



**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, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block	A-F-01-171-1	14.228	\$673
	A-F-02-171-1		60,125
Total Community Development Block			<u>60,798</u>
Home Investment Partnership Program	A-C-02-171-1	14.239	61,455
	A-C-02-171-2		206,062
Total Home Investment Partnership Program			<u>267,517</u>
Total U.S. Department of Housing and Urban Development			<u>328,315</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Department of Development</i>			
Public Assistance Grant - Federal Emergency Management Agency	DR# 1484	97.036	23,725
Total U.S. Department of Homeland Security			<u>23,725</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Highway Planning and Construction	TEA 9423	20.205	100,034
Total U.S. Department of Transportation			<u>100,034</u>
Total			<u><u>\$452,074</u></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, 2003**

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 passed 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, 2003, the gross amount of loans outstanding under this program was \$ 8,548.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Salem (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 6, 2004. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the City's management in a separate letter dated July 6, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions 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 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 financial reporting and its operation that we consider to be material weaknesses. However, we noted an other matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to the City's management in a separate letter dated July 6, 2004.

This report is intended solely 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

July 6, 2004



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 program for the year ended December 31, 2003. The City's major federal program is 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 program is 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 its major federal program for the year ended December 31, 2003.

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 July 6, 2004.

Schedule of Federal Awards Expenditures

We have audited the basic financial statements of the City of Salem as of and for the year ended December 31, 2003, and have issued our report thereon dated July 6, 2004. Our audit was performed for the purpose of forming an opinion on the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

July 6, 2004

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

**CITY OF SALEM
COLUMBIANA COUNTY
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

Columbiana County, Ohio



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2003



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2003

Prepared by the Auditor's Office

James A. Armeni
City Auditor



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COLUMBIANA COUNTY, OHIO**

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INTRODUCTORY SECTION





CITY OF SALEM

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

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July 6, 2004

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, 2003. The report has been prepared in accordance with generally accepted accounting principles established by statements of the Governmental Accounting Standards Board (GASB), other authoritative pronouncements and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

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

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Salem's MD&A can be found immediately following the report of the independent accountants.

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 basic 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.

Letter of Transmittal
For the Year Ended December 31, 2003

The Reporting Entity:

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

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

Historical Information:

City of Peace

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

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

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

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

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

The town has long been a major industrial center for the area, providing jobs for thousands of workers from miles around. Product names like Mullins, Deming, Silver, Eljer, American Standard, Bliss and Hunt are internationally known, and have for many decades been an important part of Salem's economy.

***Letter of Transmittal
For the Year Ended December 31, 2003***

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

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

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

Form of Government:

Statutory

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

Municipal Services:

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

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

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

***Letter of Transmittal
For the Year Ended December 31, 2003***

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 2004 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 2003, continuing efforts were made to upgrade services and improve the quality of life for the citizens of Salem.

The East Third Street project was started in May, 2003. This improvement project, which also includes Bentley Drive and Roosevelt Avenue, is a total rebuild of streets, sidewalks, water lines and sewer lines. The expected completion date is the summer of 2004. Total cost is expected to be \$1.7 million.

The Cunningham Road Phase II is also a rebuild of 1300 feet of street, storm sewers, curbs and signs. Total cost is expected to be \$248,800. The East Third Street project and Cunningham Road Phase II are part of the note sale in May 2003 for \$3.2 million, along with the new rescue pumper for the Fire Department.

The City of Salem went out for bid and entered into contract on a new Rescue Pumper America LaFrance built by FYDA Freight Liner. Total cost with equipment not to exceed \$400,000.

In 2003, the City of Salem continued its summer street program with 17 streets being resurfaced and one intersection having concrete replaced. The total cost of \$316,320 was funded from the Capital Improvement Fund.

The Salem Utilities Department projects included the East State Street Water Main Extension, with a total cost was \$89,444, the East State Street Sanitary Sewer Extension, at a total cost of \$60,420, and the East State Street Sewage Pumping Station, with a total cost of \$338,927. All three of these projects were part of the increase of commercial development on the east side of Salem. The City has the ability to recover costs over time as user requests increase.

***Letter of Transmittal
For the Year Ended December 31, 2003***

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.

CITY OF SALEM, OHIO

**Letter of Transmittal
For the Year Ended December 31, 2003**

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, 2003 as follows:

Cash Resources	2003	%
Cash	\$30,017	1%
Certificates of Deposit	10,300,000	66%
Repurchase Agreement	5,045,314	33%
Total Resources	<u>\$15,375,331</u>	<u>100%</u>

2003



The City earned interest on investments of \$307,224 for fiscal year 2003, allocated as follows:

Governmental Funds	\$307,208
Proprietary Funds	<u>16</u>
	<u>\$307,224</u>

At December 31, 2003, the bank balance of the City's deposits was \$10,467,725 of which \$300,000 was insured by Federal Depository Insurance and the remaining balance was collateralized by pooled collateral. The Ohio Revised Code requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. 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.

***Letter of Transmittal
For the Year Ended December 31, 2003***

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 basic 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 year ended December 31, 2002. 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 three consecutive years (2000 - 2002). We believe this current report continues to conform to the Certificate of Achievement for Excellence in Financial Reporting program requirements and are submitting it to the GFOA.

Public Disclosure

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

**Letter of Transmittal
For the Year Ended December 31, 2003**

Acknowledgments:

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

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

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

Respectfully,



James Armeni
City Auditor



Barbara Hasson
Chief Deputy Auditor



Sue Laughlin
Administrative Assistant

CITY OF SALEM, OHIO

**List of Principal Officials
For the Year Ended December 31, 2003**

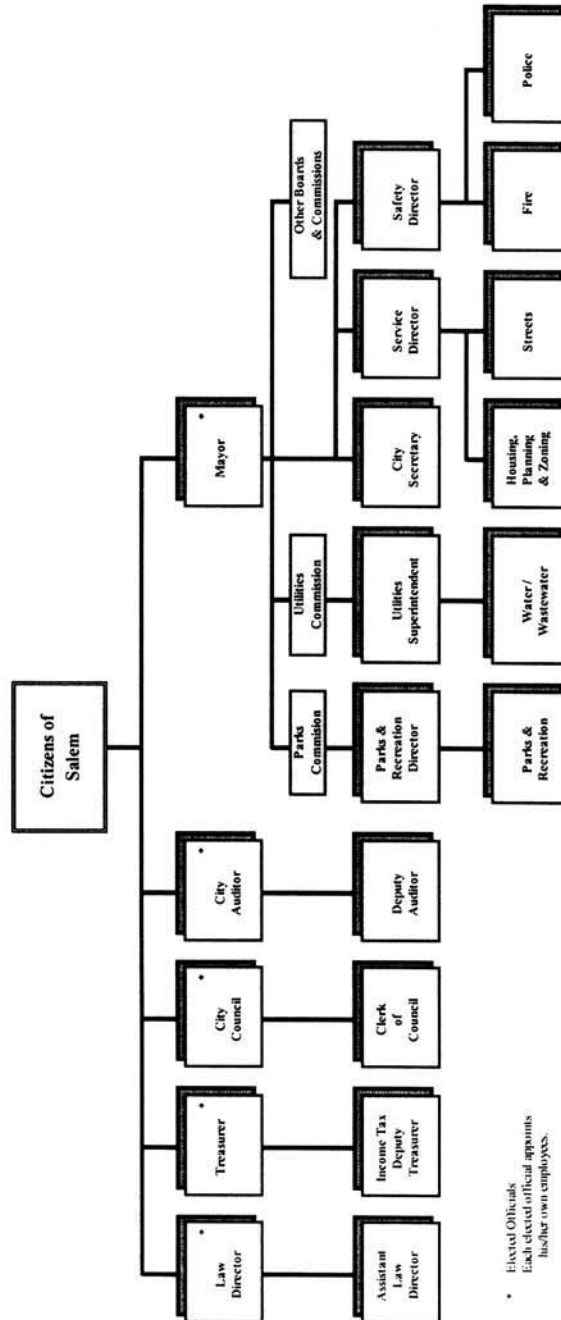
<i>ELECTED OFFICIALS</i>	<i>OFFICE</i>	<i>TERM EXPIRES</i>
David Ventresco	President of Council	12/31/05
Mary Lou Popa	Council Member - Ward 1	12/31/07
Steven Andres	Council Member - Ward 2	12/31/07
Greg Oesch	Council Member - Ward 3	12/31/07
Walter Bezeredi	Council Member - Ward 4	12/31/07
Nancy L.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

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

City Address:

Salem City Hall
231 South Broadway Avenue
Salem, Ohio 44460

City Organizational Chart
For the Year Ended December 31, 2003



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, 2002

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



President

Executive Director



FINANCIAL SECTION





Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem, Columbiana County, Ohio (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem, Columbiana County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General and Municipal Income Tax funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basis Financial Statements— and Management's Discussion and Analysis— for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2004, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

City of Salem
Columbiana County
Independent Accountant's Report

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

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

Betty Montgomery
Auditor of State

July 6, 2004

The discussion and analysis of the City of Salem's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2003 are as follows:

- In total, net assets increased \$1,273,037. Net assets of governmental activities decreased \$195,922 which represents a 1.1% decrease from 2002. Net assets of business-type activities increased \$1,468,959 or 5.3% from 2002.
- General revenues accounted for \$6,368,612 in revenue or 53.8% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,460,355, or 46.2% of total revenues of \$11,828,967.
- The City had \$6,774,173 in expenses related to governmental activities; only \$472,123 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$6,368,612 were adequate to provide for these programs.
- Among major funds, the general fund had \$1,871,327 in revenues and \$3,776,843 in expenditures. The general fund's fund balance declined from \$752,386 to \$630,099.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior year's information is not available. A comparative analysis will be provided in future years when prior year's information is available.

