



**Auditor of State  
Betty Montgomery**



**CITY OF SALEM  
COLUMBIANA COUNTY**

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**CITY OF SALEM  
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block	A-F-01-171-1	14.228	\$61,467
	A-C-00-171-1		53,115
	A-C-02-171-1		3,840
Total Community Development Block			<u>118,422</u>
Home Investment Partnership Program	A-C-00-171-2	14.239	203,999
	A-C-02-171-2		4,860
Total Home Investment Partnership Program			<u>208,859</u>
Total U.S. Department of Housing and Urban Development			<u><b>327,281</b></u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	TEA 9423	20.205	<u>\$872,775</u>
Total U.S. Department of Transportation			<u><b>872,775</b></u>
<b>Total</b>			<u><b>1,200,056</b></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**CITY OF SALEM  
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2002**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures (the schedule) is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B -- COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passes through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on real estate. At December 31, 2002, the gross amount of loans outstanding under this program was \$ 7,272.

**NOTE C -- RE-ISSUANCE**

The accompanying Schedule of Federal Award Expenditures replaces the Schedule in the City of Salem's year ended December 31, 2002 report package. The Schedule was revised to include the Federal Highway Planning and Construction Program (CDFA# 20.205) which was previously omitted from the schedule.



**Auditor of State  
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the City of Salem, Columbiana County, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated May 23, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated May 23, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be deducted within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of the City in a separate letter dated May 23, 2003.

This report is intended for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by 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

May 23, 2003





**Auditor of State  
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of the City of Salem, Columbiana County, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2002. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that did not require inclusion in this report, that we have reported to management of the City in a separate letter dated May 23, 2003.

#### **Schedule of Federal Awards Expenditures**

We have audited the general-purpose financial statements of the City of Salem as of and for the year ended December 31, 2002, and have issued our report thereon dated May 23, 2003. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

The accompanying Schedule of Federal Awards Expenditures replaces the Schedule in Salem City's previously-issued fiscal year ended December 31, 2002 report package. The Schedule was revised to include the Federal Highway Planning and Construction Program (CFDA # 20.205), a major program, which was previously omitted from the Schedule.

This report is intended for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

May 23, 2003, except for the sixth and seventh paragraphs, which are dated August 20, 2003.

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505**

**CITY OF SALEM  
COLUMBIANA COUNTY  
DECEMBER 31, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	HOME (CFDA# 14.239) Federal Highway Planning and Construction (CFDA #20.205)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



***THE CITY OF SALEM, OHIO***

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COLUMBIANA COUNTY

COMPREHENSIVE  
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2002

Prepared by:  
James A. Armeni  
City Auditor



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## *INTRODUCTORY SECTION*

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# City of Salem, Ohio

231 South Broadway Avenue

Salem, Ohio 44460

Phone (330) 332-4482

Fax (330) 332-3001

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June 25, 2003

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 fiscal year ended December 31, 2002. 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.

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; and a list of principal elected officials.
2. The Financial Section contains the City's general purpose financial statements and explanatory notes thereto; the combining and individual fund and account group financial statements and schedules; and the Independent Auditors' Report.
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.

### **The Reporting Entity:**

The accompanying general purpose 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. Product names like Mullins, Deming, Silver, Eljer, American Standard, Bliss and Hunt are internationally know, and have for many decades been an important part of Salem's economy.

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.

### **The Reporting Standards:**

The City's accounts are organized as funds and account groups. Each fund and account group is a separate accounting entity with its own self-balancing set of accounts, assets, liabilities and fund equity. Indicated below are the titles of these funds and account groups with a brief description.

#### Governmental Funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources traditionally associated with government which are not required to be accounted for in another fund.

The Special Revenue Funds are used to account for revenues derived from specific taxes, grants or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by local legislation or state or federal statutes.

The Debt Service Funds are used to account for the accumulation of resources used for the payment of general long-term principal, interest and related costs.

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

#### Proprietary Funds:

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where it is the intent of the governing body that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

#### Fiduciary Funds:

Fiduciary funds include Trust and Agency Funds. Trust Funds are used to account for assets held by the City in a trustee capacity. Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

#### General Fixed Assets Account Group:

Fixed assets of the City other than those accounted for in the proprietary funds are accounted for in the General Fixed Assets Account Group. General fixed assets of \$6,829,718, included in this report, exclude the City's infrastructure. Infrastructure fixed assets are further explained in Note 1 of the general purpose financial statements.

#### General Long-Term Obligations Account Group:

All long-term obligations of the City except those accounted for in the proprietary funds are accounted for in this account group. These obligations include general obligation bonds payable of \$300,000, special assessment bonds payable with governmental commitment of \$147,000, Ohio Public Works Commission loans payable of \$261,838 and accrued vacation and sick leave benefits of \$212,908. These obligations are further explained in Notes 1, 10, and 12.

#### **Bases of Accounting:**

Except for that used for budgetary purposes, the bases of accounting used by the City are in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units and are consistent with GASB Codified Section 1600, "Basis of Accounting." All governmental and expendable trust funds are accounted for using a current financial resource (current assets and current liabilities) measurement focus. The modified accrual basis of accounting is utilized for the governmental and expendable trust and agency funds.

Revenues are recognized when they are susceptible to accrual; both measurable and available. Expenditures are recognized when the related liability is incurred, except for interest on long-term debt which is recorded when due.



The measurement focus for the City's proprietary funds is on the flow of economic resources (all assets and all liabilities). The accrual basis of accounting is utilized which recognizes revenues when earned and expenses when incurred.

The City's basis of accounting for budgetary purposes differs from generally accepted accounting principles in that revenues are recognized when received, rather than when susceptible to accrual (measurable and available) and encumbrances are recorded as expenditures rather than as reservations of fund balances. A reconciliation of the results of these two methods and additional accounting policies are further explained in Note 1.

## **ECONOMIC OUTLOOK**

### **Local Economy:**

The City's local economy has been in somewhat of a modest recession over the last three years. The economy of Columbiana County and the State of Ohio as a whole are more volatile than Salem's local economy. 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 expected to rebound in 2003 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 2002, continuing efforts were made to upgrade services and improve the quality of life for the citizens of Salem.

The Millville Hill project is now underway. This particular project will lower the hill by 14 feet and widen East State Street to four lanes. In addition to the addition of lanes to East State Street, Cunningham Road will also be widened. The total cost of the project is expected to be between 1.2 and 1.5 million dollars, with the State of Ohio contributing up to 1 million dollars.

The City of Salem Service Department upgraded the storm sewers on two streets and installed a new storm sewer on Fairview Court. These upgrades were completed at an estimated cost of \$36,000.

In addition, the curbs and sidewalks on Cranmer Bridge (State Route 14) were repaired at a total cost of \$59,000.

Preliminary engineering costs of \$45,000 were incurred for the Third Street/Roosevelt Avenue/Bentley Drive project. This project will involve the widening of the existing streets, as well as the construction of an entirely new street, which will connect Third Street to Roosevelt Avenue. The majority of the project is expected to be completed by November of 2003, at an estimated cost of \$1,700,000.

Future projects include the resurfacing of 19 City streets as well as an upgrade to the traffic signal at the intersection of Franklin Avenue and Maple Street. The street resurfacing and traffic signal projects are to be completed at an estimated cost of \$315,000 and \$35,000, respectively.

Also included in future City plans is the Bentley Drive Sanitary Sewer Extension project. As part of this project, water and sanitary sewer main extensions will be added at an estimated cost of \$130,000.

### **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:

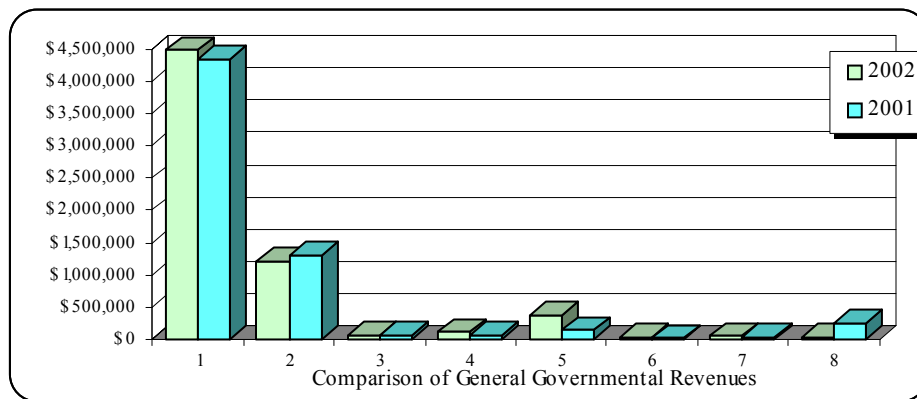
- |                         |                          |
|-------------------------|--------------------------|
| * Personal services     | * Materials and Supplies |
| * Contractual services  | * Capital Outlay         |
| * Other (Miscellaneous) | * Debt Service:          |
|                      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

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.

**General Governmental Functions:**

The following schedule presents a summary of general governmental functions revenues (including general, special revenue, and debt service funds) for the year ended December 31, 2002, the percentage of each revenue source to total revenues, and the amount of increase and/or decrease in relation to the prior year's revenue.

Revenue Source	Total 2002	Percent of Total	Total 2001	Increase (Decrease) over/under 2001	Percent of Change
1. Taxes	\$4,480,251	70.34%	\$4,352,963	\$127,288	2.92%
2. Intergovernmental Revenues	1,208,916	18.98%	1,303,058	(94,142)	(7.22%)
3. Charges for Services	71,803	1.13%	61,017	10,786	17.68%
4. Licenses and Permits	109,586	1.72%	65,639	43,947	66.95%
5. Investment Earnings	384,637	6.04%	145,629	239,008	164.12%
6. Special Assessments	23,175	0.36%	19,055	4,120	21.62%
7. Fines and Forfeitures	47,027	0.74%	34,588	12,439	35.96%
8. All Other Revenues	43,614	0.69%	254,928	(211,314)	(82.89%)
<b>Total</b>	<b>\$6,369,009</b>	<b>100.00%</b>	<b>\$6,236,877</b>	<b>\$132,132</b>	

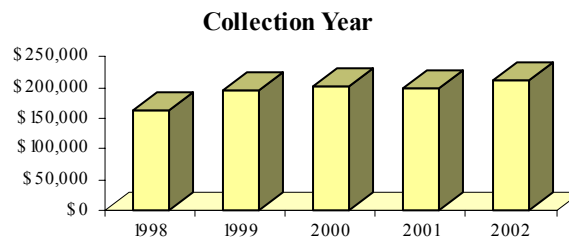


**Revenue Narrative:**

Revenues for General Governmental purposes (including general, special revenue and debt service funds) totaled \$6,369,009, an increase of \$132,132 when compared to 2001. The City's income tax continues to be its primary source of revenue. The tax applies to all wages, salaries, commissions and other compensation paid by employers and/or the net proceeds from the operation of a business, profession or other enterprise activity.

Property taxes are levied and collected by the Columbiana County Treasurer. After collection, the County Auditor distributes portions of the taxes collected to the various political subdivisions within their geographic boundaries. Property tax rates for the City are 4.9 mills, which represents \$4.90 per \$1,000 of taxable valuation. The tax rate is applied to the assessed value of the property located within the City. Assessed value is approximately 35% of appraised value. Increases in the property tax rate can only occur with the approval of the City's voters. Revenues from property taxes are used for general fund operations and for partial funding of police and fire pension costs. Total assessed values in the City over the past five years are shown below:

Levy Year	Collection Year	Assessed Value (in thousands)
1997	1998	\$162,981
1998	1999	195,362
1999	2000	200,874
2000	2001	197,613
2001	2002	212,504



Investment earnings increased \$239,008 from 2001. This relative increase in investment earnings is a result of the City having larger cash balances on hand to invest during 2002 as compared to 2001. The City's investment policies are discussed in more detail later in this letter under the topic of "cash management."

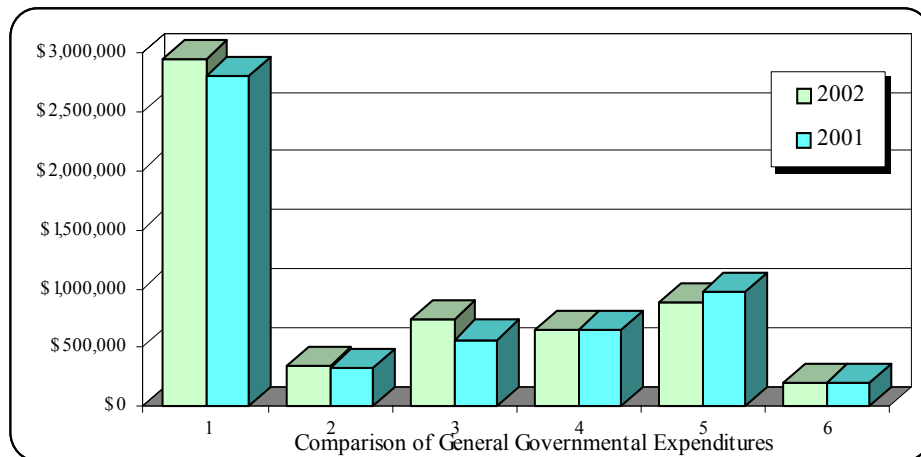
Intergovernmental Revenues consist primarily of local government assistance provided by the State of Ohio through reimbursement for real and personal property tax reductions, gasoline tax, state-levied motor vehicle license tax, inheritance tax and permissive motor vehicle license tax. These revenues are collected by the state or county and partially redistributed to the City and other political subdivisions. The decrease of \$94,142 in intergovernmental revenues in 2002 is a result of a decrease in grants received by the City.

Fines and forfeitures increased by \$12,439. This increase can be attributed to larger amounts received by the City for court costs and fines during 2002 as compared with 2001.

As a result of common stock received from the demutualization of Anthem Blue Cross and Blue Shield Insurance Company during 2001, all other revenue had increased a substantial amount for fiscal year 2001. Since this unusual event did not repeat itself during 2002, all other revenue decreased by \$211,314.

Expenditures for General Governmental purposes (including general, special revenue and debt service) totaled \$5,751,704 an increase of \$226,772 compared to 2001. Expenditures for the major functions of the City, the percentage of the total and increases and decreases in relation to prior year expenditures are shown in the following table:

Expenditures	Total 2002	Percent of Total	Total 2001	Increase (Decrease) over/under 2001	Percent of Change
1. Security of Persons and Property	\$2,945,543	51.21%	\$2,801,303	\$144,240	5.15%
2. Leisure Time Activities	344,476	5.99%	332,362	12,114	3.64%
3. Community Environment	732,774	12.74%	566,184	166,590	29.42%
4. Transportation	647,798	11.26%	651,166	(3,368)	(0.52%)
5. General Government	884,549	15.38%	972,342	(87,793)	(9.03%)
6. Debt Service	196,564	3.42%	201,575	(5,011)	(2.49%)
Total	<u>\$5,751,704</u>	<u>100.00%</u>	<u>\$5,524,932</u>	<u>\$226,772</u>	



### Expenditure Narrative:

The City experienced an increase in total governmental expenditures for 2002, which is attributable to a number of different factors. First, the expenditures for security of persons and property increased by \$144,240. This was a result of normal wage increases as well as payments made out to retiring police officers.

An increase of \$166,590 in community environment was the result of curb and sidewalk repairs funded from the economic development loan fund.

Expenditures for the general government function decreased \$87,793. These expenditures had increased during 2001 as a result of a lawsuit settlement payment made by the City. The decrease in general government expenditures is a result of this event not being repeated in 2002.

Debt service costs include the payment of principal, interest and related fiscal administration charges for the retirement of the City's outstanding general long-term debt. The expenditures vary with the nature and timing of debt service requirements.

**Proprietary Operations:**

Enterprise Funds:

The City's enterprise operations include a water treatment plant and distribution system and a wastewater treatment facility and a collection system. The enterprise funds are supported by revenues derived from user charges.

