY OF SALEM, OHIO**

**REVENUE BOND COVERAGE - SEWER MORTGAGE BONDS (1)  
LAST TEN YEARS**

<b>Year</b>	<b>Gross Revenues (2)</b>	<b>Direct Operating Expenses (3)</b>	<b>Net Revenue Available For Debt Service</b>	<b>Debt Service Requirement (4)</b>	<b>Coverage</b>
1996	\$2,562,626	\$965,508	\$1,597,118	\$1,150,400	1.39%
1997	2,750,551	990,342	1,760,209	1,130,950	1.56%
1998	2,885,903	1,079,752	1,806,151	163,725	11.03%
1999	2,772,412	1,022,104	1,750,308	257,050	6.81%
2000	2,713,760	1,156,735	1,557,025	370,075	4.21%
2001	2,574,897	1,149,518	1,425,379	818,800	1.69%
2002	0	0	0	0	0.00%
2003	0	0	0	0	0.00%
2004	0	0	0	0	0.00%
2005	0	0	0	0	0.00%

(1) The \$5,895,000 balance of the Mortgage Revenue Bonds were refunded in May, 1992, by the issuance of \$7,000,000 of Sewer System Mortgage Revenue Bonds. Funds were deposited with the City's trustee which are used solely to pay the principal and interest requirements on the original issue bonds. As the money on deposit with the trustee is adequate to service the refunded debt, the original issue bonds are not included in the annual debt service requirements above.

(2) Gross revenues include total operating revenues plus investment earnings

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

(4) Annual debt service requirements include principal and interest on revenue bonds only.

It does not include the general obligation bonds reported in the Sewer Fund

**CITY OF SALEM, OHIO**

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**DEMOGRAPHIC STATISTICS  
LAST TEN YEARS**

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate County Area (3)</u>
1996	12,233	2,894	6.1%
1997	12,233	2,760	5.8%
1998	12,233	2,772	5.5%
1999	12,233	2,728	5.8%
2000	12,197	2,648	5.1%
2001	12,197	2,500	5.5%
2002	12,197	2,478	6.4%
2003	12,197	2,450	7.0%
2004	12,197	2,368	6.7%
2005	12,197	2,397	6.6%

Source: (1) U.S. Bureau of Census.

(2) Salem School Treasurer

(3) Ohio Job and Family Services

**PROPERTY VALUE AND CONSTRUCTION PERMITS  
LAST TEN YEARS**

Year	Residential (1)		Commercial (1)	
	Number of Permits	Property Value	Number of Permits	Property Value
1996	360	\$2,090,978	51	\$3,569,200
1997	428	6,136,452	79	4,091,557
1998	342	2,188,748	81	4,096,242
1999	278	2,612,814	78	2,800,056
2000	302	3,014,465	65	3,650,974
2001	375	6,532,832	48	22,466,198
2002	355	2,727,698	41	8,777,107
2003	288	3,163,181	64	4,359,718
2004	241	3,686,472	36	25,831,397
2005	330	5,600,958	37	4,101,561

Source: City of Salem Building Department

**PRINCIPAL TAXPAYERS (PERSONAL PROPERTY TAX)  
DECEMBER 31, 2005**

	<b>Taxpayer</b>	<b>Type of Business</b>	<b>2005 Assessed Valuation (Tax Duplicate)</b>	<b>Percentage of Total Assessed Valuation</b>
1.	Fresh Mark, Inc.	Food Processing	\$5,473,740	11.17%
2.	American Standard, Inc.	Manufacturing	4,776,310	9.75%
3.	Sekely Industries, Inc.	Manufacturing	4,532,350	9.25%
4.	Stadium Olds Buick, Pontiac, GMC	Car Dealership	2,128,450	4.34%
5.	Colfor Manufacturing, Inc.	Manufacturing	2,044,190	4.17%
6.	Wal Mart	Retail	1,809,100	3.69%
7.	Stadium Chev Cad Geo Inc	Car Dealership	1,659,870	3.39%
8.	Hunt Valve Co., Inc.	Manufacturing	1,381,410	2.82%
9.	Butech Inc.	Manufacturing	995,020	2.03%
10.	A. J. Loudon	Car Dealership	961,760	1.96%
		Sub-Total	25,762,200	52.57%
		All Others	23,248,880	47.43%
		Total	\$49,011,080	100.00%