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Current and other assets	\$5,635,383	\$13,686,973	\$19,322,356
Capital assets, Net	16,685,695	19,541,876	36,227,571
Total assets	22,321,078	33,228,849	55,549,927
Long-term debt outstanding	3,869,521	3,801,293	7,670,814
Other liabilities	1,358,554	282,220	1,640,774
Total liabilities	5,228,075	4,083,513	9,311,588
Net assets			
Invested in capital assets, net of related debt	13,356,695	15,775,626	29,132,321
Restricted	1,740,310	0	1,740,310
Unrestricted	1,995,998	13,369,710	15,365,708
Total net assets	<u>\$17,093,003</u>	<u>\$29,145,336</u>	<u>\$46,238,339</u>

CITY OF SALEM, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2003:

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Revenues			
Program revenues:			
Charges for Services and Sales	\$187,158	\$4,988,232	\$5,175,390
Operating Grants and Contributions	124,965		124,965
Capital Grants and Contributions	160,000	0	160,000
General revenues:			
Property Taxes	873,943	0	873,943
Income Taxes	3,769,725	0	3,769,725
Other Local Taxes	14,766	0	14,766
Grants and Entitlements not restricted to Specific Programs	1,315,922	0	1,315,922
Investment Earnings	307,208	0	307,208
Miscellaneous	87,048	0	87,048
Total revenues	<u>6,840,735</u>	<u>4,988,232</u>	<u>11,828,967</u>
Program Expenses			
Security of Persons and Property	3,548,093	0	3,548,093
Leisure Time Activities	936,681	0	936,681
Community Environment	527,756	0	527,756
Transportation	690,976	0	690,976
General Government	1,009,745	0	1,009,745
Debt Service:			
Interest and Fiscal Charges	60,922	0	60,922
Water	0	1,882,782	1,882,782
Wastewater	0	1,898,975	1,898,975
Total expenses	<u>6,774,173</u>	<u>3,781,757</u>	<u>10,555,930</u>
Change in Net Assets before transfers	66,562	1,206,475	1,273,037
Transfers	<u>(262,484)</u>	<u>262,484</u>	<u>0</u>
Total Change in Net Assets	(195,922)	1,468,959	1,273,037
Beginning Net Assets	<u>17,288,925</u>	<u>27,676,377</u>	<u>44,965,302</u>
Ending Net Assets	<u>\$17,093,003</u>	<u>\$29,145,336</u>	<u>\$46,238,339</u>

Governmental Activities

Net assets of the City's governmental activities remained very stable during 2003, decreasing by \$195,922. This represents a 1% change from 2002.

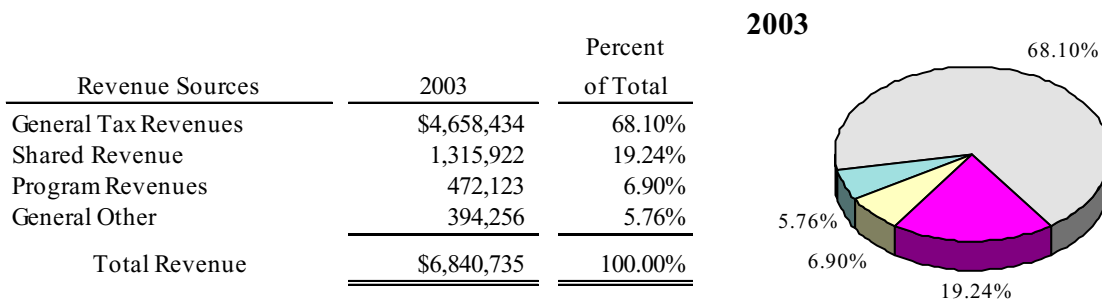
CITY OF SALEM, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Income taxes and property taxes made up 12.8% and 55.3% respectively of revenues for governmental activities for the City in fiscal year 2003. The City's reliance upon tax revenues is demonstrated by the following graph indicating 68.10% of total revenues from general tax revenues:



Business-Type Activities

Net assets of the business-type activities increased by \$1,468,959. This increase was the result of a large increase in amounts received for wastewater services.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$443,030, which is a decrease from last year's balance of \$1,666,010. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2003 and 2002:

	Fund Balance December 31, 2003	Fund Balance December 31, 2002	Increase (Decrease)
General	\$630,099	\$752,386	(\$122,287)
Municipal Income Tax	683,882	471,215	212,667
Income Tax Capital Improvement	(665,305)	644,889	(1,310,194)
Other Governmental	(205,646)	(202,480)	(3,166)
Total	\$443,030	\$1,666,010	(\$1,222,980)

CITY OF SALEM, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

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

	2003	2002	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$588,453	\$571,815	\$16,638
Intergovernmental Revenue	779,457	445,072	334,385
Charges for Services	50,420	50,654	(234)
Licenses and Permits and Fees	84,652	103,278	(18,626)
Investment Earnings	304,819	373,477	(68,658)
Special Assessments	9,118	0	9,118
Fines and Forfeitures	34,624	46,055	(11,431)
All Other Revenue	19,784	8,980	10,804
Total	<u>\$1,871,327</u>	<u>\$1,599,331</u>	<u>\$271,996</u>

General Fund revenues in 2003 increased approximately 17% when compared to revenues in fiscal year 2002. Although investment earnings decreased as a result of lower interest rates on investments, a large increase in intergovernmental revenues resulted in an overall increase in revenues. The large increase in intergovernmental revenues was the result of a large increase in estate taxes received.

	2003	2002	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$2,720,098	\$2,617,255	\$102,843
Community Environment	149,301	151,878	(2,577)
Transportation	59,362	1,653	57,709
General Government	848,082	766,514	81,568
Total	<u>\$3,776,843</u>	<u>\$3,537,300</u>	<u>\$239,543</u>

General Fund expenditures increased by \$239,543 or 14.8% over the prior year. The increases in security of persons and property and general government were the result of routine increases in salaries and purchased services. The large increase in transportation was the result of increased expenditures for purchased services.

Municipal Income Tax Fund – The City's Municipal Income Tax Fund increased by 45% as a result of less income tax receipts being transferred out to other funds.

Income Tax Capital Improvement Fund - The Income Tax Capital Improvement Fund decreased as a result of less grant monies being received.

CITY OF SALEM, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2003

Unaudited

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

During the course of fiscal year 2003 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$1,754,787 was 12% higher than the original budget estimates of \$1,542,746. This increase in budgeted revenues can be attributed to increases in amounts received for taxes, intergovernmental revenues and investment earnings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2003 the City had \$36,227,571 net of accumulated depreciation invested in land, buildings, equipment and vehicles. Of this total, \$16,685,695 was related to governmental activities and \$19,541,876 to the business-type activities. The following table shows fiscal year 2003 and 2002 balances:

	Governmental Activities		Increase (Decrease)
	2003	2002	
Land and Land Improvements	\$3,952,184	\$3,862,699	\$89,485
Construction In Progress	1,988,808	281,232	1,707,576
Buildings	2,749,433	2,749,433	0
Improvements Other than Buildings	229,661	229,661	0
Machinery and Equipment	2,888,380	2,833,511	54,869
Infrastructure	14,728,180	14,557,338	170,842
Less: Accumulated Depreciation	(9,850,951)	(9,168,016)	(682,935)
Totals	<u>\$16,685,695</u>	<u>\$15,345,858</u>	<u>\$1,339,837</u>

The primary increases occurred in construction in progress, which was the result of various ongoing street projects throughout the City.

	Business-Type Activities		Increase (Decrease)
	2003	2002	
Land	\$231,052	\$231,052	\$0
Construction in Progress	446,311	1,554,215	(1,107,904)
Buildings and Improvements	16,338,250	16,338,250	0
Machinery and Equipment	7,934,869	7,961,508	(26,639)
Infrastructure	10,521,718	8,702,836	1,818,882
Less: Accumulated Depreciation	(15,930,324)	(15,000,361)	(929,963)
Totals	<u>\$19,541,876</u>	<u>\$19,787,500</u>	<u>(\$245,624)</u>

The primary increases occurred in infrastructure, a combination of ongoing water and wastewater projects. Additional information on the City's capital assets can be found in Note 8.

Debt

At December 31, 2003, the City had \$1,487,000 in General Obligation bonds outstanding, \$550,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Governmental Activities:		
General Obligation Bonds	\$150,000	\$300,000
Special Assessment Bonds	137,000	147,000
Ohio Public Works Commission Loans	244,382	261,838
Compensated Absences	296,139	212,908
Total Governmental Activities	<u>827,521</u>	<u>921,746</u>
Business-Type Activities:		
General Obligation Bonds	\$1,200,000	\$1,600,000
Ohio Public Works Commission Loans	338,250	358,750
Compensated Absences	35,043	32,450
Total Business-Type Activities	<u>1,573,293</u>	<u>1,991,200</u>
Totals	<u><u>\$2,400,814</u></u>	<u><u>\$2,912,946</u></u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2003, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

ECONOMIC FACTORS

During these volatile economic times over the last four years, the administration and City Council have worked diligently to maintain services at a normal level without a reduction in workforce. The unemployment rate for Columbiana County in 2003 averaged out to be 7.5%. Income tax receipts for 2003 were up 1.96% year to date. In 2003, 75% of tax receipts goes to the General Fund, 25% goes to the Bond Retirement and Capital Improvement funds for payments on debt and to upgrade the city's infrastructure.