Certain pertinent data relating to the enterprise operations of the City is presented below.

	Total Assets	Net Income	Return on Assets
Water	\$14,954,317	\$74,963	0.50%
Wastewater	17,106,372	399,639	2.34%

**Fiduciary Funds:**

Trust Fund

The City has one expendable trust fund, the Unclaimed Monies Fund. Expendable trust funds are accounted for and reported similarly to governmental funds. Total assets of the Unclaimed Monies Fund amounted to \$1,196.

Agency Funds

Agency funds of the City of Salem include the Miscellaneous Agency Fund, Street Opening Fund, Developers Fund, and the Demolition Fund. These funds are custodial in nature and do not involve the measurement of results of operations. Total assets of the agency funds amounted to \$33,141.

**Debt Administration:**

The debt service funds accumulate resources for the payment of principal, interest and associated administrative costs on the City's general and special assessment (with governmental commitment) long-term debt. Resources are derived from special assessments and operating transfers.

The City's general obligation bonds have an excellent rating. Moody's Investors Service maintains the City's bond credit rating at A2. The total bonded debt of the City at December 31, 2002 was \$2,047,000, consisting of the following:

Special Assessment Bonds with Governmental Commitment	\$147,000
General Obligation Bonds which are Self-Supported	1,600,000
General Obligation Bonds which are Non-Self-Supported	300,000

The City has a loan obtained from the Ohio Public Works Commission (OPWC), which was used to finance the construction of the Stewart Road Elevated Water Tank. The loan is being repaid from the revenues of the water fund in equal annual installments of \$20,500 through the year 2019. The principal amount of the loan at December 31, 2002 was \$358,750.

In addition, the City has a loan obtained from the Ohio Public Works Commission (OPWC), which was used to finance improvements to South East Boulevard. The loan is being repaid in equal annual installments of \$8,728 through the year 2017. The principal amount of the loan at December 31, 2002 was \$261,838.

The ratio of property tax supported general bonded debt to assessed value and the amount of bonded debt per capita are considered to be good indicators to municipal managers, citizens and investors in general governmental debt of the City's debt position. The City's debt position as of December 31, 2002 was as follows:

Overall Legal Debt Margin	\$21,554,552
Unvoted Legal Debt Margin	10,766,696
Net Bonded Debt to Assessed Value	0.49%
Net Bonded Debt per Capita	85.30

A more thorough presentation of the calculation of these figures is located in the statistical section of this report.

**Cash Management:**

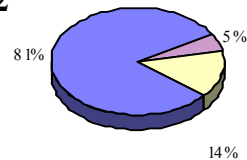
Cash management is a vital component of the City of Salem’s overall financial strategy. The primary objective of the City's investment activity is the preservation of capital. The City pools its cash except for that held by fiscal and escrow agents, certain debt service and trust and agency funds for 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, 2002 as follows:

Cash Resources	2002	%
Cash	\$11,223,349	81%
Certificates of Deposit	750,000	5%
Repurchase Agreement	1,989,464	14%
Total Resources	<u>\$13,962,813</u>	<u>100%</u>

**2002**



The City earned interest on investments of \$419,042 for fiscal year 2002, allocated as follows:

Governmental Funds	\$384,637
Proprietary Funds	<u>34,405</u>
	<u>\$419,042</u>

At December 31, 2002, the bank balance of the City's deposits was \$12,027,853 of which \$230,647 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. Based upon criteria described in GASB Statement No. 3, *"Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,"* collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

#### **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 Ohio Farmers Insurance.

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 general purpose financial statements of the City of Salem were audited by Auditor of State, Betty Montgomery. The independent auditor'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, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in state and local government financial reporting. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity.

A Certificate of Achievement is valid for a period of one year only. The City of Salem has received a Certificate of Achievement for two consecutive years (2000 - 2001). 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.

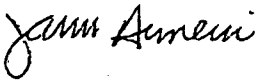
## Acknowledgments:

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.

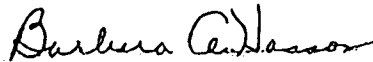
Special acknowledgment is extended to the staff of Donald J. Schonhardt and Associates, Inc., for their continued guidance in the preparation of this report, and Dale Shaffer, local historian, on the brief history of the City of Salem.

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

**THE CITY OF SALEM, OHIO**

**COLUMBIANA COUNTY**

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**PRINCIPAL OFFICIALS  
AS OF DECEMBER 31, 2002**

<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	12/31/03
Steven Andres	Council Member - Ward 2	12/31/03
Greg Oesch	Council Member - Ward 3	12/31/03
Walter Bezeredi	Council Member - Ward 4	12/31/03
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	12/31/03
James A. Armeni	Auditor	12/31/03
Robert Tullis	Treasurer	12/31/05
C. Brooke Zellers	Law Director	12/31/03

<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. Cramer	Safety Director	Indefinite
Joseph S. Julian	Service Director	Indefinite

**City Address:**

Salem City Hall  
231 South Broadway Avenue  
Salem, Ohio 44460



# 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, 2001

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.



*William Patrick Gatz*

President

*Jeffrey R. Emery*

Executive Director

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## *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 general-purpose financial statements of the City of Salem, Columbiana County, (the City) as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Salem, Columbiana County, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types 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 May 23, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for additional analysis and are not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and therefore express no opinion thereon.

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

**Betty Montgomery**  
Auditor of State

May 23, 2003



## *GENERAL PURPOSE FINANCIAL STATEMENTS*

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*THE FOLLOWING GENERAL PURPOSE FINANCIAL STATEMENTS, ALONG WITH THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, PRESENT AN OVERVIEW OF THE CITY'S FINANCIAL POSITION AT DECEMBER 31, 2002 AND THE RESULTS OF OPERATIONS AND CASH FLOWS OF ITS PROPRIETARY FUNDS FOR THE YEAR THEN ENDED.*

**THE CITY OF SALEM, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 2002**

	<b>Governmental</b>			<b>Proprietary</b>		<b>Fiduciary</b>		<b>Account</b>		
	<b>Fund</b>	<b>Fund Types</b>		<b>Fund Type</b>	<b>Fund Types</b>		<b>Groups</b>			
	General	Special	Debt	Capital	Enterprise	Trust and	General	General	General	Totals
	Fund	Revenue	Service	Projects	Funds	Agency	Fixed	Long-Term	Memorandum	(Memorandum
		Funds	Funds	Funds	Funds	Funds	Assets	Obligations	Only)	Only)
<b>Assets and Other Debits:</b>										
Assets:										
Cash and Cash Equivalents	\$666,608	\$310,757	\$33,713	\$1,183,929	\$10,983,469	\$34,337	\$0	\$0	\$13,212,813	
Investments	0	0	0	0	750,000	0	0	0	750,000	
Receivables (net of allowance for doubtful accounts):										
Taxes	634,591	937,316	0	0	0	0	0	0	1,571,907	
Accounts	21,403	0	0	0	538,110	0	0	0	559,513	
Special Assessments	0	0	168,361	0	0	0	0	0	168,361	
Interest	14,281	0	0	0	32,925	0	0	0	47,206	
Loans	0	7,272	0	0	0	0	0	0	7,272	
Intergovernmental Receivables	316,775	816,466	0	0	0	0	0	0	1,133,241	
Deferred Bond Issuance Costs	0	0	0	0	48,109	0	0	0	48,109	
Inventory of Supplies at Cost	57,593	48,612	0	0	127,130	0	0	0	233,335	
Prepaid Items	35,943	2,931	0	0	27,846	0	0	0	66,720	
Fixed Assets (net of accumulated depreciation)	0	0	0	0	19,553,100	0	6,829,718	0	26,382,818	
Other Debits:										
Amount Available in Debt Service Funds	0	0	0	0	0	0	0	33,713	33,713	
Amount to be Provided for										
General Long-Term Obligations	0	0	0	0	0	0	0	888,033	888,033	
Total Assets and Other Debits	\$1,747,194	\$2,123,354	\$202,074	\$1,183,929	\$32,060,689	\$34,337	\$6,829,718	\$921,746	\$45,103,041	

(Continued)

	Governmental			Proprietary		Fiduciary		Account		
	Fund Types			Fund Type		Fund Types		Groups		
General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Trust and Agency Funds	General Fixed Assets	Long-Term Obligations	Totals (Memorandum Only)		
\$43,188	\$48,956	\$0	\$239,519	\$193,899	\$0	\$0	\$0	\$525,562		
170,912	146,443	0	0	85,501	0	0	0	402,856		
0	0	0	0	0	34,337	0	0	34,337		
780,708	1,181,603	168,361	10,851	48,112	0	0	0	58,963		
0	0	0	0	0	0	0	0	2,130,672		
0	0	0	800,000	32,450	0	0	212,908	245,358		
0	0	0	0	2,300,000	0	0	0	3,100,000		
0	0	0	0	1,600,000	0	0	300,000	1,900,000		
0	0	0	0	0	0	0	147,000	147,000		
0	0	0	0	358,750	0	0	261,838	620,588		
994,808	1,377,002	168,361	1,050,370	4,618,712	34,337	0	921,746	9,165,336		
0	0	0	0	0	0	0	0	6,829,718		
0	0	0	0	5,995,574	0	0	0	5,995,574		
0	0	0	0	21,446,403	0	0	0	21,446,403		
0	0	0	0	21,446,403	0	0	0	21,446,403		
31,161	176,662	0	368,594	0	0	0	0	576,417		
57,593	48,612	0	0	0	0	0	0	106,205		
35,943	2,931	0	0	0	0	0	0	38,874		
0	0	33,713	0	0	0	0	0	33,713		
627,689	518,147	0	(235,035)	0	0	0	0	910,801		
752,386	746,352	33,713	133,559	27,441,977	0	6,829,718	0	35,937,705		
\$1,747,194	\$2,123,354	\$202,074	\$1,183,929	\$32,060,689	\$34,337	\$6,829,718	\$921,746	\$45,103,041		

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

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**THE CITY OF SALEM, OHIO**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Governmental Fund Types</b>				Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
<b>Revenues:</b>					
Taxes	\$571,815	\$3,908,436	\$0	\$4,950	\$4,485,201
Intergovernmental Revenues	445,072	763,844	0	815,809	2,024,725
Charges for Services	50,654	21,149	0	0	71,803
Licenses and Permits	103,278	6,308	0	0	109,586
Investment Earnings	373,477	11,160	0	0	384,637
Special Assessments	0	0	23,175	0	23,175
Fines and Forfeitures	46,055	972	0	0	47,027
All Other Revenues	8,980	34,634	0	15,516	59,130
Total Revenues	1,599,331	4,746,503	23,175	836,275	7,205,284
<b>Expenditures:</b>					
<b>Current:</b>					
Security of Persons and Property	2,617,255	328,288	0	0	2,945,543
Leisure Time Activities	0	344,476	0	0	344,476
Community Environment	151,878	580,896	0	0	732,774
Transportation	1,653	646,145	0	0	647,798
General Government	766,514	118,035	0	0	884,549
Capital Outlay	0	0	0	1,864,668	1,864,668
<b>Debt Service:</b>					
Principal Retirement	0	0	160,000	0	160,000
Interest and Fiscal Charges	0	0	36,564	18,651	55,215
Total Expenditures	3,537,300	2,017,840	196,564	1,883,319	7,635,023
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,937,969)	2,728,663	(173,389)	(1,047,044)	(429,739)
<b>Other Financing Sources (Uses):</b>					
Proceeds from Ohio Public Works Commission Loan	0	0	0	49,232	49,232
Proceeds from Sale of Fixed Assets	4,089	0	0	9,268	13,357
Operating Transfers In	2,742,501	441,991	196,488	737,180	4,118,160
Operating Transfers Out	(751,913)	(3,656,669)	(19,500)	0	(4,428,082)
Total Other Financing Sources (Uses)	1,994,677	(3,214,678)	176,988	795,680	(247,333)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	56,708	(486,015)	3,599	(251,364)	(677,072)
Fund Balance Beginning of Year	724,727	1,265,365	30,114	384,923	2,405,129
Decrease in Inventory Reserve	(29,049)	(32,998)	0	0	(62,047)
Fund Balance End of Year	\$752,386	\$746,352	\$33,713	\$133,559	\$1,666,010

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

**THE CITY OF SALEM, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>General Fund</b>			<b>Special Revenue Funds</b>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$551,737	\$566,237	\$14,500	\$3,948,706	\$3,883,544	(\$65,162)
Intergovernmental Revenues	360,383	319,211	(41,172)	991,014	812,138	(178,876)
Charges for Services	42,800	50,654	7,854	21,000	21,149	149
Licenses and Permits	77,000	82,030	5,030	7,500	6,308	(1,192)
Investment Earnings	515,608	385,784	(129,824)	1,000	11,160	10,160
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	42,050	46,154	4,104	7,000	965	(6,035)
All Other Revenues	178,302	176,164	(2,138)	54,103	34,634	(19,469)
Total Revenues	<u>1,767,880</u>	<u>1,626,234</u>	<u>(141,646)</u>	<u>5,030,323</u>	<u>4,769,898</u>	<u>(260,425)</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Security of Persons and Property	2,665,880	2,625,099	40,781	354,600	326,932	27,668
Leisure Time Activities	0	0	0	405,652	360,407	45,245
Community Environment	173,571	167,489	6,082	819,649	786,881	32,768
Transportation	28,500	4,689	23,811	713,261	665,833	47,428
General Government	827,435	785,013	42,422	207,941	121,620	86,321
Capital Outlay	0	0	0	0	0	0
<b>Debt Service:</b>						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>3,695,386</u>	<u>3,582,290</u>	<u>113,096</u>	<u>2,501,103</u>	<u>2,261,673</u>	<u>239,430</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,927,506)	(1,956,056)	(28,550)	2,529,220	2,508,225	(20,995)
<b>Other Financing Sources (Uses):</b>						
Proceeds from Ohio Public Works Commission Loan	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	15,000	4,089	(10,911)	30,000	0	(30,000)
Proceeds from General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	2,542,795	2,742,501	199,706	480,000	441,991	(38,009)
Operating Transfers Out	(830,580)	(751,913)	78,667	(3,671,059)	(3,656,669)	14,390
Total Other Financing Sources (Uses)	<u>1,727,215</u>	<u>1,994,677</u>	<u>267,462</u>	<u>(3,161,059)</u>	<u>(3,214,678)</u>	<u>(53,619)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(200,291)	38,621	238,912	(631,839)	(706,453)	(74,614)
Fund Balance at Beginning of Year	491,505	491,505	0	651,145	651,145	0
Prior Year Encumbrances	68,431	68,431	0	142,790	142,790	0
Fund Balance at End of Year	<u>\$359,645</u>	<u>\$598,557</u>	<u>\$238,912</u>	<u>\$162,096</u>	<u>\$87,482</u>	<u>(\$74,614)</u>