Source: Columbiana County Auditor



***CITY OF SALEM, OHIO***

***PRINCIPAL WATER/SEWER USERS  
LAST TEN YEARS***

<b><u>Consumer</u></b>	<b><u>Water cubic feet</u></b>	<b><u>Water gallons</u></b>	<b><u>Consumer</u></b>	<b><u>Sewer cubic feet</u></b>	<b><u>Sewer gallons</u></b>
<b><u>1996 Water/Sewer Usage</u></b>					
1. Carriage Hill Foods	14,830,300	110,930,644	Carriage Hill Foods	14,830,300	62,615,828
2. Salem Community Hospital	2,270,100	16,980,348	Salem Community Hospital	2,270,100	18,331,236
3. Eljer Corporation	2,257,000	16,882,360	American Standard	2,046,100	12,947,880
4. American Standard	2,046,100	15,304,828	Eljer Corporation	1,921,700	9,510,072
5. Hutton Nursing Centers	693,400	5,186,632	Quaker City Castings	1,240,900	4,018,256
6. Timberlanes Motel	569,500	4,259,860	Hutton Nursing Centers	693,600	2,754,136
7. Valley Forge Incorporated	545,200	4,078,096	Timberlanes Motel	569,500	2,405,568
8. Salem Convalescent Center	519,900	3,888,852	Salem Convalescent Center	519,900	1,537,888
9. Day & Nite Laundry	359,100	2,686,068	Day & Nite Laundry	359,100	1,487,772
10. Northern Industries	356,700	2,668,116	Northern Industries	356,700	1,156,408
11. Buckeye International	287,200	2,148,256	Buckeye International	337,300	429,352
12. Salem Board of Education	284,800	2,130,304	Salem Board of Education	266,800	417,384
<b><u>1997 Water/Sewer Usage</u></b>					
1. Carriage Hill Foods	13,135,900	98,256,532	Carriage Hill Foods	13,135,900	98,256,532
2. Salem Community Hospital	2,842,800	21,264,144	Salem Community Hospital	2,842,800	21,264,144
3. Elkton Federal Prison	2,025,665	15,151,974	American Standard	2,049,500	15,330,260
4. American Standard	1,772,000	13,254,560	Eljer Corporation	1,630,800	12,198,384
5. Eljer Corporation	1,670,200	12,493,096	Hutton Nursing Centers	1,153,400	8,627,432
6. Valley Forge Incorporated	1,226,300	9,172,724	Buckeye International	872,700	6,527,796
7. Buckeye International	846,400	6,331,072	Northern Industries	695,200	5,200,096
8. Northern Industries	681,200	5,095,376	Salem Convalescent Center	623,900	4,666,772
9. Salem Convalescent Center	519,900	3,888,852	Miller-Holzworth	593,300	4,437,884
10. Salem Board of Education	579,800	4,336,904	Timberlanes Motel	515,600	3,856,688
11. Hutton Nursing Centers	464,800	3,476,704	Salem Board of Education	499,500	3,736,260
12. Miller-Holzworth	439,900	3,290,452	Day & Nite Laundry	99,700	745,756
<b><u>1998 Water/Sewer Usage</u></b>					
1. Carriage Hill Foods	16,805,000	125,701,400	Carriage Hill Foods	16,805,000	125,701,400
2. Elkton Federal Prison	9,421,251	70,470,957	Salem Community Hospital	2,808,700	21,009,076
3. Washingtonville	3,084,793	23,074,252	Eljer Corporation	1,615,300	12,082,444
4. Salem Community Hospital	2,808,700	21,009,076	Northern Industries	1,085,700	8,121,036
5. Eljer Corporation	1,775,700	13,282,236	Hutton Nursing Centers	1,043,900	7,808,372
6. Valley Forge Incorporated	1,642,000	12,282,160	American Standard	1,028,800	7,695,424
7. American Standard	1,285,200	9,613,296	Buckeye International	837,400	6,263,752
8. Northern Industries	1,085,700	8,121,036	Salem Convalescent Center	771,600	5,771,568
9. Buckeye International	837,400	6,263,752	Timberlanes Motel	544,400	4,072,112
10. Salem Convalescent Center	713,400	5,336,232	Salem Board of Education	525,800	3,932,984
11. Salem Board of Education	436,800	3,267,264	Valley Extrusions Incorporated	382,400	2,860,352
12. Quaker City Castings	332,600	2,487,848	Salem Golf Club	196,000	1,466,080