REQUESTS FOR INFORMATION

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

Statement of Net Assets
December 31, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 2,858,811	\$ 2,202,797	\$ 5,061,608
Investments	0	10,300,000	10,300,000
Receivables:			
Taxes	1,622,764	0	1,622,764
Accounts	24,513	537,535	562,048
Intergovernmental	804,120	0	804,120
Interest	0	19,250	19,250
Special Assessments	135,288	435,000	570,288
Loans	7,840	0	7,840
Inventory of Supplies	132,579	125,167	257,746
Prepaid Items	49,468	35,152	84,620
Capital Assets, Net	16,685,695	19,541,876	36,227,571
Unamortized Bond Issuance Costs	0	32,072	32,072
Total Assets	<u>22,321,078</u>	<u>33,228,849</u>	<u>55,549,927</u>
Liabilities:			
Accounts Payable	97,139	188,295	285,434
Accrued Wages and Benefits	290,500	65,515	356,015
Due to Others	1,196	0	1,196
Deferred Revenue	941,802	0	941,802
Accrued Interest Payable	27,917	28,410	56,327
Long Term Liabilities:			
Due in less than one year	3,319,834	2,655,829	5,975,663
Due in more than one year	549,687	1,145,464	1,695,151
Total Liabilities	<u>5,228,075</u>	<u>4,083,513</u>	<u>9,311,588</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	13,356,695	15,775,626	29,132,321
Restricted For:			
Debt Service	165,274	0	165,274
Other Purposes	1,575,036	0	1,575,036
Unrestricted (Deficit)	1,995,998	13,369,710	15,365,708
Total Net Assets	<u>\$ 17,093,003</u>	<u>\$ 29,145,336</u>	<u>\$ 46,238,339</u>

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Activities
For the Year Ended December 31, 2003**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 3,548,093	\$ 3,510	\$ 56,397	\$ 0
Leisure Time Activities	936,681	22,560	0	0
Community Environment	527,756	68,326	68,568	0
Transportation	690,976	0	0	160,000
General Government	1,009,745	92,762	0	0
Interest and Fiscal Charges	60,922	0	0	0
Total Governmental Activities	6,774,173	187,158	124,965	160,000
Business-Type Activities:				
Water Fund	1,882,782	1,703,843	0	0
Wastewater Fund	1,898,975	3,284,389	0	0
Total Business-Type Activities	3,781,757	4,988,232	0	0
Totals	\$ 10,555,930	\$ 5,175,390	\$ 124,965	\$ 160,000

General Revenues

Property Taxes Levied for:

General Purposes

Income Tax

Other Local Taxes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (3,488,186)	\$ 0	\$ (3,488,186)
(914,121)	0	(914,121)
(390,862)	0	(390,862)
(530,976)	0	(530,976)
(916,983)	0	(916,983)
(60,922)	0	(60,922)
<u>(6,302,050)</u>	<u>0</u>	<u>(6,302,050)</u>
0	(178,939)	(178,939)
0	1,385,414	1,385,414
<u>0</u>	<u>1,206,475</u>	<u>1,206,475</u>
<u>\$ (6,302,050)</u>	<u>\$ 1,206,475</u>	<u>\$ (5,095,575)</u>
873,943	0	873,943
3,769,725	0	3,769,725
14,766	0	14,766
1,315,922	0	1,315,922
307,208	0	307,208
87,048	0	87,048
<u>6,368,612</u>	<u>0</u>	<u>6,368,612</u>
(262,484)	262,484	0
(195,922)	1,468,959	1,273,037
<u>17,288,925</u>	<u>27,676,377</u>	<u>44,965,302</u>
<u>\$ 17,093,003</u>	<u>\$ 29,145,336</u>	<u>\$ 46,238,339</u>

CITY OF SALEM, OHIO

**Balance Sheet
Governmental Funds
December 31, 2003**

	General	Municipal Income Tax	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 493,920	\$ 221,099	\$ 1,626,644	\$ 517,148	\$ 2,858,811
Taxes	658,336	563,487	0	400,941	1,622,764
Accounts	24,513	0	0	0	24,513
Intergovernmental	305,764	0	0	498,356	804,120
Special Assessments	0	0	0	135,288	135,288
Loans	0	0	0	7,840	7,840
Inventory of Supplies	80,999	0	0	51,580	132,579
Prepaid Items	45,564	655	0	3,249	49,468
Total Assets	\$ 1,609,096	\$ 785,241	\$ 1,626,644	\$ 1,614,402	\$ 5,635,383
Liabilities:					
Accounts Payable	\$ 29,584	\$ 3,209	\$ 30,444	\$ 33,902	\$ 97,139
Accrued Wages and Benefits Payable	154,721	4,900	0	130,879	290,500
Due to Others	1,196	0	0	0	1,196
Deferred Revenue	793,496	93,250	0	848,307	1,735,053
Accrued Interest Payable	0	0	19,505	6,960	26,465
General Obligation Notes Payable	0	0	2,242,000	800,000	3,042,000
Total Liabilities	978,997	101,359	2,291,949	1,820,048	5,192,353
Fund Balances:					
Reserved for Encumbrances	35,822	1,906	778,666	200,511	1,016,905
Reserved for Prepaid Items	45,564	655	0	54,390	100,609
Reserved for Supplies Inventory	80,999	0	0	2,968	83,967
Reserved for Debt Service	0	0	0	31,438	31,438
Undesignated, Unreserved in:					
General Fund	467,714	0	0	0	467,714
Special Revenue Funds	0	681,321	0	220,770	902,091
Capital Projects Funds (Deficit)	0	0	(1,443,971)	(715,723)	(2,159,694)
Total Fund Balances	630,099	683,882	(665,305)	(205,646)	443,030
Total Liabilities and Fund Balances	\$ 1,609,096	\$ 785,241	\$ 1,626,644	\$ 1,614,402	\$ 5,635,383

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2003***

Total Governmental Fund Balances	\$ 443,030
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	16,685,695
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	793,251
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(150,000)
Special Assessment Bonds Payable	(137,000)
Compensated Absences Payable	(296,139)
OPWC Loan Payable	(244,382)
Accrued Interest Payable	(1,452)
	<u>(828,973)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 17,093,003</u></u>

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003**

	General	Municipal Income Tax	Income Tax Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 588,453	\$ 3,689,118	\$ 9,935	\$ 335,747	\$ 4,623,253
Intergovernmental Revenues	779,457	0	160,000	1,071,337	2,010,794
Charges for Services	50,420	0	0	15,181	65,601
Licenses, Permits and Fees	84,652	0	0	7,379	92,031
Investment Earnings	304,819	0	0	2,389	307,208
Special Assessments	9,118	0	0	16,747	25,865
Fines and Forfeitures	34,624	0	0	2,110	36,734
All Other Revenue	19,784	0	4,004	63,260	87,048
Total Revenue	1,871,327	3,689,118	173,939	1,514,150	7,248,534
Expenditures:					
Current:					
Security of Persons and Property	2,720,098	0	229,870	390,909	3,340,877
Leisure Time Activities	0	0	0	332,390	332,390
Community Environment	149,301	0	0	361,317	510,618
Transportation	59,362	0	0	668,139	727,501
General Government	848,082	159,808	0	0	1,007,890
Capital Outlay	0	0	2,077,687	5,571	2,083,258
Debt Service:					
Principal Retirement	0	0	0	177,456	177,456
Interest & Fiscal Charges	0	0	21,292	40,425	61,717
Total Expenditures	3,776,843	159,808	2,328,849	1,976,207	8,241,707
Excess (Deficiency) of Revenues Over Expenditures	(1,905,516)	3,529,310	(2,154,910)	(462,057)	(993,173)
Other Financing Sources (Uses):					
Sale of Fixed Assets	0	0	6,303	0	6,303
Transfers In	2,490,357	0	838,413	870,698	4,199,468
Transfers Out	(730,534)	(3,316,643)	0	(414,775)	(4,461,952)
Total Other Financing Sources (Uses)	1,759,823	(3,316,643)	844,716	455,923	(256,181)
Net Change in Fund Balances	(145,693)	212,667	(1,310,194)	(6,134)	(1,249,354)
Fund Balances at Beginning of Year	752,386	471,215	644,889	(202,480)	1,666,010
Increase (Decrease) in Inventory Reserve	23,406	0	0	2,968	26,374
Fund Balances End of Year	\$ 630,099	\$ 683,882	\$ (665,305)	\$ (205,646)	\$ 443,030

See accompanying notes to the basic financial statements

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2003***

Net Change in Fund Balances - Total Governmental Funds \$ (1,249,354)

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

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

Capital Outlay	2,113,784	
Depreciation Expense	<u>(761,314)</u>	1,352,470

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

This is the amount of the loss on the disposal of capital assets net of proceeds received.	<u>(12,633)</u>	(12,633)
--	-----------------	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (407,799)

The issuance of long-term debt provides current financial resources to governmental funds, but has not effect on net assets. In addition, the payment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the

General Obligation Bond Principal Payment	150,000	
Special Assessment Bond Principal Payment	10,000	
OPWC Loan Principal Payment	<u>17,456</u>	177,456

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 795

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

Compensated Absences	(83,231)	
Change in Inventory	<u>26,374</u>	(56,857)

Change in Net Assets of Governmental Activities \$ (195,922)