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

**THE CITY OF SALEM, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

<i>Debt Service Funds</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$4,950	\$4,950	\$4,500,443	\$4,454,731	(\$45,712)
0	0	0	770,000	815,809	45,809	2,121,397	1,947,158	(174,239)
0	0	0	0	0	0	63,800	71,803	8,003
0	0	0	0	0	0	84,500	88,338	3,838
0	0	0	6,000	0	(6,000)	522,608	396,944	(125,664)
25,000	23,175	(1,825)	0	0	0	25,000	23,175	(1,825)
0	0	0	0	0	0	49,050	47,119	(1,931)
0	0	0	0	15,516	15,516	232,405	226,314	(6,091)
25,000	23,175	(1,825)	776,000	836,275	60,275	7,599,203	7,255,582	(343,621)
0	0	0	0	0	0	3,020,480	2,952,031	68,449
0	0	0	0	0	0	405,652	360,407	45,245
0	0	0	0	0	0	993,220	954,370	38,850
0	0	0	0	0	0	741,761	670,522	71,239
0	0	0	0	0	0	1,035,376	906,633	128,743
0	0	0	2,422,441	2,282,471	139,970	2,422,441	2,282,471	139,970
777,884	760,000	17,884	0	0	0	777,884	760,000	17,884
57,015	56,064	951	0	0	0	57,015	56,064	951
834,899	816,064	18,835	2,422,441	2,282,471	139,970	9,453,829	8,942,498	511,331
(809,899)	(792,889)	17,010	(1,646,441)	(1,446,196)	200,245	(1,854,626)	(1,686,916)	167,710
0	0	0	49,233	49,232	(1)	49,233	49,232	(1)
0	0	0	10,000	9,268	(732)	55,000	13,357	(41,643)
600,000	600,000	0	400,000	200,000	(200,000)	1,000,000	800,000	(200,000)
214,841	196,488	(18,353)	682,877	717,680	34,803	3,920,513	4,098,660	178,147
0	0	0	0	0	0	(4,501,639)	(4,408,582)	93,057
814,841	796,488	(18,353)	1,142,110	976,180	(165,930)	523,107	552,667	29,560
4,942	3,599	(1,343)	(504,331)	(470,016)	34,315	(1,331,519)	(1,134,249)	197,270
30,114	30,114	0	797,676	797,676	0	1,970,440	1,970,440	0
0	0	0	248,156	248,156	0	459,377	459,377	0
\$35,056	\$33,713	(\$1,343)	\$541,501	\$575,816	\$34,315	\$1,098,298	\$1,295,568	\$197,270

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**THE CITY OF SALEM, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u><b>Enterprise Funds</b></u>
<u>Operating Revenues:</u>	
Charges for Services	\$3,746,919
Other Operating Revenues	432,522
Total Operating Revenues	<u>4,179,441</u>
<u>Operating Expenses:</u>	
Personal Services	1,219,726
Materials and Supplies	297,968
Contractual Services	1,164,432
Utilities	263,219
Depreciation and Amortization	1,016,052
Total Operating Expenses	<u>3,961,397</u>
Operating Income	218,044
<u>Nonoperating Revenues (Expenses):</u>	
Capital Contributions	2,435
Loss on Disposal of Fixed Assets	(244)
Investment Earnings	34,405
Interest and Fiscal Charges	(167,279)
Nonoperating Revenues	80,358
Nonoperating Expenses	(3,039)
Total Nonoperating Revenues (Expenses)	<u>(53,364)</u>
Net Income Before Operating Transfers	164,680
<u>Operating Transfers:</u>	
Operating Transfers In	309,922
Total Operating Transfers	<u>309,922</u>
Net Income	474,602
Restated Retained Earnings at Beginning of Year	<u>20,971,801</u>
Retained Earnings at End of Year	<u><u>\$21,446,403</u></u>

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

**THE CITY OF SALEM, OHIO  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u><b>Enterprise Funds</b></u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$4,387,271
Cash Payments for Goods and Services	(1,890,222)
Cash Payments to Employees	(1,218,920)
Net Cash Provided by Operating Activities	<u>1,278,129</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Transfers In from Other Funds	309,922
Net Cash Provided by Noncapital Financing Activities	<u>309,922</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Proceeds from General Obligation Notes	2,300,000
Acquisition and Construction of Assets	(1,150,420)
Principal Paid on General Obligation Bonds	(400,000)
Principal Paid on Ohio Public Works Commission Loan	(20,500)
Interest Paid on All Debt	(130,000)
Net Cash Provided by Capital and Related Financing Activities	<u>599,080</u>
<u>Cash Flows from Investing Activities:</u>	
Sale of Investments	5,863,200
Receipt of Interest	81,743
Net Cash Provided by Investing Activities	<u>5,944,943</u>
Net Increase in Cash and Cash Equivalents	8,132,074
Cash and Cash Equivalents at Beginning of Year	2,851,395
Cash and Cash Equivalents at End of Year	<u><u>\$10,983,469</u></u>

(Continued)

**THE CITY OF SALEM, OHIO  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u><i>Enterprise Funds</i></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$218,044
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation and Amortization Expense	1,016,052
Miscellaneous Nonoperating Expense	(3,039)
Miscellaneous Nonoperating Revenue	358
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	207,472
Increase in Inventory	(4,547)
Increase in Prepaid Items	(7,918)
Decrease in Accounts Payable	(149,099)
Increase in Accrued Wages and Benefits	10,636
Decrease in Compensated Absences	(9,830)
Total Adjustments	<u>1,060,085</u>
Net Cash Provided by Operating Activities	<u><u>\$1,278,129</u></u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2002, the Water and Wastewater Funds had outstanding liabilities of \$12,876 and \$109,502, respectively for the purchase of capital assets.

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

**THE CITY OF SALEM, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

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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 accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2002 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 general purpose 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, account groups, 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 and account groups, 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 general purpose financial statements. The following fund types and account groups are used by the City:

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

**B. Basis of Presentation - Fund Accounting** (Continued)***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 governmental fund types:

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.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - These funds are used for the accumulation of resources for, and the payment of, general and special assessment long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

***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. Fund equity (i.e., net assets) are segregated into contributed capital and retained earnings components. 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.

***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 maintains an expendable trust fund and agency funds. The expendable trust fund is accounted for and reported similarly to governmental funds. The City's expendable trust fund had no activity during the year, therefore it is not included on the "Combined Statement of Revenues, Expenditures Changes in Fund Balances." Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

*Account Groups* - To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the City other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term obligations of the City except those accounted for in the proprietary funds.

**C. 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, expendable trust fund and agency 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.

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

C. Basis of Accounting (Continued)

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, 2002 but which are not intended to finance 2002 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 proprietary funds. Revenues are recognized when they are earned and expenses recognized when incurred.

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

D. 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

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

**D. 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 2002.

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 2002, 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 "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

5. 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.



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

**D. Budgetary Process** (Continued)6. 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 governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
GAAP Basis (as reported)	\$56,708	(\$486,015)	\$3,599	(\$251,364)
Increase (Decrease):				
Accrued Revenues at December 31, 2002 received during 2003	(206,342)	(579,451)	0	0
Accrued Revenues at December 31, 2001 received during 2002	233,245	602,846	0	0
Accrued Expenditures at December 31, 2002 paid during 2003	214,100	195,399	0	250,370
Accrued Expenditures at December 31, 2001 paid during 2002	(179,780)	(215,753)	0	(60,909)
2001 Prepays for 2002	24,684	2,727	0	0
2002 Prepays for 2003	(35,943)	(2,931)	0	0
Debt Service Related:				
Note Proceeds	0	0	0	200,000
Outstanding Encumbrances	(68,051)	(223,275)	0	(608,113)
Budget Basis	<u>\$38,621</u>	<u>(\$706,453)</u>	<u>\$3,599</u>	<u>(\$470,016)</u>

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

**E. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, repurchase agreements and the State Treasury Asset Reserve (Star Ohio). Star Ohio and repurchase agreements are considered investments for purposes of GASB Statement No. 3, but are reported as cash equivalents in the general purpose 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 and Star Ohio is considered to be a cash equivalent. See Note 4, "Cash, Cash Equivalents, and Investments."

**F. 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 STAR Ohio during 2002. 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, 2002. See Note 4, "Cash, Cash Equivalents and Investments."

**G. 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.

**H. Fixed Assets and Depreciation**

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

**1. Property, Plant and Equipment - General Governmental Purposes**

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****H. Fixed Assets and Depreciation (Continued)****1. Property, Plant and Equipment - General Governmental Purposes (Continued)**

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

General fixed asset values were initially determined at December 31, 1987 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 fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The City has elected not to record depreciation in the General Fixed Assets Account Group.

**2. Property, Plant and Equipment - Proprietary Funds**

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 fixed assets are recorded at fair market value at the date received. Capital contributions received after December 31, 2000 are recorded as revenue in the proprietary funds.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (Years)</u>
Buildings	20 - 50
Improvements Other Than Buildings	50 - 67
Machinery, Equipment, Furniture and Fixtures	3 - 20

Depreciation on proprietary fixed assets is charged to retained earnings.

**I. 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

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

**I. Long-Term Obligations** (Continued)

Obligation	Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund Municipal Income Tax Fund Parks Fund Water Fund Wastewater Fund
OPWC Loan	Water Fund

**J. 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.

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.

**K. Pensions**

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

**L. Bond Issuance Costs**

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds. Issuance costs are recorded as deferred charges.

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

**M. Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.

Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City did not perform any residual equity transfers in 2002.

Transactions that would be treated as revenues and expenditures/expenses if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

**N. 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 materials and supplies inventories, prepaid items, debt service and encumbered amounts that have not been accrued at year end.

**O. Total Columns on Combined Financial Statements - Overview**

Total columns on the "Combined Financial Statements-Overview" are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in cash flow or conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 - RESTATEMENT OF FUND BALANCES/RETAINED EARNINGS**

The beginning balance of the General Fixed Assets Account Group was restated to correct an error in accounting for machinery and equipment. As a result of the restatement, the General Fixed Assets Account Group was decreased by \$22,500. The balance decreased from \$6,679,411 to \$6,656,911.

In addition, a correction of errors in accounting for machinery and equipment in the amount of fixed assets reported in the enterprise funds required a restatement to the beginning retained earnings in the enterprise funds as of January 1, 2002 as follows:

Fund Type	Retained Earnings as Reported 12/31/2001	Adjustment Increase	Retained Earnings as Restated 1/1/2002
Enterprise	\$20,954,499	\$17,302	\$20,971,801

**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

**A. Fund Deficits**

The fund deficits at December 31, 2002 of \$46,672 in the Police Pension Fund, \$42,210 in the Fire Pension Fund, and \$577 in the Community Development Block Grant Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficit at December 31, 2002 of \$595,531 in the Industrial Park West Project Fund (capital projects fund) arises from the recognition of notes payable on the modified accrual basis which are not recorded on the budgetary basis, and from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The General Fund provides operating transfers when cash is required, not when accruals occur.

**B. Compliance**

Contrary to Ohio Revised Code, Section 5705.39, during the year appropriations exceeded estimated resources.

**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 the capital projects, debt service and enterprise 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 two 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;
- 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).

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

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. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in a single financial institution collateral pool with securities being held by the pledging institutions' agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

*Deposits:*

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Uncollateralized. (This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name.)

*Investments:*

- Category 1 Insured or registered, with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

**A. Deposits**

At year end the carrying amount of the City's deposits was \$11,973,349 and the bank balance was \$12,027,853. Of the bank balance:

1. \$230,647 was covered by federal depository insurance.
2. \$11,797,206 was uninsured and uncollateralized as defined by the GASB because the collateral pledged by the financial institutions or their trust departments or agents was not in the City's name due to the fact that the pledging bank has an investments and securities pool used to collateralize all public deposits. This method of collateralization is authorized by state statute.



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

**B. Investments**

The City's investments at December 31, 2002 were classified as summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Fair Value</u>
Repurchase Agreements	\$1,989,464	\$1,989,464

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

The classification of cash, cash equivalents and investments on the combined 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 combined financial statements and the classifications per items A and B of this note are as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$13,212,813	\$750,000
Certificates of Deposit (with maturities of more than 3 months)	750,000	(750,000)
Investments:		
Repurchase Agreements	(1,989,464)	1,989,464
Per GASB Statement No. 3	<u>\$11,973,349</u>	<u>\$1,989,464</u>

**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 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, 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 1998. 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.

**NOTE 5 - TAXES (Continued)**

**A. Property Tax (Continued)**

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, 2002 was \$4.90 per \$1,000 of assessed value. The assessed value upon which the 2002 tax receipts were based was \$212,504,160. This amount constitutes \$152,057,740 in real property assessed value, \$5,639,160 in public utility assessed value and \$54,807,260 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.

**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.

**NOTE 6 - RECEIVABLES**

Receivables at December 31, 2002 consisted of taxes, accounts and loans receivable, interest receivable, special assessments and intergovernmental receivables arising from shared revenues.

**NOTE 7 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds for 2002:

Fund	Transfers In	Transfers Out
General Fund	\$2,742,501	\$751,913
Special Revenue Funds:		
Police Pension Fund	98,561	0
Fire Pension Fund	91,930	0
Street Construction, Maintenance and Repair Fund	190,000	0
Municipal Lodging Tax Fund	11,500	0
Municipal Income Tax Fund	0	3,656,669
Parks Fund	40,000	0
Shade Tree Fund	10,000	0
Total Special Revenue Funds	441,991	3,656,669
Debt Service Fund:		
General Obligation Debt Retirement Fund	196,488	19,500
Capital Projects Funds:		
Income Tax Capital Improvement Fund	717,680	0
Industrial Park West Project Fund	19,500	0
Total Capital Projects Funds	737,180	0
Enterprise Funds:		
Water Fund	149,416	0
Wastewater Fund	160,506	0
Total Enterprise Funds	309,922	0
Totals	<u>\$4,428,082</u>	<u>\$4,428,082</u>

**NOTE 8 - FIXED ASSETS****A. General Fixed Assets**

Summary by Category of changes in General Fixed Assets:

Category	Restated December 31, 2001	Additions	Deletions	December 31, 2002
Land	\$562,975	\$0	\$0	\$562,975
Buildings and Improvements	2,804,625	0	0	2,804,625
Land Improvements	230,190	0	0	230,190
Machinery and Equipment	2,941,146	85,386	(75,836)	2,950,696
Construction in Progress	117,975	163,257	0	281,232
Totals	<u>\$6,656,911</u>	<u>\$248,643</u>	<u>(\$75,836)</u>	<u>\$6,829,718</u>

**NOTE 8 - FIXED ASSETS** (Continued)**A. General Fixed Assets** (Continued)

Schedule of General Fixed Assets at December 31, 2002:

General Fixed Assets		Investment in General Fixed Assets	
Land	\$562,975	General Fund	\$883,291
Buildings and Improvements	2,804,625	Special Revenue Funds	1,917,671
Land Improvements	230,190	Capital Projects Funds	4,018,750
Machinery and Equipment	2,950,696	Donations	10,006
Construction in Progress	281,232		
Total	<u>\$6,829,718</u>	Total	<u>\$6,829,718</u>

**B. Proprietary Fixed Assets**

Summary by Category at December 31, 2002:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$231,052	\$0	\$231,052
Buildings and Improvements	16,337,998	(6,851,344)	9,486,654
Utility Structures in Services	8,353,784	(1,648,773)	6,705,011
Machinery and Equipment	8,136,609	(6,560,441)	1,576,168
Construction in Progress	1,554,215	0	1,554,215
Total Property, Plant and Equipment	<u>\$34,613,658</u>	<u>(\$15,060,558)</u>	<u>\$19,553,100</u>

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

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

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

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

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the Ohio PERS, a cost-sharing multiple employer defined benefit pension plan. The Ohio PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. 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) 222-6705 or 1-800-222-7377.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)****A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)**

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2002 employer contribution rate for local government employer units was 13.55%, of covered payroll, 8.55% to fund the pension and 5.0% 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, 2002, 2001 and 2000 were \$282,251, \$270,488 and \$207,416, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. 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 2002 employer contribution rate (identified above) that was used to fund health care for the year 2002 was 5.0% of covered payroll which amounted to \$104,152.

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, 2001. 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 2001 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.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2001 is \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)****B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)**

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2002, 2001 and 2000 were \$170,877, \$162,461 and \$144,996 for police and \$154,681, \$151,433 and \$146,562 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 2002 covered payroll that was used to fund postemployment health care benefits was \$67,913 representing 7.75% of covered payroll for police and \$49,949 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. As of December 31, 2001, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,174 for police and 10,239 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, 2001 were \$122,298,771, which was net of member contributions of \$6,874,699.

**NOTE 10 – 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.

The City provides a liability for accumulated unpaid compensated absences when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. The amount decreased from a beginning year balance of \$272,733 to a year end balance of \$212,908. Accrued employee benefits for enterprise funds not currently due and payable at year end are recorded in the respective funds.