Source: Salem Utilities Department

(Continued)

**CITY OF SALEM, OHIO**

**PRINCIPAL WATER/SEWER USERS  
LAST TEN YEARS**

<b>Consumer</b>	<b>Water cubic feet</b>	<b>Water gallons</b>	<b>Consumer</b>	<b>Sewer cubic feet</b>	<b>Sewer gallons</b>
<b><u>1999 Water/Sewer Usage</u></b>					
1. Carriage Hill Foods	13,367,200	99,986,656	Carriage Hill Foods	13,367,200	62,615,828
2. Elkton Federal Prison	11,315,062	84,636,664	Salem Community Hospital	2,741,700	18,331,236
3. Valley Forge Incorporated	3,905,100	29,210,148	American Standard	1,488,700	12,947,880
4. Washingtonville	3,260,400	24,387,792	Northern Industries	1,089,700	9,510,072
5. Salem Community Hospital	2,741,700	20,507,916	Eljer Corporation	1,048,000	4,018,256
6. American Standard	1,488,700	11,135,476	Hutton Nursing Centers	904,800	2,754,136
7. Eljer Corporation	1,255,100	9,388,148	Salem Convalescent Center	620,500	2,405,568
8. Buckeye International	854,900	6,394,652	Salem Board of Education	461,800	1,537,888
9. Salem Convalescent Center	581,200	4,347,376	E. W. Bliss Company	176,000	1,487,772
10. Timberlanes Motel	558,600	4,178,328	Salem Golf Club	166,000	1,156,408
11. Salem Board of Education	451,000	3,373,480	Day & Nite Laundry	117,700	429,352
12. Salem Golf Club	166,000	1,241,680	Blossom Rehab Center	112,400	417,384
<b><u>2000 Water/Sewer Usage</u></b>					
1. Carriage Hill Foods	13,672,400	102,269,552	Carriage Hill Foods	13,672,400	102,269,552
2. Elkton Federal Prison	12,614,905	94,359,489	Salem Community Hospital	2,650,100	19,822,748
3. Washingtonville	2,688,700	20,111,476	American Standard	1,171,800	8,765,064
4. Salem Community Hospital	2,650,100	19,822,748	Eljer Corporation	1,160,400	8,679,792
5. Colfor Manufacturing, Inc.	2,330,900	17,435,132	Hutton Nursing Centers	1,082,800	8,099,344
6. Eljer Corporation	1,291,100	9,657,428	Buckeye International	734,700	5,495,556
7. Valley Forge Incorporated	857,500	6,414,100	Timberlanes Motel	602,400	4,505,952
8. Buckeye International	734,400	5,493,312	Salem Convalescent Center	554,300	4,146,164
9. Salem Convalescent Center	671,600	5,023,568	Salem Board of Education	437,800	3,274,744
10. Hutton Nursing Centers	670,000	5,011,600	Northern Industries	392,200	2,933,656
11. Timberlanes Motel	602,400	4,505,952	Blossom Rehab Center	305,000	2,281,400
12. Salem Board of Education	425,600	3,183,488	Quaker Manufacturing	304,600	2,278,408
<b><u>2001 Water/Sewer Usage</u></b>					
1. Elkton Federal Prison	14,083,350	105,343,458	Carriage Hill Foods	11,998,400	89,748,032
2. Carriage Hill Foods	11,998,400	89,748,032	Salem Community Hospital	2,383,500	17,828,580
3. Washingtonville	2,397,000	17,929,560	American Standard	1,214,400	9,083,712
4. Salem Community Hospital	2,383,500	17,828,580	Hutton Nursing Centers	1,213,500	9,076,980
5. Colfor Manufacturing, Inc.	2,178,400	16,294,432	Eljer Corporation	953,100	7,129,188
6. American Standard	1,214,400	9,083,712	Blackhawk Automotive Plastics	620,500	4,641,340
7. Eljer Corporation	973,800	7,284,024	Salem Convalescent Center	555,100	4,152,148
8. Hutton Nursing Centers	930,000	6,956,400	Timberlanes Motel	530,600	3,968,888
9. Salem Board of Education	617,000	4,615,160	Salem Board of Education	524,000	3,919,520
10. Salem Convalescent Center	603,400	4,513,432	Quaker Manufacturing	377,500	2,823,700
11. Blackhawk Automotive Plastics	544,400	4,072,112	Northern Industries	282,600	2,113,848
12. Timberlanes Motel	417,000	3,119,160	Blossom Rehabilitation Center	218,700	1,635,876