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2003**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 563,073	\$ 640,464	\$ 578,431	\$ (62,033)
Intergovernmental Revenues	351,097	399,353	788,430	389,077
Charges for Services	43,123	49,050	50,420	1,370
Licenses and Permits	68,575	78,000	81,542	3,542
Investment Earnings	474,749	540,000	319,100	(220,900)
Special Assessments	1,758	2,000	9,118	7,118
Fines and Forfeitures	33,408	38,000	35,727	(2,273)
All Other Revenues	6,963	7,920	19,784	11,864
Total Revenues	<u>1,542,746</u>	<u>1,754,787</u>	<u>1,882,552</u>	<u>127,765</u>
Expenditures:				
Security of Persons and Property	2,763,125	2,875,220	2,745,036	130,184
Community Environment	234,162	184,067	170,594	13,473
Transportation	79,615	67,996	57,224	10,772
General Government	716,536	920,321	885,417	34,904
Total Expenditures	<u>3,793,438</u>	<u>4,047,604</u>	<u>3,858,271</u>	<u>189,333</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,250,692)	(2,292,817)	(1,975,719)	317,098
Other Financing Sources (Uses):				
Sale of Fixed Assets	0	5,000	0	(5,000)
Transfers In	2,637,998	2,637,998	2,510,357	(127,641)
Transfers Out	(889,817)	(755,982)	(750,534)	5,448
Total Other Financing Sources (Uses)	<u>1,748,181</u>	<u>1,887,016</u>	<u>1,759,823</u>	<u>(127,193)</u>
Net Change in Fund Balances	(502,511)	(405,801)	(215,896)	189,905
Fund Balance at Beginning of Year	599,753	599,753	599,753	0
Prior Year Encumbrances	68,051	68,051	68,051	0
Fund Balance at End of Year	<u>\$ 165,293</u>	<u>\$ 262,003</u>	<u>\$ 451,908</u>	<u>\$ 189,905</u>

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Municipal Income Tax Fund
For the Year Ended December 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 3,500,000	\$ 3,700,000	\$ 3,699,668	\$ (332)
Total Revenues	<u>3,500,000</u>	<u>3,700,000</u>	<u>3,699,668</u>	<u>(332)</u>
Expenditures:				
General Government	219,415	219,415	166,995	52,420
Total Expenditures	<u>219,415</u>	<u>219,415</u>	<u>166,995</u>	<u>52,420</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,280,585	3,480,585	3,532,673	52,088
Other Financing Sources (Uses):				
Transfers Out	<u>(3,380,585)</u>	<u>(3,380,585)</u>	<u>(3,316,643)</u>	<u>63,942</u>
Total Other Financing Sources (Uses)	<u>(3,380,585)</u>	<u>(3,380,585)</u>	<u>(3,316,643)</u>	<u>63,942</u>
Net Change in Fund Balances	(100,000)	100,000	216,030	116,030
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (100,000)</u>	<u>\$ 100,000</u>	<u>\$ 216,030</u>	<u>\$ 116,030</u>

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

**Statement of Net Assets
Proprietary Fund
December 31, 2003**

	Water	Wastewater	Total
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 892,143	\$ 1,310,654	\$ 2,202,797
Investments	3,548,000	6,752,000	10,300,000
Accounts Receivable	229,210	308,325	537,535
Interest Receivable	19,250	0	19,250
Special Assessments Receivable	0	435,000	435,000
Inventory of Supplies	120,798	4,369	125,167
Prepaid Items	17,461	17,691	35,152
Total Current Assets	4,826,862	8,828,039	13,654,901
<i>Noncurrent Assets:</i>			
Unamortized Bond Issuance Cost	32,072	0	32,072
<i>Capital Assets:</i>			
Property, Plant and Equipment	17,003,394	18,022,495	35,025,889
Construction in Progress	17,301	429,010	446,311
Less accumulated depreciation	7,441,592	8,488,732	15,930,324
Total capital assets	9,579,103	9,962,773	19,541,876
Total Noncurrent Assets	9,611,175	9,962,773	19,573,948
Total Assets	14,438,037	18,790,812	33,228,849
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	34,735	153,560	188,295
Accrued Wages and Benefits	29,037	36,478	65,515
Accrued Interest Payable	7,222	21,188	28,410
General Obligation Notes Payable	83,000	2,145,000	2,228,000
General Obligation Bonds Payable - Current	400,000	0	400,000
OPWC Loans Payable - Current	20,500	0	20,500
Total Current Liabilities	574,494	2,356,226	2,930,720
<i>Noncurrent Liabilities:</i>			
General Obligation Bonds Payable	800,000	0	800,000
OPWC Loans Payable	317,750	0	317,750
Compensated Absences Payable	8,593	26,450	35,043
Total Noncurrent Liabilities	1,126,343	26,450	1,152,793
Total Liabilities	1,700,837	2,382,676	4,083,513
Net Assets:			
Invested in Capital Assets, Net of Related Debt	7,957,853	7,817,773	15,775,626
Unrestricted	4,779,347	8,590,363	13,369,710
Total Net Assets	\$ 12,737,200	\$ 16,408,136	\$ 29,145,336

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2003**

	Water	Wastewater	Total
Operating Revenues:			
Charges for Services	\$ 1,631,825	\$ 3,191,813	\$ 4,823,638
Other Operating Revenue	71,807	92,305	164,112
Total Operating Revenues	<u>1,703,632</u>	<u>3,284,118</u>	<u>4,987,750</u>
Operating Expenses:			
Personal Services	668,343	567,958	1,236,301
Contractual Services	291,701	722,364	1,014,065
Materials and Supplies	240,914	152,388	393,302
Depreciation	544,188	404,180	948,368
Total Operating Expenses	<u>1,745,146</u>	<u>1,846,890</u>	<u>3,592,036</u>
Operating Income (Loss)	(41,514)	1,437,228	1,395,714
Nonoperating Revenue (Expenses):			
Investment Earnings	0	16	16
Interest Expense	(127,104)	(43,099)	(170,203)
Loss on Disposal of Fixed Assets	(7,906)	(7,906)	(15,812)
Other Nonoperating Revenue	211	255	466
Other Nonoperating Expense	(2,626)	(1,080)	(3,706)
Total Nonoperating Revenues (Expenses)	<u>(137,425)</u>	<u>(51,814)</u>	<u>(189,239)</u>
Income(Loss) Before Operating Transfers	(178,939)	1,385,414	1,206,475
Transfers In	97,219	165,265	262,484
Change in Net Assets	(81,720)	1,550,679	1,468,959
Net Assets Beginning of Year	12,818,920	14,857,457	27,676,377
Net Assets End of Year	<u>\$ 12,737,200</u>	<u>\$ 16,408,136</u>	<u>\$ 29,145,336</u>

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

***Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2003***

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,738,246	\$2,815,545	\$4,553,791
Cash Payments for Goods and Services	(635,699)	(687,585)	(1,323,284)
Cash Payments to Employees	(595,518)	(729,698)	(1,325,216)
Net Cash Provided by Operating Activities	<u>507,029</u>	<u>1,398,262</u>	<u>1,905,291</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	<u>97,219</u>	<u>165,265</u>	<u>262,484</u>
Net Cash Provided by Noncapital Financing Activities	<u>97,219</u>	<u>165,265</u>	<u>262,484</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Issuance of General Obligation Notes	83,000	2,145,000	2,228,000
Retirement of General Obligation Notes	0	(2,300,000)	(2,300,000)
Acquisition and Construction of Assets	(31,260)	(714,510)	(745,770)
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	(104,000)	(56,193)	(160,193)
Net Cash Used for Capital and Related Financing Activities	<u>(472,760)</u>	<u>(925,703)</u>	<u>(1,398,463)</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Investments	(2,798,000)	(6,752,000)	(9,550,000)
Receipt of Interest	0	16	16
Net Cash Used for Investing Activities	<u>(2,798,000)</u>	<u>(6,751,984)</u>	<u>(9,549,984)</u>
Net Decrease in Cash and Cash Equivalents	(2,666,512)	(6,114,160)	(8,780,672)
Cash and Cash Equivalents at Beginning of Year	<u>3,558,655</u>	<u>7,424,814</u>	<u>10,983,469</u>
Cash and Cash Equivalents at End of Year	<u>\$892,143</u>	<u>\$1,310,654</u>	<u>\$2,202,797</u>

(Continued)

CITY OF SALEM, OHIO

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income (Loss)	(\$41,514)	\$1,437,228	\$1,395,714
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	544,188	404,180	948,368
Miscellaneous Nonoperating Expense	(2,626)	(1,080)	(3,706)
Miscellaneous Nonoperating Revenue	211	255	466
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	34,403	(33,828)	575
(Increase) Decrease in Inventory	2,249	(286)	1,963
Increase in Prepaid Items	(3,538)	(3,768)	(7,306)
Increase in Special Assessment Receivable	0	(435,000)	(435,000)
Increase (Decrease) in Accounts Payable	(3,551)	25,161	21,610
Decrease in Accrued Wages and Benefits	(16,538)	(3,448)	(19,986)
Increase (Decrease) in Compensated Absences	(6,255)	8,848	2,593
Total Adjustments	<u>548,543</u>	<u>(38,966)</u>	<u>509,577</u>
Net Cash Provided by Operating Activities	<u>\$507,029</u>	<u>\$1,398,262</u>	<u>\$1,905,291</u>

Schedule of Noncash Investing, Capital and Financing Activities

At December 31, 2003, the Wastewater Fund had outstanding liabilities of \$95,164 for the purchase of capital assets.