**NOTE 11 - NOTES PAYABLE**

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

The following are the notes outstanding in the Capital Projects Funds as of December 31, 2002:

	Balance December 31, 2001	Issued (Retired)	Balance December 31, 2002
Capital Projects Fund Notes Payable:			
3.250% Salem Industrial Park West	\$600,000	(\$600,000)	\$0
2.250% Salem Industrial Park West	0	600,000	600,000
2.250% Street Improvements	0	200,000	200,000
Total Capital Projects Fund Notes Payable	<u>600,000</u>	<u>200,000</u>	<u>800,000</u>
Enterprise Fund Note Payable:			
2.450% North East Sanitary Sewer Project	0	2,300,000	2,300,000
Total Notes Payable	<u>\$600,000</u>	<u>\$2,500,000</u>	<u>\$3,100,000</u>

**NOTE 12 - LONG-TERM DEBT OBLIGATIONS**

Long-term debt and other long-term obligations of the City at December 31, 2002 were as follows:

		Balance December 31, 2001	Issued (Retired)	Balance December 31, 2002	
<b>Enterprise Funds:</b>					
General Obligation Bond:					
4.35 - 6.50%	Series Water	1991	\$2,000,000	(\$400,000)	\$1,600,000
Ohio Public Works Commission Loan:					
0.00%	Stewart Road Elevated Water Tank	2000	379,250	(20,500)	358,750
Total Enterprise Long-Term Debt			<u>\$2,379,250</u>	<u>(\$420,500)</u>	<u>\$1,958,750</u>
<b>General Long-Term Debt:</b>					
General Obligation Bond:					
5.20 - 6.05%	Street Improvement	1992	\$450,000	(\$150,000)	\$300,000
Special Assessment Bond: (with governmental commitment)					
6.10%	Street Improvement	1996	157,000	(10,000)	147,000
Ohio Public Works Commission Loan:					
0.00%	South East Boulevard Improvement	2001	212,606	49,232	261,838
Total General Long-Term Debt			819,606	(110,768)	708,838
<b>Other Long-Term Obligations:</b>					
Compensated Absences			272,733	(59,825)	212,908
Total General Long-Term Debt and Other Long-Term Obligations			<u>\$1,092,339</u>	<u>(\$170,593)</u>	<u>\$921,746</u>

The principal amount of the City's special assessment debt outstanding at December 31, 2002, of \$147,000 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.

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, 2002, the refunded bonds had an outstanding balance of \$4,245,000. 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 Balance Sheet for the Wastewater Fund at December 31, 2002. Similarly, as no obligation is recorded, neither are the funds held on deposit with the trustee that will be used to service the obligation.



**NOTE 12 - LONG-TERM DEBT OBLIGATIONS (Continued)****A. Defeased Debt** (Continued)

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, 2002, the refunded bonds had an outstanding balance of \$1,200,000.

**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, 2002 follows:

Years	General Obligation Bonds		OPWC Loans		Special Assessment Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$550,000	\$117,537	\$37,956	\$0	\$10,000	\$8,967
2004	550,000	82,538	37,956	0	10,000	8,357
2005	400,000	52,000	37,956	0	15,000	7,747
2006	400,000	26,000	37,956	0	12,000	6,832
2007	0	26,000	37,956	0	20,000	6,100
2008-2012	0	0	189,780	0	80,000	12,200
2013-2017	0	0	189,780	0	0	0
2018-2021	0	0	51,248	0	0	0
Totals	<u>\$1,900,000</u>	<u>\$304,075</u>	<u>\$620,588</u>	<u>\$0</u>	<u>\$147,000</u>	<u>\$50,203</u>

**NOTE 13 - CONDUIT DEBT OBLIGATIONS**

The City has issued Revenue Bonds to provide financial assistance to the City's hospital facilities. The monies are used primarily for upgrades to these facilities. In addition, the City has issued bonds to provide the necessary funds for the construction of a community recreation center. The City has no obligation for the repayment of this debt. The bonds are not bonded indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 2002, the outstanding bonds have a principal amount payable of \$20,210,000.

**NOTE 14 - RISK MANAGEMENT**

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

The Pool's general objectives are to formulate, develop and administer a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool, as well as current members, are subject to a supplemental assessment or a refund, at the discretion of the Board of Trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date there have been no assessments or refunds due to the limited period of time that the Pool has been in existence and the nature of the coverage that is afforded to the participants. The City contributed \$103,956 to the Pool in 2002.

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, 2002 generally protects the Pool against individual losses over \$100,000. 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 2002, 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
Ohio Farmers Insurance	Income Tax Administrator	0
Cincinnati Insurance Co.	Income Tax Clerk	0
OML – Dawson	General Liability	0
OML – Dawson	Law Enforcement Liability	1,000
OML – Dawson	Auto Liability	0
OML – Dawson	Auto Physical Damage	250
OML – Dawson	Property	1,000
OML – Dawson	Inland Marine	500

**NOTE 14 - RISK MANAGEMENT (Continued)**

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 fiscal years.

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Included in the services provided by the City financed primarily by user charges are water treatment and distribution and wastewater collection and treatment. The key financial information for the year ended December 31, 2002 for these enterprise activities is as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Operating Revenues	\$1,639,672	\$2,539,769	\$4,179,441
Depreciation and Amortization	590,185	425,867	1,016,052
Operating Income	43,452	174,592	218,044
Net Income	74,963	399,639	474,602
Property, Plant and Equipment:			
Additions	10,637	1,286,715	1,297,352
Deletions	(7,247)	(7,248)	(14,495)
Assets	14,954,317	17,106,372	32,060,689
Net Working Capital	4,631,596	5,200,372	9,831,968
Bonds and Loans Payable	1,958,750	0	1,958,750
Total Equity	12,875,315	14,566,662	27,441,977

**NOTE 16 - CONTRIBUTED CAPITAL**

There were no changes to contributed capital during 2002. Contributed capital is as follows:

	Balance <u>12/31/2002</u>
Water	\$4,432,758
Wastewater	<u>1,562,816</u>
Total Enterprise	<u><u>\$5,995,574</u></u>

**NOTE 17 - CONSTRUCTION COMMITMENTS**

At December 31, 2002, the City had the following commitments with respect to capital projects:

<u>Contract</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
East State Street Project	\$72,960	May 2003

**NOTE 18 - CONTINGENCIES**

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

***COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP  
STATEMENTS AND SCHEDULES***

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***THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE THE  
GENERAL FUND, SPECIAL REVENUE FUNDS, DEBT SERVICE FUNDS,  
CAPITAL PROJECTS FUNDS, ENTERPRISE FUNDS, FIDUCIARY FUNDS AND  
THE GENERAL FIXED ASSETS ACCOUNT GROUP.***

***GENERAL FUND***

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The General Fund is used to account for government resources not accounted for in any other 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.

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**GENERAL FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$551,737	\$566,237	\$14,500
Intergovernmental Revenues	360,383	319,211	(41,172)
Charges for Services	42,800	50,654	7,854
Licenses and Permits	77,000	82,030	5,030
Investment Earnings	515,608	385,784	(129,824)
Fines and Forfeitures	42,050	46,154	4,104
All Other Revenues	178,302	176,164	(2,138)
Total Revenues	<u>1,767,880</u>	<u>1,626,234</u>	<u>(141,646)</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Police:			
Personal Services	1,374,069	1,373,508	561
Contractual Services	26,379	18,992	7,387
Materials and Supplies	63,904	59,044	4,860
Capital Outlay	1,000	658	342
Total Police	<u>1,465,352</u>	<u>1,452,202</u>	<u>13,150</u>
School Patrol:			
Personal Services	19,150	15,766	3,384
Total School Patrol	<u>19,150</u>	<u>15,766</u>	<u>3,384</u>
Animal Control:			
Personal Services	7,600	7,502	98
Total Animal Control	<u>7,600</u>	<u>7,502</u>	<u>98</u>
Fire Fighting:			
Personal Services	889,188	888,588	600
Contractual Services	18,657	17,023	1,634
Materials and Supplies	19,562	18,903	659
Capital Outlay	505	505	0
Total Fire Fighting	<u>927,912</u>	<u>925,019</u>	<u>2,893</u>
Street Lighting:			
Personal Services	47,803	42,849	4,954
Contractual Services	44,669	42,770	1,899
Materials and Supplies	8,899	5,127	3,772
Total Street Lighting	<u>101,371</u>	<u>90,746</u>	<u>10,625</u>

(Continued)

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**GENERAL FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Traffic Safety:			
Personal Services	97,790	92,048	5,742
Contractual Services	16,724	13,896	2,828
Materials and Supplies	13,822	12,843	979
Capital Outlay	4,796	4,796	0
Total Traffic Safety	<u>133,132</u>	<u>123,583</u>	<u>9,549</u>
Safety Director:			
Personal Services	9,077	8,818	259
Contractual Services	970	909	61
Materials and Supplies	1,316	554	762
Total Safety Director	<u>11,363</u>	<u>10,281</u>	<u>1,082</u>
Total Security of Persons and Property	<u>2,665,880</u>	<u>2,625,099</u>	<u>40,781</u>
Community Environment:			
Housing Planning and Zoning:			
Personal Services	84,079	83,486	593
Contractual Services	34,502	33,653	849
Materials and Supplies	8,777	8,656	121
Other Expenditures	54	54	0
Total Housing Planning and Zoning	<u>127,412</u>	<u>125,849</u>	<u>1,563</u>
Design Review Board:			
Personal Services	600	0	600
Materials and Supplies	250	0	250
Total Design Review Board	<u>850</u>	<u>0</u>	<u>850</u>
Housing Inspector:			
Personal Services	44,060	40,542	3,518
Materials and Supplies	999	998	1
Capital Outlay	250	100	150
Total Housing Inspector	<u>45,309</u>	<u>41,640</u>	<u>3,669</u>
Total Community Environment	<u>173,571</u>	<u>167,489</u>	<u>6,082</u>
Transportation:			
Streets:			
Personal Services	26,000	2,620	23,380
Materials and Supplies	2,500	2,069	431
Total Streets	<u>28,500</u>	<u>4,689</u>	<u>23,811</u>
Total Transportation	<u>28,500</u>	<u>4,689</u>	<u>23,811</u>

(Continued)



**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**GENERAL FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
General Government:			
Mayor:			
Personal Services	59,750	58,002	1,748
Contractual Services	45,243	44,232	1,011
Total Mayor	<u>104,993</u>	<u>102,234</u>	<u>2,759</u>
Auditor:			
Personal Services	131,300	130,187	1,113
Contractual Services	34,524	30,765	3,759
Materials and Supplies	3,321	2,122	1,199
Capital Outlay	5,000	0	5,000
Total Auditor	<u>174,145</u>	<u>163,074</u>	<u>11,071</u>
Treasurer:			
Personal Services	7,497	7,439	58
Contractual Services	783	517	266
Materials and Supplies	100	37	63
Total Treasurer	<u>8,380</u>	<u>7,993</u>	<u>387</u>
Law Director:			
Personal Services	72,404	71,964	440
Contractual Services	18,100	15,803	2,297
Materials and Supplies	3,940	2,007	1,933
Total Law Director	<u>94,444</u>	<u>89,774</u>	<u>4,670</u>
Service Director:			
Personal Services	69,277	67,951	1,326
Contractual Services	14,280	14,188	92
Materials and Supplies	1,055	957	98
Total Service Director	<u>84,612</u>	<u>83,096</u>	<u>1,516</u>
City Council:			
Personal Services	37,715	37,666	49
Contractual Services	8,002	7,113	889
Materials and Supplies	8,550	1,987	6,563
Total City Council	<u>54,267</u>	<u>46,766</u>	<u>7,501</u>

(Continued)

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**GENERAL FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Council Clerk:			
Personal Services	4,815	4,776	39
Materials and Supplies	350	319	31
Total Council Clerk	<u>5,165</u>	<u>5,095</u>	<u>70</u>
Civil Service Commission:			
Personal Services	5,636	5,559	77
Materials and Supplies	4,000	3,040	960
Total Civil Service Commission	<u>9,636</u>	<u>8,599</u>	<u>1,037</u>
City Hall:			
Personal Services	73,921	73,539	382
Contractual Services	93,073	86,506	6,567
Materials and Supplies	15,908	13,180	2,728
Capital Outlay	1,306	1,306	0
Total City Hall	<u>184,208</u>	<u>174,531</u>	<u>9,677</u>
General Administrative:			
Personal Services	8,000	6,795	1,205
Contractual Services	78,585	77,006	1,579
Other Expenditures	21,000	20,050	950
Total General Administrative	<u>107,585</u>	<u>103,851</u>	<u>3,734</u>
Total General Government	<u>827,435</u>	<u>785,013</u>	<u>42,422</u>
Total Expenditures	<u>3,695,386</u>	<u>3,582,290</u>	<u>113,096</u>
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	(1,927,506)	(1,956,056)	(28,550)
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	15,000	4,089	(10,911)
Operating Transfers In	2,542,795	2,742,501	199,706
Operating Transfers Out	(830,580)	(751,913)	78,667
Total Other Financing Sources (Uses)	<u>1,727,215</u>	<u>1,994,677</u>	<u>267,462</u>

(Continued)

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**GENERAL FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(200,291)	38,621	238,912
Fund Balance at Beginning of Year	491,505	491,505	0
Prior Year Encumbrances	68,431	68,431	0
Fund Balance at End of Year	<u>\$359,645</u>	<u>\$598,557</u>	<u>\$238,912</u>

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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 expendable trusts or 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.

**Municipal Lodging Tax Fund**

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

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***SPECIAL REVENUE FUNDS***

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**Municipal Income Tax Fund**

To account for the collection of the municipal income tax as required by City Ordinance.