Source: Salem Utilities Department

(Continued)

**PRINCIPAL WATER/SEWER USERS  
LAST TEN YEARS**

<b>Consumer</b>	<b>Water cubic feet</b>	<b>Water gallons</b>	<b>Consumer</b>	<b>Sewer cubic feet</b>	<b>Sewer gallons</b>
<b><u>2002 Water/Sewer Usage</u></b>					
1. Carriage Hill Foods	14,886,400	111,350,272	Carriage Hill Foods	14,886,400	111,350,272
2. Elkton Federal Prison	14,797,699	110,686,789	Salem Community Hospital	2,515,100	18,812,948
3. Washingtonville	2,440,900	18,257,932	American Standard	1,667,300	12,471,404
4. Salem Community Hospital	2,515,100	18,812,948	Hutton Nursing Centers	1,150,500	8,605,740
5. Colfor Manufacturing, Inc.	1,763,000	13,187,240	Eljer Corporation	857,300	6,412,604
6. American Standard	1,667,300	12,471,404	Blackhawk Automotive Plastics	726,400	5,433,472
7. Hutton Nursing Centers	1,150,500	8,605,740	Holander House	613,900	4,591,972
8. Salem Board of Education	834,800	6,244,304	Salem Board of Education	568,800	4,254,624
9. Eljer Corporation	760,100	5,685,548	Timberlanes Motel	525,400	3,929,992
10. Blackhawk Automotive Plastics	580,000	4,338,400	Quaker Manufacturing	501,000	3,747,480
11. Holander House	557,900	4,173,092	Northern Industries	273,000	2,042,040
12. Timberlanes Motel	276,300	2,066,724	Blossom Rehabilitation Center	262,400	1,962,752
<b><u>2003 Water/Sewer Usage</u></b>					
1. Elkton Federal Prison	14,745,595	110,297,051	Carriage Hill Foods	13,593,600	101,680,128
2. Carriage Hill Foods	13,593,600	101,680,128	Salem Community Hospitals	2,526,500	18,898,220
3. Washingtonville	2,560,700	19,154,036	American Standard	1,289,700	9,646,956
4. Salem Community Hospital	2,526,500	18,898,220	Hutton Nursing Centers	1,071,600	8,015,568
5. Colfor Manufacturing, Inc.	1,705,700	12,758,636	Eljer Corporation	1,046,900	7,830,812
6. American Standard	1,289,700	9,646,956	Holander House	748,000	5,595,040
7. Hutton Nursing Centers	1,071,600	8,015,568	Salem Board of Education	530,600	3,968,888
8. Eljer Corporation	1,046,900	7,830,812	Blackhawk Automotive Plastics	525,100	3,927,748
9. Holander House	748,000	5,595,040	Quaker Manufacturing	493,300	3,689,884
10. Blackhawk Automotive Plastics	494,800	3,701,104	Timberlanes Motel	454,100	3,396,668
11. Salem Board of Education	487,200	3,644,256	Blossom Rehab Center	401,500	3,003,220
12. Quaker Manufacturing	449,900	3,365,252	Salem Kidney Center	156,300	1,169,124
<b><u>2004 Water/Sewer Usage</u></b>					
1. Elkton Federal Prison	15,644,200	117,018,616	Fresh Mark	14,948,200	111,812,536
2. Fresh Mark	14,948,200	111,812,536	Salem Community Hospitals	2,952,800	22,086,944
3. Salem Community Hospital	2,952,800	22,086,944	American Standard	1,768,900	13,231,372
4. Washingtonville	2,632,100	19,688,108	Hutton Nursing Centers	1,104,800	8,263,904
5. American Standard	1,768,900	13,231,372	Eljer Corporation	769,900	5,758,852
6. Colfor Manufacturing, Inc.	1,756,300	13,137,124	Salem Board of Education	657,100	4,915,108
7. Hutton Nursing Centers	1,104,800	8,263,904	Holander House	584,800	4,374,304
8. Eljer Corporation	769,900	5,758,852	Timberlanes Motel	490,500	3,668,940
9. Salem Board of Education	592,800	4,434,144	Blossom Rehab Center	461,300	3,450,524
10. Holander House	584,800	4,374,304	Northern Industries	421,800	3,155,064
11. Elkton Wastewater Plant	347,700	2,600,796	Day & Nite Laundry	261,300	1,954,524
12. Timberlanes Motel	341,800	2,556,664	Miller Holzworth, Inc.	173,800	1,300,024