See accompanying notes to the basic financial statements

CITY OF SALEM, OHIO

Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2003

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 13,723
Total Assets	<u>\$ 13,723</u>
Liabilities:	
Due to Others	\$ 13,723
Total Liabilities	<u>13,723</u>
Total Net Assets	<u>\$ 0</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2003 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

Governmental Funds

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

Income Tax Capital Improvement Fund – To account for 40% of income tax receipts which are restricted in use for the major capital projects undertaken by the City.

Proprietary Funds

The proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary funds are included on the balance sheet. 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. The City's major enterprise funds are:

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

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

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

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

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

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2003 but which are not intended to finance 2003 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

E. Budgetary Process

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

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

1. Tax Budget

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

2. Estimated Resources

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources (Continued)

amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2003.

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 2003, 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 "Schedule of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual for the General Fund and Major Special Revenue Funds" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

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

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

	<u>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</u>	
	<u>General Fund</u>	<u>Municipal Income Tax Fund</u>
GAAP Basis (as reported)	(\$145,693)	\$212,667
Increase (Decrease):		
Accrued Revenues at December 31, 2003 received during 2004	(195,117)	(470,237)
Accrued Revenues at December 31, 2002 received during 2003	206,342	480,788
Accrued Expenditures at December 31, 2003 paid during 2004	184,305	8,109
Accrued Expenditures at December 31, 2002 paid during 2003	(214,100)	(9,975)
2002 Prepays for 2003	35,943	402
2003 Prepays for 2004	(45,564)	(655)
Outstanding Encumbrances	(42,012)	(5,069)
Budget Basis	<u>(\$215,896)</u>	<u>\$216,030</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

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

G. Investments

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

The City had invested funds in STAR Ohio during 2003. 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, 2003. See Note 4, "Cash, Cash Equivalents and Investments."

H. Inventory

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

3. Depreciation

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

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

K. Long-Term Obligations

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

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

L. Compensated Absences

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

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

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

M. Net Assets

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

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

N. Pensions

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

O. Interfund Activity

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Reservations of Fund Balance

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

Q. Restricted Assets

Customer deposits and cash with fiscal agent are classified as restricted assets on the balance sheet because these funds are being held for specified purposes.

R. Operating Revenues and Expenses

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

S. 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.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special items to report during fiscal year 2003.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2003, the City has implemented GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”; GASB Statement No. 37, “*Basic Financial Statements for State and Local Governments: Omnibus*”; GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”; and GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement.*” At December 31, 2003, there was no effect on fund balance as a result of implementing GASB Statements 36, 37 and 38, or Interpretation No. 6.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City’s programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

B. Prior Period Adjustments

During the year ended December 31, 2003, the City completed a physical inventory and revaluation of all capital assets based on a capitalization threshold of \$1,000. The inventory and revaluation resulted in the restatement of the net assets at December 31, 2002 for the enterprise funds as presented in item C of this note.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE (Continued)

C. Restatement of Fund Balance/Retained Earnings

The changes to the beginning fund balance/retained earnings, as well as the transition from fund balance/retained earnings to net assets of the governmental activities and the business-type activities are as follows:

	Governmental Activities	Business Type Activities Enterprise Funds		Total Business-Type Activities
		Water	Wastewater	
Fund Balance/Retained Earnings December 31, 2002	\$1,666,010	\$8,442,557	\$13,003,846	\$21,446,403
Prior Period Adjustments:				
Restate Fixed Assets	0	(56,395)	290,795	234,400
Total Prior Period Adjustments	0	(56,395)	290,795	234,400
GASB 34 Adjustments:				
Capital Assets	15,345,858	0	0	0
Contributed Capital	0	4,432,758	1,562,816	5,995,574
Long-Term Liabilities	(923,993)	0	0	0
Long-Term (Deferred) Assets	1,201,050	0	0	0
Net Assets, December 31, 2002	\$17,288,925	\$12,818,920	\$14,857,457	\$27,676,377

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

The fund deficits at December 31, 2003 of \$45,644 in the Police Pension Fund, \$43,728 in the Fire Pension Fund, and \$3,425 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 deficits at December 31, 2003 of \$665,305 in the Income Tax Capital Improvement Fund and \$794,353 in the Industrial Park West Project Fund (capital projects funds) 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

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;

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

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

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

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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

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

A. Deposits

At year end the carrying amount of the City's deposits was \$10,330,017 and the bank balance was \$10,467,725. Of the bank balance:

1. \$300,000 was covered by federal depository insurance.
2. \$10,167,725 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.

B. Investments

The City's investments at December 31, 2003 were classified as summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Fair Value</u>
Repurchase Agreements	\$5,045,314	\$5,045,314

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	\$5,075,331	\$10,300,000
Certificates of Deposit (with maturities of more than 3 months)	10,300,000	(10,300,000)
Investments:		
Repurchase Agreements	<u>(5,045,314)</u>	<u>5,045,314</u>
Per GASB Statement No. 3	<u>\$10,330,017</u>	<u>\$5,045,314</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

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 2003 were levied after October 1, 2002 on assessed values as of January 1, 2002, 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.

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, 2003 was \$4.90 per \$1,000 of assessed value. The assessed value upon which the 2003 tax receipts were based was \$215,757,110. This amount constitutes \$158,035,190 in real property assessed value, \$5,303,490 in public utility assessed value and \$52,418,430 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .49% (4.9 mills) of assessed value.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 5 - TAXES (Continued)

B. Income Tax

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

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

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2003 consisted of taxes, accounts and loans receivable, interest receivable, special assessments and intergovernmental receivables arising from shared revenues.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2003:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$2,490,357	\$730,534
Municipal Income Tax Fund	0	3,316,643
Income Tax Capital Improvement Fund	838,413	0
Other Governmental Funds	870,698	414,775
Total Governmental Funds	4,199,468	4,461,952
Water Fund	97,219	0
Wastewater Fund	165,265	0
Total Proprietary Funds	262,484	0
Totals	<u>\$4,461,952</u>	<u>\$4,461,952</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2003:

<i>Historical Cost:</i>	Restated December 31, 2002	Additions	Deletions	December 31, 2003
Class				
<i>Capital assets not being depreciated:</i>				
Land	\$3,862,699	\$89,485	\$0	\$3,952,184
Construction in Progress	281,232	1,707,576	0	1,988,808
<i>Capital assets being depreciated:</i>				
Buildings	2,749,433	0	0	2,749,433
Improvements Other than Buildings	229,661	0	0	229,661
Machinery and Equipment	2,833,511	111,546	(56,677)	2,888,380
Infrastructure	14,557,338	205,177	(34,335)	14,728,180
Total Cost	<u>\$24,513,874</u>	<u>\$2,113,784</u>	<u>(\$91,012)</u>	<u>\$26,536,646</u>
<i>Accumulated Depreciation:</i>				
Class	Restated December 31, 2002	Additions	Deletions	December 31, 2003
Buildings	(\$898,416)	(\$79,975)	\$0	(\$978,391)
Improvements Other than Buildings	(194,256)	(6,337)	0	(200,593)
Machinery and Equipment	(1,509,480)	(197,771)	44,044	(1,663,207)
Infrastructure	(6,565,864)	(477,231)	34,335	(7,008,760)
Total Depreciation	<u>(\$9,168,016)</u>	<u>(\$761,314) *</u>	<u>\$78,379</u>	<u>(\$9,850,951)</u>
<i>Net Value:</i>	<u>\$15,345,858</u>			<u>\$16,685,695</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$134,608
Leisure Time Activities	530,832
Community Development	3,117
Transportation	73,836
General Government	18,921
Total Depreciation Expense	<u>\$761,314</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2003:

<i>Historical Cost:</i>	Restated December 31, 2002	Additions	Deletions	December 31, 2003
Class	2002	Additions	Deletions	2003
<i>Capital assets not being depreciated:</i>				
Land	\$231,052	\$0	\$0	\$231,052
Construction in Progress	1,554,215	710,978	(1,818,882)	446,311
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	16,338,250	0	0	16,338,250
Machinery and Equipment	7,961,508	7,578	(34,217)	7,934,869
Infrastructure	8,702,836	1,818,882	0	10,521,718
Total Cost	<u>\$34,787,861</u>	<u>\$2,537,438</u>	<u>(\$1,853,099)</u>	<u>\$35,472,200</u>
 <i>Accumulated Depreciation:</i>				
	Restated December 31, 2002	Additions	Deletions	December 31, 2003
Buildings and Improvements	(\$6,707,854)	(\$417,114)	\$0	(\$7,124,968)
Machinery and Equipment	(6,639,371)	(260,947)	18,405	(6,881,913)
Infrastructure	(1,653,136)	(270,307)	0	(1,923,443)
Total Depreciation	<u>(\$15,000,361)</u>	<u>(\$948,368)</u>	<u>\$18,405</u>	<u>(\$15,930,324)</u>
 <i>Net Value:</i>	 <u>\$19,787,500</u>	 <u>\$1,589,070</u>	 <u>(\$1,834,694)</u>	 <u>\$19,541,876</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits. 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.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2003, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2003 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, 2003, 2002 and 2001 were \$307,327, \$282,251 and \$270,488, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2003 employer contribution rate (identified above) that was used to fund health care for the year 2003 was 5.0% of covered payroll which amounted to \$113,405.

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, 2002. 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 2002 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 364,881. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2002 is \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care “Choices” Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

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, 2003, 2002 and 2001 were \$177,508, \$170,877 and \$162,461 for police and \$175,719, \$154,433 and \$151,433 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 2003 covered payroll that was used to fund postemployment health care benefits was \$70,548 representing 7.75% of covered payroll for police and \$56,743 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2002, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,527 for police and 10,396 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, 2002 were \$141,028,006, which was net of member contributions of \$12,623,875.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

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.