**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.

**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.

**THE CITY OF SALEM, OHIO  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2002**

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Law Enforcement</u>	<u>D.A.R.E</u>	<u>Enforcement and Education</u>
<u>Assets:</u>					
Cash and Cash Equivalents	\$925	\$637	\$1,576	\$45	\$8,992
Receivables (net of allowance for doubtful accounts):					
Taxes	67,647	67,647	0	0	0
Loans	0	0	0	0	0
Intergovernmental Receivables	0	0	0	0	50
Inventory of Supplies at Cost	0	0	0	0	0
Prepaid Items	0	0	0	0	0
Total Assets	<u>\$68,572</u>	<u>\$68,284</u>	<u>\$1,576</u>	<u>\$45</u>	<u>\$9,042</u>
<u>Liabilities and Fund Equity:</u>					
Liabilities:					
Accounts Payable	\$0	\$0	\$0	\$0	\$0
Accrued Wages and Benefits	48,745	43,995	0	0	0
Deferred Revenue	66,499	66,499	0	0	0
Total Liabilities	<u>115,244</u>	<u>110,494</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Equity:					
Reserved for Encumbrances	0	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0	0
Reserved for Prepaid Items	0	0	0	0	0
Unreserved	(46,672)	(42,210)	1,576	45	9,042
Total Fund Equity (Deficit)	<u>(46,672)</u>	<u>(42,210)</u>	<u>1,576</u>	<u>45</u>	<u>9,042</u>
Total Liabilities and Fund Equity	<u>\$68,572</u>	<u>\$68,284</u>	<u>\$1,576</u>	<u>\$45</u>	<u>\$9,042</u>

**THE CITY OF SALEM, OHIO  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2002**

Drug Enforcement Agency Equitable Share	Street Construction, Maintenance and Repair	State Highway	Municipal Permissive License Tax	Municipal Lodging Tax	Municipal Income Tax
\$20,048	\$78,812	\$3,306	\$11,282	\$15,849	\$0
0	0	0	0	1,073	546,518
0	0	0	0	0	0
0	151,155	12,256	44,005	0	0
0	48,612	0	0	0	0
0	0	0	0	0	402
<u>\$20,048</u>	<u>\$278,579</u>	<u>\$15,562</u>	<u>\$55,287</u>	<u>\$16,922</u>	<u>\$546,920</u>
\$0	\$17,176	\$0	\$1,988	\$74	\$3,550
0	34,911	0	0	0	6,425
0	100,770	8,171	26,029	364	65,730
0	152,857	8,171	28,017	438	75,705
0	6,372	780	1,194	503	24
0	48,612	0	0	0	0
0	0	0	0	0	402
20,048	70,738	6,611	26,076	15,981	470,789
<u>20,048</u>	<u>125,722</u>	<u>7,391</u>	<u>27,270</u>	<u>16,484</u>	<u>471,215</u>
<u>\$20,048</u>	<u>\$278,579</u>	<u>\$15,562</u>	<u>\$55,287</u>	<u>\$16,922</u>	<u>\$546,920</u>

(Continued)

**THE CITY OF SALEM, OHIO**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2002**

	Lakes and Grounds	Parks	Youth Services Grant	Community Development Block Grant	Rehabilitation Loan
<b>Assets:</b>					
Cash and Cash Equivalents	\$8,528	\$57,139	\$1,300	\$2,373	\$42,620
Receivables (net of allowance for doubtful accounts):					
Taxes	0	254,431	0	0	0
Loans	0	0	0	0	7,272
Intergovernmental Receivables	0	0	0	64,000	0
Inventory of Supplies at Cost	0	0	0	0	0
Prepaid Items	0	2,529	0	0	0
<b>Total Assets</b>	<b>\$8,528</b>	<b>\$314,099</b>	<b>\$1,300</b>	<b>\$66,373</b>	<b>\$49,892</b>
<b>Liabilities and Fund Equity:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$154	\$2,759	\$0	\$2,950	\$0
Accrued Wages and Benefits	73	12,294	0	0	0
Deferred Revenue	0	250,519	0	64,000	7,272
<b>Total Liabilities</b>	<b>227</b>	<b>265,572</b>	<b>0</b>	<b>66,950</b>	<b>7,272</b>
<b>Fund Equity:</b>					
Reserved for Encumbrances	537	9,784	0	1,250	1,173
Reserved for Supplies Inventory	0	0	0	0	0
Reserved for Prepaid Items	0	2,529	0	0	0
Unreserved	7,764	36,214	1,300	(1,827)	41,447
<b>Total Fund Equity (Deficit)</b>	<b>8,301</b>	<b>48,527</b>	<b>1,300</b>	<b>(577)</b>	<b>42,620</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$8,528</b>	<b>\$314,099</b>	<b>\$1,300</b>	<b>\$66,373</b>	<b>\$49,892</b>



**THE CITY OF SALEM, OHIO  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2002**

Shade Tree	Economic Development Loan	Central Business District	Design Review Board	Community Housing Improvement	Totals
\$7,781	\$24,967	\$21,000	\$2,277	\$1,300	\$310,757
0	0	0	0	0	937,316
0	0	0	0	0	7,272
0	0	0	0	545,000	816,466
0	0	0	0	0	48,612
0	0	0	0	0	2,931
<u>\$7,781</u>	<u>\$24,967</u>	<u>\$21,000</u>	<u>\$2,277</u>	<u>\$546,300</u>	<u>\$2,123,354</u>
\$7,050	\$0	\$0	\$0	\$13,255	\$48,956
0	0	0	0	0	146,443
0	0	0	0	525,750	1,181,603
<u>7,050</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>539,005</u>	<u>1,377,002</u>
0	0	7,000	0	148,045	176,662
0	0	0	0	0	48,612
0	0	0	0	0	2,931
731	24,967	14,000	2,277	(140,750)	518,147
<u>731</u>	<u>24,967</u>	<u>21,000</u>	<u>2,277</u>	<u>7,295</u>	<u>746,352</u>
<u>\$7,781</u>	<u>\$24,967</u>	<u>\$21,000</u>	<u>\$2,277</u>	<u>\$546,300</u>	<u>\$2,123,354</u>

**THE CITY OF SALEM, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	Police Pension	Fire Pension	Law Enforcement	D.A.R.E
<b>Revenues:</b>				
Taxes	\$56,784	\$56,783	\$0	\$0
Intergovernmental Revenues	6,066	6,066	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	0	0
All Other Revenues	0	0	0	0
Total Revenues	62,850	62,849	0	0
<b>Expenditures:</b>				
<b>Current:</b>				
Security of Persons and Property	166,402	159,156	0	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
General Government	0	0	0	0
Total Expenditures	166,402	159,156	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(103,552)	(96,307)	0	0
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	98,561	91,930	0	0
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	98,561	91,930	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,991)	(4,377)	0	0
Fund Balance (Deficit) at Beginning of Year	(41,681)	(37,833)	1,576	45
Decrease in Inventory Reserve	0	0	0	0
Fund Balance (Deficit) at End of Year	(\$46,672)	(\$42,210)	\$1,576	\$45

**THE CITY OF SALEM, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

Enforcement and Education	Drug Enforcement Agency Equitable Share	Street Construction, Maintenance and Repair	State Highway	Municipal Permissive License Tax	Municipal Lodging Tax	Municipal Income Tax
\$0	\$0	\$0	\$0	\$0	\$5,122	\$3,576,966
0	10,033	350,013	28,379	98,059	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	574	1,106	255	0	0	0
972	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>972</u>	<u>10,607</u>	<u>351,119</u>	<u>28,634</u>	<u>98,059</u>	<u>5,122</u>	<u>3,576,966</u>
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	5,112	0
0	0	523,609	32,315	90,221	0	0
0	0	0	0	0	0	118,035
<u>0</u>	<u>0</u>	<u>523,609</u>	<u>32,315</u>	<u>90,221</u>	<u>5,112</u>	<u>118,035</u>
972	10,607	(172,490)	(3,681)	7,838	10	3,458,931
0	0	190,000	0	0	11,500	0
0	0	0	0	0	0	(3,656,669)
<u>0</u>	<u>0</u>	<u>190,000</u>	<u>0</u>	<u>0</u>	<u>11,500</u>	<u>(3,656,669)</u>
972	10,607	17,510	(3,681)	7,838	11,510	(197,738)
8,070	9,441	141,210	11,072	19,432	4,974	668,953
0	0	(32,998)	0	0	0	0
<u>\$9,042</u>	<u>\$20,048</u>	<u>\$125,722</u>	<u>\$7,391</u>	<u>\$27,270</u>	<u>\$16,484</u>	<u>\$471,215</u>

(Continued)

**THE CITY OF SALEM, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	Lakes and Grounds	Parks	Youth Services Grant	Community Development Block Grant
<b>Revenues:</b>				
Taxes	\$0	\$212,781	\$0	\$0
Intergovernmental Revenues	0	20,799	5,249	63,000
Charges for Services	0	21,149	0	0
Licenses and Permits	6,308	0	0	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenues	10,150	1,520	0	0
<b>Total Revenues</b>	<b>16,458</b>	<b>256,249</b>	<b>5,249</b>	<b>63,000</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Security of Persons and Property	0	0	2,730	0
Leisure Time Activities	16,893	327,583	0	0
Community Environment	0	0	0	63,577
Transportation	0	0	0	0
General Government	0	0	0	0
<b>Total Expenditures</b>	<b>16,893</b>	<b>327,583</b>	<b>2,730</b>	<b>63,577</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(435)	(71,334)	2,519	(577)
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	0	40,000	0	0
Operating Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>40,000</b>	<b>0</b>	<b>0</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(435)	(31,334)	2,519	(577)
Fund Balance (Deficit) at Beginning of Year	8,736	79,861	(1,219)	0
Decrease in Inventory Reserve	0	0	0	0
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$8,301</b>	<b>\$48,527</b>	<b>\$1,300</b>	<b>(\$577)</b>

**THE CITY OF SALEM, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

Rehabilitation Loan	Shade Tree	Economic Development Loan	Central Business District	Design Review Board	Community Housing Improvement	Totals
\$0	\$0	\$0	\$0	\$0	\$0	\$3,908,436
0	0	0	0	0	176,180	763,844
0	0	0	0	0	0	21,149
0	0	0	0	0	0	6,308
2,282	0	6,943	0	0	0	11,160
0	0	0	0	0	0	972
4,161	0	200	0	0	18,603	34,634
6,443	0	7,143	0	0	194,783	4,746,503
0	0	0	0	0	0	328,288
0	0	0	0	0	0	344,476
15,137	17,008	232,903	0	0	247,159	580,896
0	0	0	0	0	0	646,145
0	0	0	0	0	0	118,035
15,137	17,008	232,903	0	0	247,159	2,017,840
(8,694)	(17,008)	(225,760)	0	0	(52,376)	2,728,663
0	10,000	0	0	0	0	441,991
0	0	0	0	0	0	(3,656,669)
0	10,000	0	0	0	0	(3,214,678)
(8,694)	(7,008)	(225,760)	0	0	(52,376)	(486,015)
51,314	7,739	250,727	21,000	2,277	59,671	1,265,365
0	0	0	0	0	0	(32,998)
\$42,620	\$731	\$24,967	\$21,000	\$2,277	\$7,295	\$746,352

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**POLICE PENSION FUND**

	<u>Revised Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$57,506	\$56,312	(\$1,194)
Intergovernmental Revenues	5,000	6,066	1,066
Total Revenues	<u>62,506</u>	<u>62,378</u>	<u>(128)</u>
<u>Expenditures:</u>			
Security of Persons and Property:			
Personal Services	174,000	163,287	10,713
Total Expenditures	<u>174,000</u>	<u>163,287</u>	<u>10,713</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(111,494)	(100,909)	10,585
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	109,000	98,561	(10,439)
Total Other Financing Sources (Uses)	<u>109,000</u>	<u>98,561</u>	<u>(10,439)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,494)	(2,348)	146
Fund Balance at Beginning of Year	3,273	3,273	0
Fund Balance at End of Year	<u>\$779</u>	<u>\$925</u>	<u>\$146</u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**FIRE PENSION FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$57,506	\$56,311	(\$1,195)
Intergovernmental Revenues	5,000	6,066	1,066
Total Revenues	62,506	62,377	(129)
<u>Expenditures:</u>			
Security of Persons and Property:			
Personal Services	158,000	156,960	1,040
Total Expenditures	158,000	156,960	1,040
Excess (Deficiency) of Revenues Over (Under) Expenditures	(95,494)	(94,583)	911
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	96,000	91,930	(4,070)
Total Other Financing Sources (Uses)	96,000	91,930	(4,070)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	506	(2,653)	(3,159)
Fund Balance at Beginning of Year	3,290	3,290	0
Fund Balance at End of Year	\$3,796	\$637	(\$3,159)

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**LAW ENFORCEMENT FUND**

	<u>Revised Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$500	\$0	(\$500)
Fines and Forfeitures	2,000	0	(2,000)
Total Revenues	<u>2,500</u>	<u>0</u>	<u>(2,500)</u>
<u>Expenditures:</u>			
Security of Persons and Property:			
Materials and Supplies	1,000	0	1,000
Total Expenditures	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,500	0	(1,500)
Fund Balance at Beginning of Year	<u>1,576</u>	<u>1,576</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$3,076</u></u>	<u><u>\$1,576</u></u>	<u><u>(\$1,500)</u></u>



**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**D.A.R.E. FUND**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Total Revenues	\$0	\$0	\$0
<u>Expenditures:</u>			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	45	45	0
Fund Balance at End of Year	<u>\$45</u>	<u>\$45</u>	<u>\$0</u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**ENFORCEMENT AND EDUCATION FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Fines and Forfeitures	\$5,000	\$965	(\$4,035)
Total Revenues	5,000	965	(4,035)
<u>Expenditures:</u>			
Security of Persons and Property:			
Materials and Supplies	7,500	0	7,500
Total Expenditures	7,500	0	7,500
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	(2,500)	965	3,465
Fund Balance at Beginning of Year	8,027	8,027	0
Fund Balance at End of Year	\$5,527	\$8,992	\$3,465

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**DRUG ENFORCEMENT AGENCY EQUITABLE SHARE FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$13,000	\$14,482	\$1,482
Investment Earnings	0	574	574
Total Revenues	<u>13,000</u>	<u>15,056</u>	<u>2,056</u>
<u>Expenditures:</u>			
Security of Persons and Property:			
Contractual Services	<u>5,100</u>	<u>0</u>	<u>5,100</u>
Total Expenditures	<u>5,100</u>	<u>0</u>	<u>5,100</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,900	15,056	7,156
Fund Balance at Beginning of Year	<u>4,992</u>	<u>4,992</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$12,892</u></u>	<u><u>\$20,048</u></u>	<u><u>\$7,156</u></u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$360,000	\$349,571	(\$10,429)
Investment Earnings	0	1,106	1,106
Total Revenues	<u>360,000</u>	<u>350,677</u>	<u>(9,323)</u>
<u>Expenditures:</u>			
Transportation:			
Personal Services	467,874	423,013	44,861
Contractual Services	21,399	16,959	4,440
Materials and Supplies	<u>90,988</u>	<u>85,153</u>	<u>5,835</u>
Total Expenditures	<u>580,261</u>	<u>525,125</u>	<u>55,136</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(220,261)	(174,448)	45,813
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	<u>190,000</u>	<u>190,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>190,000</u>	<u>190,000</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(30,261)	15,552	45,813
Fund Balance at Beginning of Year	30,604	30,604	0
Prior Year Encumbrances	<u>10,805</u>	<u>10,805</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$11,148</u></u>	<u><u>\$56,961</u></u>	<u><u>\$45,813</u></u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

STATE HIGHWAY FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$27,000	\$28,343	\$1,343
Investment Earnings	1,000	255	(745)
Total Revenues	28,000	28,598	598
<u>Expenditures:</u>			
Transportation:			
Personal Services	28,000	28,000	0
Materials and Supplies	5,000	5,542	(542)
Total Expenditures	33,000	33,542	(542)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	(4,944)	56
Fund Balance at Beginning of Year	6,663	6,663	0
Prior Year Encumbrances	807	807	0
Fund Balance at End of Year	\$2,470	\$2,526	\$56

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**MUNICIPAL PERMISSIVE LICENSE TAX FUND**

	<u>Revised Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$90,000	\$92,500	\$2,500
Total Revenues	<u>90,000</u>	<u>92,500</u>	<u>2,500</u>
<u>Expenditures:</u>			
Transportation:			
Personal Services	70,000	72,232	(2,232)
Materials and Supplies	<u>30,000</u>	<u>34,934</u>	<u>(4,934)</u>
Total Expenditures	<u>100,000</u>	<u>107,166</u>	<u>(7,166)</u>
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	(10,000)	(14,666)	(4,666)
Fund Balance at Beginning of Year	12,818	12,818	0
Prior Year Encumbrances	<u>9,948</u>	<u>9,948</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$12,766</u></u>	<u><u>\$8,100</u></u>	<u><u>(\$4,666)</u></u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**MUNICIPAL LODGING TAX FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$10,000	\$4,732	(\$5,268)
Total Revenues	10,000	4,732	(5,268)
<u>Expenditures:</u>			
Community Environment:			
Contractual Services	17,540	8,933	8,607
Materials and Supplies	460	44	416
Total Expenditures	18,000	8,977	9,023
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,000)	(4,245)	3,755
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	15,000	11,500	(3,500)
Total Other Financing Sources (Uses)	15,000	11,500	(3,500)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	7,000	7,255	255
Fund Balance at Beginning of Year	4,654	4,654	0
Prior Year Encumbrances	3,408	3,408	0
Fund Balance at End of Year	\$15,062	\$15,317	\$255