Source: Salem Utilities Department

(Continued)

**PRINCIPAL WATER/SEWER USERS  
LAST TEN YEARS**

<b>Consumer</b>	<b>Water cubic feet</b>	<b>Water gallons</b>	<b>Consumer</b>	<b>Sewer cubic feet</b>	<b>Sewer gallons</b>
<b><u>2005 Water/Sewer Usage</u></b>					
1. Elkton Federal Prison	16,177,400	121,006,952	Fresh Mark	14,530,500	108,688,140
2. Fresh Mark	14,530,500	108,688,140	Salem Community Hospitals	2,537,700	18,981,996
3. Salem Community Hospital	2,537,700	18,981,996	American Standard	1,705,300	12,755,644
4. Washingtonville	2,353,000	17,600,440	Hutton Nursing Centers	1,120,900	8,384,332
5. American Standard	1,705,300	12,755,644	Northern Industries	452,100	3,381,708
6. Colfor Manufacturing, Inc.	1,224,400	9,158,512	Blossom Rehab Center	447,300	3,345,804
7. Hutton Nursing Centers	1,120,900	8,384,332	Holander House	425,000	3,179,000
8. Salem Board of Education	502,300	3,757,204	Timberlanes Motel	327,800	2,451,944
9. Holander House	459,300	3,435,564	Salem Golf Club	288,000	2,154,240
10. Elkton Wastewater Plant	445,700	3,333,836	Day & Nite Laundry	231,400	1,730,872
11. Blossom Rehab Center	406,900	3,043,612	Miller Holzworth, Inc.	156,100	1,167,628
12. Northern Industries	250,000	1,870,000	Salem '76 Apartments	79,800	596,904

Source: Salem Utilities Department

**MISCELLANEOUS STATISTICS  
DECEMBER 31, 2005**

Date of Incorporation	1887				
Form of Government	Statutory				
Area (square miles)	6.17				
Facilities and Services:					
Miles of Streets	62				
Number of Street Lights	1,421				
Police Services:					
Number of Stations	1				Water System:
Number of Police Personnel and Officers	31				Number of Purification Plants
Number of Patrol Units	7				Miles of Water Mains
Number of Law Violations:					Number of Fire Hydrants
Criminal Juvenile Citations and Charges	229				Number of Service Connections
Traffic Citations Issued	697				Average Daily Consumption (Gallons)
Parking Tickets Written	137				Maximum Daily Capacity of Plant (Gallon)
Recreation and Culture:					
Number of Parks	6				Sewerage System:
Park Area (acres)	335				Number of Treatment Plants
Number of Ball Fields:					Miles of Sanitary Sewers
Lighted	1				Average Daily Treatment (Gallons)
Unlighted	10				Maximum Daily
Number of Libraries	1				Capacity of Treatment (Gallons)
Hospitals:					
Number of Hospitals	1				Education: *
Number of Patient Beds	183				Elementary Schools
Number of Bassinets	16				Elementary School Students
					Elementary School Instructors
					Secondary Schools
					Secondary School Students
					Secondary School Instructors
					Average Daily Cars Parked
					235

\* Total School District data provided by Salem City School District





**Auditor of State  
Betty Montgomery**

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800-282-0370

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**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  
AUGUST 3, 2006**