Compensated absences accumulated by governmental fund type and proprietary fund type employees are reported as an expense when earned in the government-wide financial statements. For governmental fund financial statements, that portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid. The noncurrent portion of the liability is not reported.

NOTE 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, 2003:

	Balance December 31, 2002	Issued (Retired)	Balance December 31, 2003
Capital Projects Fund Notes Payable:			
2.250% Salem Industrial Park West	\$600,000	(\$600,000)	\$0
1.350% Salem Industrial Park West	0	800,000	800,000
2.250% Street Improvements	200,000	(200,000)	0
1.350% Street Improvements	0	2,242,000	2,242,000
Total Capital Projects Fund Notes Payable	800,000	2,242,000	3,042,000
Enterprise Fund Note Payable:			
2.450% North East Sanitary Sewer Project	2,300,000	(2,300,000)	0
1.400% North East Sanitary Sewer Project	0	2,145,000	2,145,000
1.350% Water Improvements	0	83,000	83,000
Total Enterprise Fund Notes Payable	2,300,000	(72,000)	2,228,000
Total Notes Payable	\$3,100,000	\$2,170,000	\$5,270,000

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 12 - LONG-TERM DEBT OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2003 were as follows:

			Balance December 31, 2002	Additions	Deductions	Balance December 31, 2003	Amount Due Within One Year
Governmental Activities:							
General Obligation Bond:							
5.20-6.05%	Street Improvement	2004	\$300,000	\$0	(\$150,000)	\$150,000	\$150,000
Special Assessment Bond: (with governmental commitment)							
6.10%	Street Improvement	2011	147,000	0	(10,000)	137,000	10,000
Ohio Public Works Commission Loan							
0.00%	South East Boulevard Improvement		261,838	0	(17,456)	244,382	17,456
Compensated Absences Payable			212,908	472,914	(389,683)	296,139	100,378
Total Governmental Activities			<u>921,746</u>	<u>472,914</u>	<u>(567,139)</u>	<u>827,521</u>	<u>277,834</u>
Business-Type Activities:							
General Obligation Bond:							
5.20-6.05%	Street Improvement	2006	1,600,000	0	(400,000)	1,200,000	400,000
Ohio Public Works Commission Loan							
0.00%	Stewart Road Elevated Water Tank		358,750	0	(20,500)	338,250	20,500
Compensated Absences			<u>32,450</u>	<u>89,563</u>	<u>(86,970)</u>	<u>35,043</u>	<u>7,329</u>
Total Business-Type Activities			<u>1,991,200</u>	<u>89,563</u>	<u>(507,470)</u>	<u>1,573,293</u>	<u>427,829</u>
Totals			<u>\$2,912,946</u>	<u>\$562,477</u>	<u>(\$1,074,609)</u>	<u>\$2,400,814</u>	<u>\$705,663</u>

The principal amount of the City's special assessment debt outstanding at December 31, 2003, of \$137,000 is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners.

A. Defeased Debt

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 12 - LONG-TERM DEBT OBLIGATIONS (Continued)

A. Defeased Debt (Continued)

At the time of defeasance, funds were deposited with the City's trustee, Society Investment Management and Trust Services. The principal and interest in these reserve accounts are used solely to pay the principal and interest requirements on the original issue bonds as they come due. At December 31, 2003, the refunded bonds had an outstanding balance of \$3,895,000. 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, 2003. Similarly, as no obligation is recorded, neither are the funds held on deposit with the trustee that will be used to service the obligation.

In April 1998, the City defeased \$2,400,000 of Mortgage Revenue Bonds for Water Improvements dated March 1, 1992 (the "1992" Bonds). There were no refunding bonds issued. Chase Manhattan Bank (the trustee) had \$2,476,327 in cash and investments which coupled with investment earnings thereon, were determined to be sufficient to pay, when due, the remaining debt service payments. As a result, the old bonds are considered to be defeased and the liability for those bonds has been removed from the enterprise balance sheet. At December 31, 2003, the refunded bonds had an outstanding balance of \$900,000.

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, 2003 follows:

Years	General Obligation Bonds		OPWC Loans		Special Assessment Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
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	0	0	37,956	0	20,000	4,880
2009-2013	0	0	189,780	0	60,000	7,320
2014-2018	0	0	172,324	0	0	0
2019-2021	0	0	30,748	0	0	0
Totals	<u>\$1,350,000</u>	<u>\$186,538</u>	<u>\$582,632</u>	<u>\$0</u>	<u>\$137,000</u>	<u>\$41,236</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

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, 2003, the outstanding bonds have a principal amount payable of \$19,720,000.

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 \$127,549 to the Pool in 2003.

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, 2003 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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 14 - RISK MANAGEMENT (Continued)

During 2003, 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	5,000
OML – Dawson	Auto Liability	0
OML – Dawson	Auto Physical Damage	500
OML – Dawson	Property	1,000
OML – Dawson	Inland Marine	500

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

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

NOTE 15 - CONSTRUCTION COMMITMENTS

At December 31, 2003, 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 3rd Street Project	\$505,734	July, 04
Cunningham Road	2,916	May, 04
Channel Cleanout	1,000	July, 04
East 3rd Street Engineering	28,803	July, 04
Cunningham Road Engineering	800	May, 04

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 16 - CONTINGENCIES

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

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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



Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than amounts relating to 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.

(Continued)

Special Revenue Funds

Municipal Lodging Tax Fund

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

Lakes and Grounds Fund

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

Parks Fund

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

Youth Services Grant Fund

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

Community Development Block Grant Fund

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

Rehabilitation Loan Fund

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

Shade Tree Fund

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

Economic Development Loan Fund

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

Central Business District Fund

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

Design Review Board Fund

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

Special Revenue Funds

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.

Federal Emergency Management Act (FEMA) Fund

To account for federal monies awarded the City in response to storm damages. (The Balance Sheet is not presented for this fund because there are no assets or liabilities at year end.)

Debt Service Fund

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. (The Balance Sheet is not presented for this fund because there are no assets or liabilities at year end.)

Special Assessment Debt Retirement Fund

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

Capital Projects Funds

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

Industrial Park Development Fund

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

Industrial Park West Project Fund

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

CITY OF SALEM, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 394,473	\$ 31,438	\$ 91,237	\$ 517,148
Receivables:				
Taxes	400,941	0	0	400,941
Intergovernmental	498,356	0	0	498,356
Special Assessments	0	135,288	0	135,288
Loans	7,840	0	0	7,840
Inventory of Supplies, at Cost	51,580	0	0	51,580
Prepaid Items	3,249	0	0	3,249
Total Assets	\$ 1,356,439	\$ 166,726	\$ 91,237	\$ 1,614,402
Liabilities:				
Accounts Payable	\$ 33,902	\$ 0	\$ 0	\$ 33,902
Accrued Wages and Benefits Payable	130,879	0	0	130,879
Deferred Revenue	713,019	135,288	0	848,307
Accrued Interest Payable	0	0	6,960	6,960
General Obligation Notes Payable	0	0	800,000	800,000
Total Liabilities	877,800	135,288	806,960	1,820,048
Fund Balances:				
Reserved for Encumbrances	200,511	0	0	200,511
Reserved for Prepaid Items	54,390	0	0	54,390
Reserved for Supplies Inventory	2,968	0	0	2,968
Reserved for Debt Service	0	31,438	0	31,438
Undesignated/Unreserved	220,770	0	(715,723)	(494,953)
Total Fund Balances	478,639	31,438	(715,723)	(205,646)
Total Liabilities and Fund Balances	\$ 1,356,439	\$ 166,726	\$ 91,237	\$ 1,614,402

CITY OF SALEM, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2003**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 335,747	\$ 0	\$ 0	\$ 335,747
Intergovernmental Revenues	1,071,337	0	0	1,071,337
Charges for Services	15,181	0	0	15,181
Licenses and Permits	7,379	0	0	7,379
Investment Earnings	2,389	0	0	2,389
Special Assessments	0	16,747	0	16,747
Fines and Forfeitures	2,110	0	0	2,110
All Other Revenue	63,260	0	0	63,260
Total Revenue	<u>1,497,403</u>	<u>16,747</u>	<u>0</u>	<u>1,514,150</u>
Expenditures:				
Current:				
Security of Persons and Property	390,909	0	0	390,909
Leisure Time Activities	332,390	0	0	332,390
Community Environment	361,317	0	0	361,317
Transportation	668,139	0	0	668,139
Capital Outlay	0	0	5,571	5,571
Debt Service:				
Principal Retirement	0	177,456	0	177,456
Interest & Fiscal Charges	0	28,153	12,272	40,425
Total Expenditures	<u>1,752,755</u>	<u>205,609</u>	<u>17,843</u>	<u>1,976,207</u>
Excess (Deficiency) of Revenues Over Expenditures	(255,352)	(188,862)	(17,843)	(462,057)
Other Financing Sources (Uses):				
Transfers In	479,611	391,087	0	870,698
Transfers Out	(23,725)	(204,500)	(186,550)	(414,775)
Total Other Financing Sources (Uses)	<u>455,886</u>	<u>186,587</u>	<u>(186,550)</u>	<u>455,923</u>
Net Change in Fund Balances	200,534	(2,275)	(204,393)	(6,134)
Fund Balances at Beginning of Year	275,137	33,713	(511,330)	(202,480)
Increase in Inventory Reserve	2,968	0	0	2,968
Fund Balances End of Year	<u>\$ 478,639</u>	<u>\$ 31,438</u>	<u>\$ (715,723)</u>	<u>\$ (205,646)</u>