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**MUNICIPAL INCOME TAX FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$3,600,000	\$3,555,191	(\$44,809)
Total Revenues	3,600,000	3,555,191	(44,809)
<u>Expenditures:</u>			
General Government:			
Personal Services	177,914	102,808	75,106
Contractual Services	15,075	12,321	2,754
Materials and Supplies	8,952	6,491	2,461
Capital Outlay	6,000	0	6,000
Total Expenditures	207,941	121,620	86,321
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,392,059	3,433,571	41,512
<u>Other Financing Sources (Uses):</u>			
Operating Transfers Out	(3,671,059)	(3,656,669)	14,390
Total Other Financing Sources (Uses)	(3,671,059)	(3,656,669)	14,390
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(279,000)	(223,098)	55,902
Fund Balance at Beginning of Year	214,691	214,691	0
Prior Year Encumbrances	4,970	4,970	0
Fund Deficit at End of Year	(\$59,339)	(\$3,437)	\$55,902



**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**LAKES AND GROUNDS FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Licenses and Permits	\$7,500	\$6,308	(\$1,192)
All Other Revenues	10,500	10,150	(350)
Total Revenues	<u>18,000</u>	<u>16,458</u>	<u>(1,542)</u>
<u>Expenditures:</u>			
Leisure Time Activities:			
Personal Services	15,839	11,759	4,080
Contractual Services	2,251	1,980	271
Materials and Supplies	4,950	3,681	1,269
Capital Outlay	<u>1,500</u>	<u>0</u>	<u>1,500</u>
Total Expenditures	<u>24,540</u>	<u>17,420</u>	<u>7,120</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,540)	(962)	5,578
Fund Balance at Beginning of Year	8,357	8,357	0
Prior Year Encumbrances	<u>442</u>	<u>442</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$2,259</u></u>	<u><u>\$7,837</u></u>	<u><u>\$5,578</u></u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**PARKS FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$223,694	\$210,998	(\$12,696)
Intergovernmental Revenues	15,000	20,799	5,799
Charges for Services	21,000	21,149	149
All Other Revenues	2,000	1,520	(480)
Total Revenues	261,694	254,466	(7,228)
<u>Expenditures:</u>			
Leisure Time Activities:			
Personal Services	249,176	237,148	12,028
Contractual Services	46,469	34,473	11,996
Materials and Supplies	33,561	33,210	351
Other Expenditures	300	70	230
Capital Outlay	51,606	38,086	13,520
Total Expenditures	381,112	342,987	38,125
Excess (Deficiency) of Revenues Over (Under) Expenditures	(119,418)	(88,521)	30,897
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	60,000	40,000	(20,000)
Total Other Financing Sources (Uses)	60,000	40,000	(20,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(59,418)	(48,521)	10,897
Fund Balance at Beginning of Year	72,993	72,993	0
Prior Year Encumbrances	20,288	20,288	0
Fund Balance at End of Year	\$33,863	\$44,760	\$10,897

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**YOUTH SERVICES GRANT FUND**

	<u>Revised Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$7,000	\$5,249	(\$1,751)
Total Revenues	<u>7,000</u>	<u>5,249</u>	<u>(1,751)</u>
<u>Expenditures:</u>			
Security of Persons and Property:			
Personal Services	8,000	6,107	1,893
Materials and Supplies	<u>1,000</u>	<u>578</u>	<u>422</u>
Total Expenditures	<u>9,000</u>	<u>6,685</u>	<u>2,315</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,000)	(1,436)	564
Fund Balance at Beginning of Year	<u>2,736</u>	<u>2,736</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$736</u></u>	<u><u>\$1,300</u></u>	<u><u>\$564</u></u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

	<u>Revised Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$65,500	\$63,000	(\$2,500)
Total Revenues	<u>65,500</u>	<u>63,000</u>	<u>(2,500)</u>
<u>Expenditures:</u>			
Community Environment:			
Contractual Services	14,840	14,840	0
Capital Outlay	<u>50,660</u>	<u>50,827</u>	<u>(167)</u>
Total Expenditures	<u>65,500</u>	<u>65,667</u>	<u>(167)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(2,667)	(2,667)
Fund Balance at Beginning of Year	0	0	0
Prior Year Encumbrances	<u>840</u>	<u>840</u>	<u>0</u>
Fund Deficit at End of Year	<u><u>\$840</u></u>	<u><u>(\$1,827)</u></u>	<u><u>(\$2,667)</u></u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**REHABILITATION LOAN FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Investment Earnings	\$0	\$2,282	\$2,282
All Other Revenues	20,000	4,161	(15,839)
Total Revenues	<u>20,000</u>	<u>6,443</u>	<u>(13,557)</u>
<u>Expenditures:</u>			
Community Environment:			
Contractual Services	5,900	2,775	3,125
Capital Outlay	<u>26,000</u>	<u>13,962</u>	<u>12,038</u>
Total Expenditures	<u>31,900</u>	<u>16,737</u>	<u>15,163</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,900)	(10,294)	1,606
Fund Balance at Beginning of Year	50,568	50,568	0
Prior Year Encumbrances	1,173	1,173	0
Fund Balance at End of Year	<u><u>\$39,841</u></u>	<u><u>\$41,447</u></u>	<u><u>\$1,606</u></u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

SHADE TREE FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Total Revenues	\$0	\$0	\$0
<u>Expenditures:</u>			
Community Environment:			
Personal Services	300	40	260
Contractual Services	16,529	18,278	(1,749)
Materials and Supplies	171	165	6
Total Expenditures	17,000	18,483	(1,483)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,000)	(18,483)	(1,483)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	10,000	10,000	0
Total Other Financing Sources (Uses)	10,000	10,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,000)	(8,483)	(1,483)
Fund Balance at Beginning of Year	7,739	7,739	0
Prior Year Encumbrances	1,775	1,775	0
Fund Balance at End of Year	\$2,514	\$1,031	(\$1,483)

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**ECONOMIC DEVELOPMENT LOAN FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Investment Earnings	\$0	\$6,943	\$6,943
All Other Revenues	0	200	200
Total Revenues	0	7,143	7,143
<u>Expenditures:</u>			
Community Environment:			
Contractual Services	5,000	1,245	3,755
Other Expenditures	25	25	0
Capital Outlay	253,607	241,633	11,974
Total Expenditures	258,632	242,903	15,729
Excess (Deficiency) of Revenues Over (Under) Expenditures	(258,632)	(235,760)	22,872
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	30,000	0	(30,000)
Total Other Financing Sources (Uses)	30,000	0	(30,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(228,632)	(235,760)	(7,128)
Fund Balance at Beginning of Year	260,727	260,727	0
Fund Balance at End of Year	\$32,095	\$24,967	(\$7,128)

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**CENTRAL BUSINESS DISTRICT FUND**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Total Revenues	\$0	\$0	\$0
<u>Expenditures:</u>			
Community Environment:			
Other Expenditures	<u>7,000</u>	<u>7,000</u>	<u>0</u>
Total Expenditures	<u>7,000</u>	<u>7,000</u>	<u>0</u>
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	(7,000)	(7,000)	0
Fund Balance at Beginning of Year	<u>21,000</u>	<u>21,000</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$14,000</u></u>	<u><u>\$14,000</u></u>	<u><u>\$0</u></u>



**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**DESIGN REVIEW BOARD FUND**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
<u>Revenues:</u>			
All Other Revenues	\$3,000	\$0	(\$3,000)
Total Revenues	<u>3,000</u>	<u>0</u>	<u>(3,000)</u>
<u>Expenditures:</u>			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,000	0	(3,000)
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>\$5,277</u></u>	<u><u>\$2,277</u></u>	<u><u>(\$3,000)</u></u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**COMMUNITY HOUSING IMPROVEMENT FUND**

	<u>Revised Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$403,014	\$226,062	(\$176,952)
All Other Revenues	18,603	18,603	0
Total Revenues	<u>421,617</u>	<u>244,665</u>	<u>(176,952)</u>
<u>Expenditures:</u>			
Community Environment:			
Contractual Services	324,950	334,163	(9,213)
Capital Outlay	<u>96,667</u>	<u>92,951</u>	<u>3,716</u>
Total Expenditures	<u>421,617</u>	<u>427,114</u>	<u>(5,497)</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(182,449)	(182,449)
Fund Deficit at Beginning of Year	(65,885)	(65,885)	0
Prior Year Encumbrances	<u>88,334</u>	<u>88,334</u>	<u>0</u>
Fund Deficit at End of Year	<u><u>\$22,449</u></u>	<u><u>(\$160,000)</u></u>	<u><u>(\$182,449)</u></u>

## ***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.

**THE CITY OF SALEM, OHIO**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
**DECEMBER 31, 2002**

	General Obligation Debt Retirement	Special Assessment Debt Retirement	Totals
<u>Assets:</u>			
Cash and Cash Equivalents	\$55	\$33,658	\$33,713
Receivables (net of allowance for doubtful accounts):			
Special Assessments	<u>0</u>	<u>168,361</u>	<u>168,361</u>
Total Assets	<u><u>\$55</u></u>	<u><u>\$202,019</u></u>	<u><u>\$202,074</u></u>
<u>Liabilities and Fund Equity:</u>			
Liabilities:			
Deferred Revenue	<u>\$0</u>	<u>\$168,361</u>	<u>\$168,361</u>
Total Liabilities	<u>0</u>	<u>168,361</u>	<u>168,361</u>
Fund Equity:			
Reserved for Debt Service	<u>55</u>	<u>33,658</u>	<u>33,713</u>
Total Fund Equity	<u>55</u>	<u>33,658</u>	<u>33,713</u>
Total Liabilities and Fund Equity	<u><u>\$55</u></u>	<u><u>\$202,019</u></u>	<u><u>\$202,074</u></u>

**THE CITY OF SALEM, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	General Obligation Debt Retirement	Special Assessment Debt Retirement	Totals
<u>Revenues:</u>			
Special Assessments	\$0	\$23,175	\$23,175
Total Revenues	0	23,175	23,175
<u>Expenditures:</u>			
Debt Service:			
Principal Retirement	150,000	10,000	160,000
Interest and Fiscal Charges	26,987	9,577	36,564
Total Expenditures	176,987	19,577	196,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	(176,987)	3,598	(173,389)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	196,488	0	196,488
Operating Transfers Out	(19,500)	0	(19,500)
Total Expenditures	176,988	0	176,988
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1	3,598	3,599
Fund Balance at Beginning of Year	54	30,060	30,114
Fund Balance at End of Year	\$55	\$33,658	\$33,713

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**GENERAL OBLIGATION DEBT RETIREMENT FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Total Revenues	\$0	\$0	\$0
<u>Expenditures:</u>			
Debt Service:			
Principal Retirement	767,884	750,000	17,884
Interest and Fiscal Charges	46,888	46,487	401
Total Expenditures	814,772	796,487	18,285
Excess (Deficiency) of Revenues Over (Under) Expenditures	(814,772)	(796,487)	18,285
<u>Other Financing Sources (Uses):</u>			
Proceeds from General Obligation Notes	600,000	600,000	0
Operating Transfers In	214,841	196,488	(18,353)
Total Other Financing Sources (Uses)	814,841	796,488	(18,353)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	69	1	(68)
Fund Balance at Beginning of Year	54	54	0
Fund Balance at End of Year	\$123	\$55	(\$68)

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**SPECIAL ASSESSMENT DEBT RETIREMENT FUND**

	<u>Revised Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Special Assessments	\$25,000	\$23,175	(\$1,825)
Total Revenues	<u>25,000</u>	<u>23,175</u>	<u>(1,825)</u>
<u>Expenditures:</u>			
Debt Service:			
Principal Retirement	10,000	10,000	0
Interest and Fiscal Charges	<u>10,127</u>	<u>9,577</u>	<u>550</u>
Total Expenditures	<u>20,127</u>	<u>19,577</u>	<u>550</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,873	3,598	(1,275)
Fund Balance at Beginning of Year	<u>30,060</u>	<u>30,060</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$34,933</u></u>	<u><u>\$33,658</u></u>	<u><u>(\$1,275)</u></u>

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## ***CAPITAL PROJECTS FUNDS***

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

### **Income Tax Capital Improvement Fund**

To account for 40% of income tax receipts which are restricted in use for the major capital projects undertaken by the City.

### **South East Boulevard Improvement Fund**

To account for proceeds from an interest free OPWC loan to be used for improvements to South East Boulevard. (The Balance Sheet is not presented for this fund because there are no assets or liabilities at year end.)

### **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.

**THE CITY OF SALEM, OHIO**  
**COMBINING BALANCE SHEET**  
**CAPITAL PROJECTS FUNDS**  
**DECEMBER 31, 2002**

	Income Tax Capital Improvement	Industrial Park Development	Industrial Park West Project	Totals
<u>Assets:</u>				
Cash and Cash Equivalents	\$1,087,121	\$84,201	\$12,607	\$1,183,929
Total Assets	<u>\$1,087,121</u>	<u>\$84,201</u>	<u>\$12,607</u>	<u>\$1,183,929</u>
<u>Liabilities and Fund Equity:</u>				
Liabilities:				
Accounts Payable	\$239,519	\$0	\$0	\$239,519
Accrued Interest Payable	2,713	0	8,138	10,851
General Obligation Notes Payable	200,000	0	600,000	800,000
Total Liabilities	<u>442,232</u>	<u>0</u>	<u>608,138</u>	<u>1,050,370</u>
Fund Equity:				
Reserved for Encumbrances	368,594	0	0	368,594
Unreserved	276,295	84,201	(595,531)	(235,035)
Total Fund Equity (Deficit)	<u>644,889</u>	<u>84,201</u>	<u>(595,531)</u>	<u>133,559</u>
Total Liabilities and Fund Equity	<u>\$1,087,121</u>	<u>\$84,201</u>	<u>\$12,607</u>	<u>\$1,183,929</u>

**THE CITY OF SALEM, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Income Tax Capital Improvement</u>	<u>South East Boulevard Improvement</u>	<u>Industrial Park Development</u>	<u>Industrial Park West Project</u>	<u>Totals</u>
<b><u>Revenues:</u></b>					
Taxes	\$4,950	\$0	\$0	\$0	\$4,950
Intergovernmental Revenues	815,809	0	0	0	815,809
All Other Revenues	15,516	0	0	0	15,516
Total Revenues	<u>836,275</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>836,275</u>
<b><u>Expenditures:</u></b>					
Capital Outlay	1,815,436	49,232	0	0	1,864,668
Debt Service:					
Interest and Fiscal Charges	2,713	0	0	15,938	18,651
Total Expenditures	<u>1,818,149</u>	<u>49,232</u>	<u>0</u>	<u>15,938</u>	<u>1,883,319</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(981,874)	(49,232)	0	(15,938)	(1,047,044)
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from Ohio					
Public Works Commission Loan	0	49,232	0	0	49,232
Proceeds from Sale of Fixed Assets	9,268	0	0	0	9,268
Operating Transfers In	717,680	0	0	19,500	737,180
Total Other Financing Sources (Uses)	<u>726,948</u>	<u>49,232</u>	<u>0</u>	<u>19,500</u>	<u>795,680</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(254,926)	0	0	3,562	(251,364)
Fund Balance (Deficit) at Beginning of Year	899,815	0	84,201	(599,093)	384,923
Fund Balance (Deficit) at End of Year	<u>\$644,889</u>	<u>\$0</u>	<u>\$84,201</u>	<u>(\$595,531)</u>	<u>\$133,559</u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**INCOME TAX CAPITAL IMPROVEMENT FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$0	\$4,950	\$4,950
Intergovernmental Revenues	770,000	815,809	45,809
All Other Revenues	0	15,516	15,516
Total Revenues	<u>770,000</u>	<u>836,275</u>	<u>66,275</u>
<u>Expenditures:</u>			
Capital Outlay	<u>2,283,000</u>	<u>2,233,239</u>	<u>49,761</u>
Total Expenditures	<u>2,283,000</u>	<u>2,233,239</u>	<u>49,761</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,513,000)	(1,396,964)	116,036
<u>Other Financing Sources (Uses):</u>			
Proceeds from General Obligation Notes	400,000	200,000	(200,000)
Proceeds from Sale of Fixed Assets	0	9,268	9,268
Operating Transfers In	<u>682,577</u>	<u>717,680</u>	<u>35,103</u>
Total Other Financing Sources (Uses)	<u>1,082,577</u>	<u>926,948</u>	<u>(155,629)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(430,423)	(470,016)	(39,593)
Fund Balance at Beginning of Year	700,868	700,868	0
Prior Year Encumbrances	<u>248,156</u>	<u>248,156</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$518,601</u></u>	<u><u>\$479,008</u></u>	<u><u>(\$39,593)</u></u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**SOUTH EAST BOULEVARD IMPROVEMENT FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Total Revenues	\$0	\$0	\$0
<u>Expenditures:</u>			
Capital Outlay	49,233	49,232	1
Total Expenditures	49,233	49,232	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,233)	(49,232)	1
<u>Other Financing Sources (Uses):</u>			
Proceeds from Ohio Public Works Commission Loan	49,233	49,232	(1)
Total Other Financing Sources (Uses)	49,233	49,232	(1)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**INDUSTRIAL PARK DEVELOPMENT FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Total Revenues	\$0	\$0	\$0
<u>Expenditures:</u>			
Capital Outlay	78,208	0	78,208
Total Expenditures	78,208	0	78,208
Excess (Deficiency) of Revenues Over (Under) Expenditures	(78,208)	0	78,208
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	10,000	0	(10,000)
Total Other Financing Sources (Uses)	10,000	0	(10,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(68,208)	0	68,208
Fund Balance at Beginning of Year	84,201	84,201	0
Fund Balance at End of Year	<u>\$15,993</u>	<u>\$84,201</u>	<u>\$68,208</u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

**INDUSTRIAL PARK WEST PROJECT FUND**

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Investment Earnings	\$6,000	\$0	(\$6,000)
Total Revenues	6,000	0	(6,000)
<u>Expenditures:</u>			
Capital Outlay	12,000	0	12,000
Total Expenditures	12,000	0	12,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,000)	0	6,000
Fund Balance at Beginning of Year	12,607	12,607	0
Fund Balance at End of Year	<u>\$6,607</u>	<u>\$12,607</u>	<u>\$6,000</u>

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## ***ENTERPRISE FUNDS***

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Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, whereby the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City has decided that periodic determination of net income is appropriate for accountability purposes.

### **Water Fund**

To account for the operation of the City's water treatment and distribution systems.

### **Wastewater Fund**

To account for the operation of the City's sewage treatment and collection systems.

**THE CITY OF SALEM, OHIO**  
**COMBINING BALANCE SHEET**  
**ENTERPRISE FUNDS**  
**DECEMBER 31, 2002**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b><u>Assets:</u></b>			
Cash and Cash Equivalents	\$3,558,655	\$7,424,814	\$10,983,469
Investments	750,000	0	750,000
Receivables (net of allowance for doubtful accounts):			
Accounts	263,613	274,497	538,110
Interest	27,762	5,163	32,925
Deferred Bond Issuance Costs	48,109	0	48,109
Inventory of Supplies at Cost	123,047	4,083	127,130
Prepaid Items	13,923	13,923	27,846
Property, Plant and Equipment	17,115,219	15,944,224	33,059,443
Less Accumulated Depreciation	<u>(6,946,011)</u>	<u>(8,114,547)</u>	<u>(15,060,558)</u>
Net Fixed Assets	10,169,208	7,829,677	17,998,885
Construction in Progress	0	1,554,215	1,554,215
Total Assets	<u>\$14,954,317</u>	<u>\$17,106,372</u>	<u>\$32,060,689</u>
<b><u>Liabilities and Fund Equity:</u></b>			
<b>Liabilities:</b>			
Accounts Payable	\$51,162	\$142,737	\$193,899
Accrued Wages and Benefits	45,575	39,926	85,501
Accrued Interest Payable	8,667	39,445	48,112
Compensated Absences Payable	14,848	17,602	32,450
General Obligation Notes Payable	0	2,300,000	2,300,000
General Obligation Bonds Payable	1,600,000	0	1,600,000
Ohio Public Works Commission Loan Payable	<u>358,750</u>	<u>0</u>	<u>358,750</u>
Total Liabilities	<u>2,079,002</u>	<u>2,539,710</u>	<u>4,618,712</u>
<b>Fund Equity:</b>			
Contributed Capital	4,432,758	1,562,816	5,995,574
Retained Earnings:			
Unreserved	8,442,557	13,003,846	21,446,403
Total Retained Earnings	<u>8,442,557</u>	<u>13,003,846</u>	<u>21,446,403</u>
Total Fund Equity	<u>12,875,315</u>	<u>14,566,662</u>	<u>27,441,977</u>
Total Liabilities and Fund Equity	<u>\$14,954,317</u>	<u>\$17,106,372</u>	<u>\$32,060,689</u>

**THE CITY OF SALEM, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<u>Operating Revenues:</u>			
Charges for Services	\$1,455,073	\$2,291,846	\$3,746,919
Other Operating Revenues	184,599	247,923	432,522
Total Operating Revenues	<u>1,639,672</u>	<u>2,539,769</u>	<u>4,179,441</u>
<u>Operating Expenses:</u>			
Personal Services	556,057	663,669	1,219,726
Materials and Supplies	198,290	99,678	297,968
Contractual Services	228,927	935,505	1,164,432
Utilities	22,761	240,458	263,219
Depreciation and Amortization	590,185	425,867	1,016,052
Total Operating Expenses	<u>1,596,220</u>	<u>2,365,177</u>	<u>3,961,397</u>
Operating Income	43,452	174,592	218,044
<u>Non-Operating Revenues (Expenses):</u>			
Capital Contributions	0	2,435	2,435
Loss on Disposal of Fixed Assets	(122)	(122)	(244)
Investment Earnings	11,291	23,114	34,405
Interest and Fiscal Charges	(127,834)	(39,445)	(167,279)
Nonoperating Revenues	358	80,000	80,358
Nonoperating Expenses	(1,598)	(1,441)	(3,039)
Total Non-Operating Revenues (Expenses)	<u>(117,905)</u>	<u>64,541</u>	<u>(53,364)</u>
Net Income (Loss) Before Operating Transfers	(74,453)	239,133	164,680
<u>Operating Transfers:</u>			
Operating Transfers In	149,416	160,506	309,922
Total Operating Transfers	<u>149,416</u>	<u>160,506</u>	<u>309,922</u>
Net Income	74,963	399,639	474,602
Restated Retained Earnings at Beginning of Year	8,367,594	12,604,207	20,971,801
Retained Earnings at End of Year	<u>\$8,442,557</u>	<u>\$13,003,846</u>	<u>\$21,446,403</u>

**THE CITY OF SALEM, OHIO**  
**COMBINING STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,810,437	\$2,576,834	\$4,387,271
Cash Payments for Goods and Services	(495,313)	(1,394,909)	(1,890,222)
Cash Payments to Employees	(551,182)	(667,738)	(1,218,920)
Net Cash Provided by Operating Activities	<u>763,942</u>	<u>514,187</u>	<u>1,278,129</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	<u>149,416</u>	<u>160,506</u>	<u>309,922</u>
Net Cash Provided by Noncapital Financing Activities	<u>149,416</u>	<u>160,506</u>	<u>309,922</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds from General Obligation Notes	0	2,300,000	2,300,000
Acquisition and Construction of Assets	(24,652)	(1,125,768)	(1,150,420)
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	(130,000)	0	(130,000)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(575,152)</u>	<u>1,174,232</u>	<u>599,080</u>
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	2,012,900	3,850,300	5,863,200
Receipt of Interest	21,445	60,298	81,743
Net Cash Provided by Investing Activities	<u>2,034,345</u>	<u>3,910,598</u>	<u>5,944,943</u>
Net Increase in Cash and Cash Equivalents	2,372,551	5,759,523	8,132,074
Cash and Cash Equivalents at Beginning of Year	<u>1,186,104</u>	<u>1,665,291</u>	<u>2,851,395</u>
Cash and Cash Equivalents at End of Year	<u><u>\$3,558,655</u></u>	<u><u>\$7,424,814</u></u>	<u><u>\$10,983,469</u></u>

(Continued)

**THE CITY OF SALEM, OHIO**  
**COMBINING STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<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	\$43,452	\$174,592	\$218,044
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	590,185	425,867	1,016,052
Miscellaneous Nonoperating Expense	(1,598)	(1,441)	(3,039)
Miscellaneous Nonoperating Revenue	358	0	358
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	170,407	37,065	207,472
(Increase) Decrease in Inventory	(10,102)	5,555	(4,547)
Increase in Prepaid Items	(3,959)	(3,959)	(7,918)
Decrease in Accounts Payable	(29,676)	(119,423)	(149,099)
Increase in Accrued Wages and Benefits	9,820	816	10,636
Decrease in Compensated Absences	(4,945)	(4,885)	(9,830)
Total Adjustments	<u>720,490</u>	<u>339,595</u>	<u>1,060,085</u>
Net Cash Provided by Operating Activities	<u>\$763,942</u>	<u>\$514,187</u>	<u>\$1,278,129</u>

Schedule of Noncash Investing, Capital and Financing Activities

At December 31, 2002, the Water and Wastewater Funds had outstanding liabilities of \$12,876 and \$109,502, respectively for the purchase of capital assets.

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***FIDUCIARY FUND TYPES***

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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.

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***EXPENDABLE TRUST FUND***

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**Unclaimed Monies Fund**

To account for revenue from voided and unpaid City checks and to pay claims upon request for unpaid checks.

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***AGENCY FUNDS***

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**Miscellaneous Agency Fund**

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

**Street Opening Fund**

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

**Developers Fund**

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

**Demolition Fund**

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

**THE CITY OF SALEM, OHIO**  
**COMBINING BALANCE SHEET**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2002**

	<u><i>Expendable Trust Fund</i></u>	<u><i>All Agency Funds</i></u>	<u>Totals</u>
	Unclaimed Monies Fund		
<u>Assets:</u>			
Cash and Cash Equivalents	\$1,196	\$33,141	\$34,337
Total Assets	<u>\$1,196</u>	<u>\$33,141</u>	<u>\$34,337</u>
 <u>Liabilities and Fund Equity:</u>			
<u>Liabilities:</u>			
Due to Others	\$1,196	\$33,141	\$34,337
Total Liabilities	<u>1,196</u>	<u>33,141</u>	<u>34,337</u>
 Total Liabilities and Fund Equity	<u>\$1,196</u>	<u>\$33,141</u>	<u>\$34,337</u>

**THE CITY OF SALEM, OHIO**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	Balance December 31, 2001	Additions	Deductions	Balance December 31, 2002
<u>Miscellaneous Agency Fund</u>				
Assets:				
Cash and Cash Equivalents	\$219	\$143	(\$334)	\$28
Total Assets	\$219	\$143	(\$334)	\$28
Liabilities:				
Due to Others	\$219	\$143	(\$334)	\$28
Total Liabilities	\$219	\$143	(\$334)	\$28
<u>Street Opening Fund</u>				
Assets:				
Cash and Cash Equivalents	\$1,320	\$2,500	(\$2,250)	\$1,570
Total Assets	\$1,320	\$2,500	(\$2,250)	\$1,570
Liabilities:				
Due to Others	\$1,320	\$2,500	(\$2,250)	\$1,570
Total Liabilities	\$1,320	\$2,500	(\$2,250)	\$1,570
<u>Developers Fund</u>				
Assets:				
Cash and Cash Equivalents	\$4,966	\$31,790	(\$26,480)	\$10,276
Total Assets	\$4,966	\$31,790	(\$26,480)	\$10,276
Liabilities:				
Due to Others	\$4,966	\$31,790	(\$26,480)	\$10,276
Total Liabilities	\$4,966	\$31,790	(\$26,480)	\$10,276
<u>Demolition Fund</u>				
Assets:				
Cash and Cash Equivalents	\$6,080	\$21,187	(\$6,000)	\$21,267
Total Assets	\$6,080	\$21,187	(\$6,000)	\$21,267
Liabilities:				
Due to Others	\$6,080	\$21,187	(\$6,000)	\$21,267
Total Liabilities	\$6,080	\$21,187	(\$6,000)	\$21,267
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$12,585	\$55,620	(\$35,064)	\$33,141
Total Assets	\$12,585	\$55,620	(\$35,064)	\$33,141
Liabilities:				
Due to Others	\$12,585	\$55,620	(\$35,064)	\$33,141
Total Liabilities	\$12,585	\$55,620	(\$35,064)	\$33,141



***GENERAL FIXED ASSETS ACCOUNT GROUP***

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General Fixed Assets Account Group is used to account for fixed assets other than those accounted for in the Proprietary Funds.

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF GENERAL FIXED ASSETS**  
**BY SOURCE**  
**DECEMBER 31, 2002**

General Fixed Assets

Land	\$562,975
Buildings and Improvements	2,804,625
Land Improvements	230,190
Machinery and Equipment	2,950,696
Construction in Progress	<u>281,232</u>
Total General Fixed Assets	<u><u>\$6,829,718</u></u>

Investment in General Fixed Assets

General Fund	\$883,291
Special Revenue Funds	1,917,671
Capital Projects Funds	4,018,750
Donations	<u>10,006</u>
Total Investment in General Fixed Assets	<u><u>\$6,829,718</u></u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF GENERAL FIXED ASSETS**  
**BY CATEGORY**  
**DECEMBER 31, 2002**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Land Improvements</u>	<u>Machinery and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
<b><u>General Government:</u></b>						
Mayor	\$0	\$1,041	\$0	\$3,850	\$0	\$4,891
Auditor	0	1,904	0	24,768	0	26,672
Treasurer	0	0	0	1,372	0	1,372
Law Director	0	0	0	2,090	0	2,090
Service Director	0	922	0	2,187	0	3,109
City Hall	323,637	580,987	0	57,170	0	961,794
Income Tax	0	13,002	0	10,821	0	23,823
Total	<u>323,637</u>	<u>597,856</u>	<u>0</u>	<u>102,258</u>	<u>0</u>	<u>1,023,751</u>
<b><u>Security of Persons and Property:</u></b>						
Police	0	33,460	0	284,687	0	318,147
Fire	0	611,162	0	1,148,719	0	1,759,881
Traffic	0	60,300	0	86,041	0	146,341
Total	<u>0</u>	<u>704,922</u>	<u>0</u>	<u>1,519,447</u>	<u>0</u>	<u>2,224,369</u>
<b><u>Transportation:</u></b>						
Street	<u>0</u>	<u>378,472</u>	<u>0</u>	<u>1,045,434</u>	<u>0</u>	<u>1,423,906</u>
<b><u>Leisure Time Activities:</u></b>						
Parks	<u>239,338</u>	<u>1,115,116</u>	<u>230,190</u>	<u>239,715</u>	<u>281,232</u>	<u>2,105,591</u>
<b><u>Public Health and Welfare:</u></b>						
Health	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,731</u>	<u>0</u>	<u>14,731</u>
<b><u>Community Environment:</u></b>						
Housing, Planning, Zoning	<u>0</u>	<u>8,259</u>	<u>0</u>	<u>29,111</u>	<u>0</u>	<u>37,370</u>
Total General Fixed Assets	<u>\$562,975</u>	<u>\$2,804,625</u>	<u>\$230,190</u>	<u>\$2,950,696</u>	<u>\$281,232</u>	<u>\$6,829,718</u>