CITY OF SALEM, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2003**

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Law Enforcement</u>	<u>D.A.R.E.</u>
Assets:				
Cash and Cash Equivalents	\$ 577	\$ 594	\$ 1,576	\$ 45
Receivables:				
Taxes	69,508	69,508	0	0
Intergovernmental	0	0	0	0
Loans	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Prepaid Items	0	0	0	0
Total Assets	<u>\$ 70,085</u>	<u>\$ 70,102</u>	<u>\$ 1,576</u>	<u>\$ 45</u>
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	47,984	46,085	0	0
Deferred Revenue	67,745	67,745	0	0
Total Liabilities	<u>115,729</u>	<u>113,830</u>	<u>0</u>	<u>0</u>
Fund Balances:				
Reserved for Encumbrances	0	0	0	0
Reserved for Prepaid Items	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0
Undesignated/Unreserved	(45,644)	(43,728)	1,576	45
Total Fund Balances	<u>(45,644)</u>	<u>(43,728)</u>	<u>1,576</u>	<u>45</u>
Total Liabilities and Funds Balances	<u>\$ 70,085</u>	<u>\$ 70,102</u>	<u>\$ 1,576</u>	<u>\$ 45</u>

CITY OF SALEM, OHIO

Enforcement and Education	Drug Enforcement Agency Equitable Share	Street Construction, Maintenance and Repair	State Highway	Municipal Permissive License Tax	Municipal Lodging Tax
\$ 3,379	\$ 18,252	\$ 76,194	\$ 5,569	\$ 8,881	\$ 2,327
0	0	0	0	0	2,127
223	0	112,181	9,096	96,366	0
0	0	0	0	0	0
0	0	51,580	0	0	0
0	0	0	0	0	0
<u>\$ 3,602</u>	<u>\$ 18,252</u>	<u>\$ 239,955</u>	<u>\$ 14,665</u>	<u>\$ 105,247</u>	<u>\$ 4,454</u>
\$ 0	\$ 0	\$ 3,963	\$ 0	\$ 0	\$ 0
0	0	27,737	0	0	0
<u>0</u>	<u>0</u>	<u>62,525</u>	<u>5,070</u>	<u>25,654</u>	<u>1,063</u>
<u>0</u>	<u>0</u>	<u>94,225</u>	<u>5,070</u>	<u>25,654</u>	<u>1,063</u>
0	0	5,848	0	29	590
0	0	48,612	0	0	0
0	0	2,968	0	0	0
<u>3,602</u>	<u>18,252</u>	<u>88,302</u>	<u>9,595</u>	<u>79,564</u>	<u>2,801</u>
<u>3,602</u>	<u>18,252</u>	<u>145,730</u>	<u>9,595</u>	<u>79,593</u>	<u>3,391</u>
<u>\$ 3,602</u>	<u>\$ 18,252</u>	<u>\$ 239,955</u>	<u>\$ 14,665</u>	<u>\$ 105,247</u>	<u>\$ 4,454</u>

(Continued)

CITY OF SALEM, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	Lakes and Grounds	Parks	Youth Services Grant	Community Development Block Grant
Assets:				
Cash and Cash Equivalents	\$ 6,085	\$ 99,402	\$ 2,097	\$ 8,075
Receivables:				
Taxes	0	259,798	0	0
Intergovernmental	0	0	1,750	68,000
Loans	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Prepaid Items	0	3,249	0	0
Total Assets	\$ 6,085	\$ 362,449	\$ 3,847	\$ 76,075
Liabilities:				
Accounts Payable	\$ 0	\$ 6,587	\$ 0	\$ 11,500
Accrued Wages and Benefits Payable	0	9,073	0	0
Deferred Revenue	0	253,446	0	68,000
Total Liabilities	0	269,106	0	79,500
Fund Balances:				
Reserved for Encumbrances	259	13,708	0	0
Reserved for Prepaid Items	0	5,778	0	0
Reserved for Supplies Inventory	0	0	0	0
Undesignated/Unreserved	5,826	73,857	3,847	(3,425)
Total Fund Balances	6,085	93,343	3,847	(3,425)
Total Liabilities and Funds Balances	\$ 6,085	\$ 362,449	\$ 3,847	\$ 76,075

CITY OF SALEM, OHIO

Rehabilitation Loan	Shade Tree	Economic Development Loan	Central Business District	Design Review Board	Community Housing Improvement	Total Nonmajor Special Revenue Funds
\$ 44,971	\$ 152	\$ 25,577	\$ 20,400	\$ 2,277	\$ 68,043	\$ 394,473
0	0	0	0	0	0	400,941
0	0	0	0	0	210,740	498,356
7,840	0	0	0	0	0	7,840
0	0	0	0	0	0	51,580
0	0	0	0	0	0	3,249
<u>\$ 52,811</u>	<u>\$ 152</u>	<u>\$ 25,577</u>	<u>\$ 20,400</u>	<u>\$ 2,277</u>	<u>\$ 278,783</u>	<u>\$ 1,356,439</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,852	\$ 33,902
0	0	0	0	0	0	130,879
7,840	0	0	0	0	153,931	713,019
<u>7,840</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>165,783</u>	<u>877,800</u>
169,737	0	0	10,340	0	0	200,511
0	0	0	0	0	0	54,390
0	0	0	0	0	0	2,968
(124,766)	152	25,577	10,060	2,277	113,000	220,770
<u>44,971</u>	<u>152</u>	<u>25,577</u>	<u>20,400</u>	<u>2,277</u>	<u>113,000</u>	<u>478,639</u>
<u>\$ 52,811</u>	<u>\$ 152</u>	<u>\$ 25,577</u>	<u>\$ 20,400</u>	<u>\$ 2,277</u>	<u>\$ 278,783</u>	<u>\$ 1,356,439</u>

CITY OF SALEM, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	Police Pension	Fire Pension	Law Enforcement	D.A.R.E.	Enforcement and Education
Revenues:					
Taxes	\$ 58,156	\$ 58,156	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	6,315	6,315	0	0	0
Charges for Services	0	0	0	0	0
Licenses and Permits	0	0	0	0	0
Investment Earnings	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	2,110
All Other Revenue	0	0	0	0	0
Total Revenue	64,471	64,471	0	0	2,110
Expenditures:					
Current:					
Security of Persons and Property	177,328	175,719	0	0	7,550
Leisure Time Activities	0	0	0	0	0
Community Environment	0	0	0	0	0
Transportation	0	0	0	0	0
Total Expenditures	177,328	175,719	0	0	7,550
Excess (Deficiency) of Revenues Over Expenditures	(112,857)	(111,248)	0	0	(5,440)
Other Financing Sources (Uses):					
Transfers In	113,885	109,730	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	113,885	109,730	0	0	0
Net Change in Fund Balances	1,028	(1,518)	0	0	(5,440)
Fund Balances at Beginning of Year	(46,672)	(42,210)	1,576	45	9,042
Increase in Inventory Reserve	0	0	0	0	0
Fund Balances End of Year	\$ (45,644)	\$ (43,728)	\$ 1,576	\$ 45	\$ 3,602

CITY OF SALEM, OHIO

Drug Enforcement Agency Equitable Share	Street Construction, Maintenance and Repair	State Highway	Municipal Permissive License Tax	Municipal Lodging Tax	Lakes and Grounds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,046	\$ 0
21,962	371,447	30,117	145,258	0	0
0	0	0	0	0	0
0	0	0	0	0	7,379
351	478	87	0	0	0
0	0	0	0	0	0
0	376	0	0	0	9,333
<u>22,313</u>	<u>372,301</u>	<u>30,204</u>	<u>145,258</u>	<u>4,046</u>	<u>16,712</u>
24,109	0	0	0	0	0
0	0	0	0	0	18,928
0	0	0	0	22,139	0
0	547,204	28,000	92,935	0	0
<u>24,109</u>	<u>547,204</u>	<u>28,000</u>	<u>92,935</u>	<u>22,139</u>	<u>18,928</u>
(1,796)	(174,903)	2,204	52,323	(18,093)	(2,216)
0	191,943	0	0	5,000	0
0	0	0	0	0	0
<u>0</u>	<u>191,943</u>	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>0</u>
(1,796)	17,040	2,204	52,323	(13,093)	(2,216)
20,048	125,722	7,391	27,270	16,484	8,301
0	2,968	0	0	0	0
<u>\$ 18,252</u>	<u>\$ 145,730</u>	<u>\$ 9,595</u>	<u>\$ 79,593</u>	<u>\$ 3,391</u>	<u>\$ 6,085</u>

(Continued)

CITY OF SALEM, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	Parks	Youth Services Grant	Community Development Block Grant	Rehabilitation Loan
Revenues:				
Taxes	\$ 215,389	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	21,629	8,750	64,000	0
Charges for Services	15,181	0	0	0
Licenses and Permits	0	0	0	0
Investment Earnings	0	0	0	863
Fines and Forfeitures	0	0	0	0
All Other Revenue	44,790	0	1,250	7,511
Total Revenue	<u>296,989</u>	<u>8,750</u>	<u>65,250</u>	<u>8,374</u>
Expenditures:				
Current:				
Security of Persons and Property	0	6,203	0	0
Leisure Time Activities	313,462	0	0	0
Community Environment	(9,836)	0	68,098	6,023
Transportation	0	0	0	0
Total Expenditures	<u>303,626</u>	<u>6,203</u>	<u>68,098</u>	<u>6,023</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,637)	2,547	(2,848)	2,351
Other Financing Sources (Uses):				
Transfers In	51,453	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>51,453</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	44,816	2,547	(2,848)	2,351
Fund Balances at Beginning of Year	48,527	1,300	(577)	42,620
Increase in Inventory Reserve	0	0	0	0
Fund Balances End of Year	<u>\$ 93,343</u>	<u>\$ 3,847</u>	<u>\$ (3,425)</u>	<u>\$ 44,971</u>