**THE CITY OF SALEM, OHIO**  
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS**  
**BY FUNCTION AND ACTIVITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>Function and Activity</u>	Restated December 31, 2001	Additions	Deletions	December 31, 2002
<b><u>General Government:</u></b>				
Mayor	\$4,891	\$0	\$0	\$4,891
Auditor	26,672	0	0	26,672
Treasurer	0	1,372	0	1,372
Law Director	2,090	0	0	2,090
Service Director	3,109	0	0	3,109
City Hall	964,047	0	(2,253)	961,794
Income Tax	32,525	0	(8,702)	23,823
Total	<u>1,033,334</u>	<u>1,372</u>	<u>(10,955)</u>	<u>1,023,751</u>
<b><u>Security of Persons and Property:</u></b>				
Police	306,342	55,564	(43,759)	318,147
Fire	1,759,881	0	0	1,759,881
Traffic	166,868	0	(20,527)	146,341
Total	<u>2,233,091</u>	<u>55,564</u>	<u>(64,286)</u>	<u>2,224,369</u>
<b><u>Transportation:</u></b>				
Street	<u>1,424,501</u>	<u>0</u>	<u>(595)</u>	<u>1,423,906</u>
<b><u>Leisure Time Activities:</u></b>				
Parks	<u>1,913,884</u>	<u>191,707</u>	<u>0</u>	<u>2,105,591</u>
<b><u>Public Health and Welfare:</u></b>				
Health	<u>14,731</u>	<u>0</u>	<u>0</u>	<u>14,731</u>
<b><u>Community Environment:</u></b>				
Housing, Planning, Zoning	<u>37,370</u>	<u>0</u>	<u>0</u>	<u>37,370</u>
Total General Fixed Assets	<u><u>\$6,656,911</u></u>	<u><u>\$248,643</u></u>	<u><u>(\$75,836)</u></u>	<u><u>\$6,829,718</u></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.*

**THE CITY OF SALEM, OHIO**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**  
**LAST TEN YEARS**

Year	Security of Persons and Property	Public Health and Welfare	Leisure Time Activities	Community Environment	Trans- portation	General Government	Capital Outlay	Debt Service	Other	Total
1993	\$1,964,542	\$162,518	\$211,591	\$157,455	\$496,759	\$709,566	\$77,157	\$289,569	\$32,626	\$4,101,783
1994	2,100,387	38,792	203,878	260,977	438,980	722,379	249,859	390,092	0	4,405,344
1995	2,084,886	0	273,346	571,933	586,673	725,312	19,067	405,249	71,720	4,738,186
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

(1) Includes General Fund, Special Revenue Funds and Debt Service Funds

**THE 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>
1993	\$3,201,016	\$951,552	\$86,396	\$103,014	\$48,459	\$133,762	\$86,918	\$4,611,117
1994	3,417,379	1,398,662	70,172	69,923	66,584	135,061	174,311	5,332,092
1995	3,609,262	1,245,477	63,298	71,543	99,022	93,359	193,058	5,375,019
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

(1) Includes General Fund, Special Revenue Funds and Debt Service Funds

(2) Includes Special Assessment Revenue



**THE 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		Accumulated		Percentage of Accumulated Delinquent Taxes To Total Tax Levy
					Tax Collections	To Tax Levy	Outstanding Delinquent Taxes	To Total Tax Levy	
1993	\$555,220	\$535,890	N/A	\$535,890	96.52%		\$28,360		5.11%
1994	552,149	534,637	N/A	534,637	96.83%		28,907		5.24%
1995	424,587	403,744	N/A	403,744	95.09%		25,074		5.91%
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%

Source: Columbiana County Auditor

**THE 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	
1993	\$90,302,640	\$258,007,543	\$6,446,950	\$6,446,950	\$41,963,185	\$167,852,740	\$138,712,775	\$432,307,233	32.09%
1994	89,947,850	256,993,857	7,957,920	7,957,920	39,960,705	159,842,820	137,866,475	424,794,597	32.45%
1995	90,105,480	257,444,229	7,737,430	7,737,430	40,959,799	163,839,196	138,802,709	429,020,855	32.35%
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%

Source: Columbiana County Auditor

**THE 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
	General Fund	Police Pension	Fire Pension	Park Fund	Total City	Salem City School District	Columbiana County	Township	Total		
1993	2.80	0.30	0.30	1.00	4.40	49.50	8.70	0.20	62.80		
1994	2.80	0.30	0.30	1.00	4.40	49.50	8.70	0.20	62.80		
1995	2.80	0.30	0.30	1.00	4.40	48.40	8.70	0.20	61.70		
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		

Source: Columbiana County Auditor  
Columbiana County Treasurer

**THE CITY OF SALEM, OHIO**  
**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS**  
**LAST TEN YEARS**

<b>Collection Year</b>	<b>Amount Billed</b>	<b>Amount Collected</b>	<b>Percent Collected</b>
1993	N/A	N/A	N/A
1994	N/A	N/A	N/A
1995	N/A	N/A	N/A
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%

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.

**THE CITY OF SALEM, OHIO**  
**COMPUTATION OF LEGAL DEBT MARGIN**  
**DECEMBER 31, 2002**

	<b>Total Debt</b>	<b>Unvoted Debt</b>
Net Assessed Valuation	\$215,757,110	\$215,757,110
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	22,654,497	11,866,641
City Debt Outstanding (2)	1,100,000	1,100,000
Less: Applicable Debt Service Fund Amounts	(55)	(55)
Net Indebtedness Subject to Limitation	1,099,945	1,099,945
Legal Debt Margin	\$21,554,552	\$10,766,696

(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.

**THE 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
1993	12,233	\$138,712,775	\$2,185,001	\$135,298	\$2,049,703	1.48%	\$168
1994	12,233	137,866,475	1,975,001	144,297	1,830,704	1.33%	149.65
1995	12,233	138,802,709	1,740,000	145,891	1,594,109	1.15%	130.31
1996	12,233	157,218,600	1,505,000	138,313	1,366,687	0.87%	111.72
1997	12,233	162,981,270	1,270,000	212,604	1,057,396	0.65%	86.44
1998	12,233	195,362,185	1,010,000	124,912	885,088	0.45%	72.35
1999	12,233	200,874,530	1,650,000	126,040	1,523,960	0.76%	124.58
2000	12,233	197,612,970	1,350,000	136,204	1,213,796	0.61%	99.22
2001	12,197	212,504,160	1,050,000	54	1,049,946	0.49%	86.08
2002	12,500	215,757,110	1,100,000	55	1,099,945	0.51%	88.00

(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.

**THE 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 Tax Debt Service to Governmental Expenditures</b>
1993	\$172,789	\$119,247	\$292,036	\$4,101,783	7.12%
1994	210,000	130,255	340,255	4,405,344	7.72%
1995	235,000	116,845	351,845	4,738,186	7.43%
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%

**THE CITY OF SALEM, OHIO**  
**COMPUTATION OF ALL DIRECT AND OVERLAPPING**  
**GENERAL OBLIGATION BONDED DEBT**  
**DECEMBER 31, 2002**

<u>Jurisdiction</u>	<u>Net Debt Outstanding (1)</u>	<u>Percentage Applicable to City of Salem (2)</u>	<u>Amount Applicable to City of Salem</u>
<b>Direct</b>			
City of Salem	\$300,000	100.00%	\$300,000
<b>Overlapping Subdivisions</b>			
Columbiana County	1,984,047	15.00%	297,607
Salem City School District	55,000	70.24%	38,632
		Subtotal	336,239
		Total	<u>\$636,239</u>

(1) Does not include G.O. Notes or 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



**THE CITY OF SALEM, OHIO**  
**REVENUE BOND COVERAGE - WATER MORTGAGE BONDS (1)**  
**LAST TEN YEARS**

Year	Gross Revenues (2)	Direct Operating Expenses (3)	Net Revenue		Debt Service Requirement (4)	Coverage
			Available For Debt Service			
1993	\$1,518,652	\$491,896	\$1,026,756		\$348,625	2.95%
1994	1,684,717	914,426	770,291		342,813	2.25%
1995	1,769,457	792,483	976,974		336,063	2.91%
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	0.00%
1999	0	0	0	0	0	0.00%
2000	0	0	0	0	0	0.00%
2001	0	0	0	0	0	0.00%
2002	0	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

**THE CITY OF SALEM, OHIO**  
**REVENUE BOND COVERAGE - SEWER MORTGAGE BONDS (1)**  
**LAST TEN YEARS**

Year	Gross Revenues (2)	Direct Operating Expenses (3)	Net Revenue Available		Coverage
			For Debt Service	Debt Service Requirement (4)	
1993	\$2,517,585	\$679,440	\$1,838,145	\$863,375	2.13%
1994	2,685,357	975,574	1,709,783	1,135,600	1.51%
1995	2,547,608	805,211	1,742,397	1,097,200	1.59%
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%

(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

**THE CITY OF SALEM, OHIO  
DEMOGRAPHIC STATISTICS  
LAST TEN YEARS**

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate County Area (3)</u>
1993	12,233	2,917	8.3%
1994	12,233	2,964	7.4%
1995	12,233	3,167	5.5%
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%

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

(2) Salem School Treasurer

(3) Ohio Job and Family Services

**THE CITY OF SALEM, OHIO**  
**PROPERTY VALUE AND CONSTRUCTION PERMITS**  
**LAST TEN YEARS**

Year	Residential (1)		Commercial (1)	
	Number of Permits	Property Value	Number of Permits	Property Value
1993	350	\$2,964,596	114	\$4,004,189
1994	408	2,973,382	98	2,930,288
1995	369	2,257,707	93	4,730,202
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

Source: City of Salem Building Department

**THE CITY OF SALEM, OHIO**  
**PRINCIPAL TAXPAYERS (PERSONAL PROPERTY TAX)**  
**DECEMBER 31, 2002**

Taxpayer	Type of Business	2001 Assessed Valuation (Tax Duplicate)	Percentage of Total Assessed Valuation
1. Fresh Mark, Inc.	Food Processing	\$5,097,970	2.40%
2. Sekely Industries, Inc.	Manufacturing	5,082,610	2.39%
3. American Standard, Inc.	Manufacturing	4,159,600	1.96%
4. Blackhawk Automotive Plastic	Manufacturing	3,293,550	1.55%
5. Eljer Plumbingware, Inc.	Manufacturing	2,500,940	1.18%
6. Colfor Manufacturing, Inc.	Manufacturing	2,334,180	1.10%
7. Stadium Olds Buick, Pontiac, GMC	Car Dealership	2,146,220	1.01%
8. Hunt Valve Co., Inc.	Manufacturing	1,734,330	0.82%
9. Efco, Inc.	Manufacturing	1,625,480	0.76%
10. Crane Co.	Manufacturing	1,500,250	0.71%
	Sub-Total	29,475,130	13.88%
	All Others	183,029,030	86.12%
	Total	\$212,504,160	100.00%

Source: Columbiana County Auditor

**THE CITY OF SALEM, OHIO**  
**PRINCIPAL WATER/SEWER USERS**  
**LAST TEN YEARS**

<u>Consumer</u>	<u>Water cubic feet</u>	<u>Water gallons</u>	<u>Consumer</u>	<u>Sewer cubic feet</u>	<u>Sewer gallons</u>
<b><u>1993 Water/Sewer Usage</u></b>					
1. Carriage Hill Foods	12,285,100	91,892,548	Carriage Hill Foods	12,285,100	91,892,548
2. Eljer Corporation	3,134,100	23,443,068	Eljer Corporation	2,748,200	20,556,536
3. American Standard	2,456,800	18,376,864	American Standard	2,456,800	18,376,864
4. Salem Community Hospital	2,018,000	15,094,640	Salem Community Hospital	2,018,000	15,094,640
5. E. F. Quality Heat Treating	1,317,200	9,852,656	Hutton Nursing Centers	1,036,800	7,755,264
6. Hutton Nursing Centers	1,036,800	7,755,264	Timberlanes Motel	550,300	4,116,244
7. Salem Board of Education	853,100	6,381,188	Salem Convalescent Center	510,900	3,821,532
8. Timberlanes Motel	550,300	4,116,244	Quaker City Castings	352,100	2,633,708
9. Salem Convalescent Center	510,900	3,821,532	Salem Board of Education	329,100	2,461,668
10. Day & Nite Laundry	341,900	2,557,412	Day & Nite Laundry	254,600	1,904,408
11. Tri Tech Group Incorporated	222,300	1,662,804	Salem Golf Club	188,200	1,407,736
12. Salem Golf Club	188,200	1,407,736	Buckeye International	185,600	1,388,288
<b><u>1994 Water/Sewer Usage</u></b>					
1. Carriage Hill Foods	14,194,000	106,171,120	Carriage Hill Foods	14,194,000	106,171,120
2. American Standard	3,374,800	25,243,504	American Standard	3,374,800	25,243,504
3. Salem Community Hospital	2,327,600	17,410,448	Salem Community Hospital	2,327,600	17,410,448
4. Eljer Corporation	2,159,300	16,151,564	Quaker City Castings	1,916,100	14,332,428
5. E. F. Quality Heat Treating	997,900	7,464,292	Eljer Corporation	1,899,100	14,205,268
6. Hutton Nursing Centers	790,600	5,913,688	Hutton Nursing Centers	790,600	5,913,688
7. Salem Convalescent Center	549,300	4,108,764	Salem Convalescent Center	549,300	4,108,764
8. Timberlanes Motel	541,700	4,051,916	Timberlanes Motel	541,700	4,051,916
9. Salem Board of Education	435,400	3,256,792	Northern Industries	345,500	2,584,340
10. Tri Tech Group Incorporated	288,300	2,156,484	Salem Board of Education	312,500	2,337,500
11. Northern Industries	239,600	1,792,208	Buckeye International	272,300	2,036,804
12. Gene Courtney Trailer Court	220,300	1,647,844	Day & Nite Laundry	206,300	1,543,124
<b><u>1995 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

Source: Salem Utilities Department

(Continued)

**THE 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>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)

**THE 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 Plasti	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 Cent	218,700	1,635,876

Source: Salem Utilities Department

(Continued)



**THE CITY OF SALEM, OHIO**  
**PRINCIPAL WATER/SEWER USERS**  
**LAST TEN YEARS**

<u>Consumer</u>	<u>Water cubic feet</u>	<u>Water gallons</u>	<u>Consumer</u>	<u>Sewer cubic feet</u>	<u>Sewer gallons</u>
<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 Plasti	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 Cent	262,400	1,962,752

Source: Salem Utilities Department

Source: Salem Utilities Department

**THE CITY OF SALEM, OHIO**  
**MISCELLANEOUS STATISTICS**  
**DECEMBER 31, 2002**

Date of Incorporation	1887	Police Services:	Water System:
Form of Government	Statutory	Number of Stations	Number of Purification Plants
Area (square miles)	6.17	Number of Police Personnel and Officers	Miles of Water Mains
Facilities and Services:		Number of Patrol Units	Number of Fire Hydrants
Miles of Streets	62	Number of Law Violations:	Number of Service Connections
Number of Street Lights	1,421	Criminal Juvenile Citations and Charges	Average Daily Consumption (Gallons)
		Traffic Citations Issued	Maximum Daily Capacity of Plant (Gallon
		Parking Tickets Written	
Recreation and Culture:			Sewerage System:
Number of Parks	6	Fire/Emergency Medical Services:	Number of Treatment Plants
Park Area (acres)	335	Number of Stations	Miles of Sanitary Sewers
Number of Ball Fields:		Number of Fire Personnel and Officers	Average Daily Treatment (Gallons)
Lighted	1	Number of Calls Answered	Maximum Daily
Unlighted	10	Number of Inspections	Capacity of Treatment (Gallons)
Number of Libraries	1		
		Parking Facilities:	Education: *
Hospitals:		Off-Street Parking Lots	Elementary Schools
Number of Hospitals	1	Handicap Spaces	Elementary School Students
Number of Patient Beds	234	Parking Spaces	Elementary School Instructors
Number of Bassinets	16	Off-Street Parking Lots	Secondary Schools
		Parking Spaces	Secondary School Students
		On-Street Parking Meters	Secondary School Instructors
		Average Daily Cars Parked	

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



**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**CITY OF SALEM**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 9, 2003**