CITY OF SALEM, OHIO

Shade Tree	Economic Development Loan	Central Business District	Design Review Board	Community Housing Improvement	FEMA	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 335,747
0	0	0	0	371,819	23,725	1,071,337
0	0	0	0	0	0	15,181
0	0	0	0	0	0	7,379
0	610	0	0	0	0	2,389
0	0	0	0	0	0	2,110
0	0	0	0	0	0	63,260
<u>0</u>	<u>610</u>	<u>0</u>	<u>0</u>	<u>371,819</u>	<u>23,725</u>	<u>1,497,403</u>
0	0	0	0	0	0	390,909
0	0	0	0	0	0	332,390
8,179	0	600	0	266,114	0	361,317
0	0	0	0	0	0	668,139
<u>8,179</u>	<u>0</u>	<u>600</u>	<u>0</u>	<u>266,114</u>	<u>0</u>	<u>1,752,755</u>
(8,179)	610	(600)	0	105,705	23,725	(255,352)
7,600	0	0	0	0	0	479,611
0	0	0	0	0	(23,725)	(23,725)
<u>7,600</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(23,725)</u>	<u>455,886</u>
(579)	610	(600)	0	105,705	0	200,534
731	24,967	21,000	2,277	7,295	0	275,137
0	0	0	0	0	0	2,968
<u>\$ 152</u>	<u>\$ 25,577</u>	<u>\$ 20,400</u>	<u>\$ 2,277</u>	<u>\$ 113,000</u>	<u>\$ 0</u>	<u>\$ 478,639</u>

CITY OF SALEM, OHIO

***Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2003***

	Special Assessment Debt Retirement
Assets:	
Cash and Cash Equivalents	\$ 31,438
Receivables:	
Special Assessments	<u>135,288</u>
Total Assets	<u>\$ 166,726</u>
Liabilities:	
Deferred Revenue	<u>\$ 135,288</u>
Total Liabilities	<u>135,288</u>
Fund Balances:	
Reserved for Debt Service	<u>31,438</u>
Total Fund Balances	<u>31,438</u>
Total Liabilities and Fund Balances	<u>\$ 166,726</u>

CITY OF SALEM, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2003***

	General Obligation Debt Retirement	Special Assessment Debt Retirement	Total Nonmajor Debt Service Funds
Revenues:			
Special Assessments	\$ 0	\$ 16,747	\$ 16,747
Total Revenue	<u>0</u>	<u>16,747</u>	<u>16,747</u>
Expenditures:			
Debt Service:			
Principal Retirement	167,456	10,000	177,456
Interest & Fiscal Charges	<u>19,186</u>	<u>8,967</u>	<u>28,153</u>
Total Expenditures	<u>186,642</u>	<u>18,967</u>	<u>205,609</u>
Excess (Deficiency) of Revenues Over Expenditures	(186,642)	(2,220)	(188,862)
Other Financing Sources (Uses):			
Transfers In	391,087	0	391,087
Transfers Out	<u>(204,500)</u>	<u>0</u>	<u>(204,500)</u>
Total Other Financing Sources (Uses)	<u>186,587</u>	<u>0</u>	<u>186,587</u>
Net Change in Fund Balances	(55)	(2,220)	(2,275)
Fund Balances at Beginning of Year	<u>55</u>	<u>33,658</u>	<u>33,713</u>
Fund Balances End of Year	<u>\$ 0</u>	<u>\$ 31,438</u>	<u>\$ 31,438</u>

CITY OF SALEM, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2003**

	<u>Industrial Park Development</u>	<u>Industrial Park West Project</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:			
Cash and Cash Equivalents	\$ 78,630	\$ 12,607	\$ 91,237
Total Assets	<u>\$ 78,630</u>	<u>\$ 12,607</u>	<u>\$ 91,237</u>
Liabilities:			
Accrued Interest Payable	\$ 0	\$ 6,960	\$ 6,960
General Obligation Notes Payable	<u>0</u>	<u>800,000</u>	<u>800,000</u>
Total Liabilities	<u>0</u>	<u>806,960</u>	<u>806,960</u>
Fund Balances:			
Undesignated/Unreserved	<u>78,630</u>	<u>(794,353)</u>	<u>(715,723)</u>
Total Fund Balances	<u>78,630</u>	<u>(794,353)</u>	<u>(715,723)</u>
Total Liabilities and Fund Balances	<u>\$ 78,630</u>	<u>\$ 12,607</u>	<u>\$ 91,237</u>

CITY OF SALEM, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2003***

	Industrial Park Development	Industrial Park West Project	Total Nonmajor Capital Project Funds
Revenues:			
Total Revenue	\$ 0	\$ 0	\$ 0
Expenditures:			
Capital Outlay	5,571	0	5,571
Debt Service:			
Interest & Fiscal Charges	0	12,272	12,272
Total Expenditures	5,571	12,272	17,843
Excess (Deficiency) of Revenues Over Expenditures	(5,571)	(12,272)	(17,843)
Other Financing Sources (Uses):			
Transfers Out	0	(186,550)	(186,550)
Total Other Financing Sources (Uses)	0	(186,550)	(186,550)
Net Change in Fund Balances	(5,571)	(198,822)	(204,393)
Fund Balances at Beginning of Year	84,201	(595,531)	(511,330)
Fund Balances End of Year	\$ 78,630	\$ (794,353)	\$ (715,723)

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 563,073	\$ 640,464	\$ 578,431	\$ (62,033)
Intergovernmental Revenues	351,097	399,353	788,430	389,077
Charges for Services	43,123	49,050	50,420	1,370
Licenses and Permits	68,575	78,000	81,542	3,542
Investment Earnings	474,749	540,000	319,100	(220,900)
Special Assessments	1,758	2,000	9,118	7,118
Fines and Forfeitures	33,408	38,000	35,727	(2,273)
All Other Revenues	6,963	7,920	19,784	11,864
Total Revenues	<u>1,542,746</u>	<u>1,754,787</u>	<u>1,882,552</u>	<u>127,765</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,402,012	1,458,894	1,423,780	35,114
Materials and Supplies	65,044	67,683	56,673	11,010
Capital Outlay	961	1,000	906	94
Total Police	<u>1,468,017</u>	<u>1,527,577</u>	<u>1,481,359</u>	<u>46,218</u>
School Patrol:				
Personal Services	24,890	25,900	17,267	8,633
Total School Patrol	<u>24,890</u>	<u>25,900</u>	<u>17,267</u>	<u>8,633</u>
Animal Control:				
Personal Services	7,780	8,085	8,047	38
Total Animal Control	<u>7,780</u>	<u>8,085</u>	<u>8,047</u>	<u>38</u>
Fire Fighting:				
Personal Services	984,359	1,024,297	993,193	31,104
Materials and Supplies	27,885	29,016	26,425	2,591
Total Fire Fighting	<u>1,012,244</u>	<u>1,053,313</u>	<u>1,019,618</u>	<u>33,695</u>
Street Lighting:				
Personal Services	97,960	101,934	85,271	16,663
Materials and Supplies	9,511	9,897	5,387	4,510
Total Street Lighting	<u>107,471</u>	<u>111,831</u>	<u>90,658</u>	<u>21,173</u>

(Continued)

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Traffic Safety:				
Personal Services	118,607	123,419	106,974	16,445
Materials and Supplies	13,033	13,562	10,785	2,777
Total Traffic Safety	<u>131,640</u>	<u>136,981</u>	<u>117,759</u>	<u>19,222</u>
Safety Director:				
Personal Services	9,978	10,383	10,310	73
Materials and Supplies	1,105	1,150	18	1,132
Total Safety Director	<u>11,083</u>	<u>11,533</u>	<u>10,328</u>	<u>1,205</u>
Total Security of Persons and Property	<u>2,763,125</u>	<u>2,875,220</u>	<u>2,745,036</u>	<u>130,184</u>
Community Environment:				
Housing Planning and Zoning:				
Personal Services	158,888	124,896	117,340	7,556
Materials and Supplies	9,860	7,751	6,994	757
Capital Outlay	1,272	1,000	998	2
Total Housing Planning and Zoning	<u>170,020</u>	<u>133,647</u>	<u>125,332</u>	<u>8,315</u>
Design Review Board:				
Personal Services	763	600	0	600
Materials and Supplies	318	250	0	250
Total Design Review Board	<u>1,081</u>	<u>850</u>	<u>0</u>	<u>850</u>
Housing Inspector:				
Personal Services	61,216	48,120	44,085	4,035
Materials and Supplies	1,527	1,200	1,177	23
Capital Outlay	318	250	0	250
Total Housing Inspector	<u>63,061</u>	<u>49,570</u>	<u>45,262</u>	<u>4,308</u>
Total Community Environment	<u>234,162</u>	<u>184,067</u>	<u>170,594</u>	<u>13,473</u>
Transportation:				
Streets:				
Personal Services	75,540	64,516	54,003	10,513
Materials and Supplies	4,075	3,480	3,221	259
Total Streets	<u>79,615</u>	<u>67,996</u>	<u>57,224</u>	<u>10,772</u>
Total Transportation	<u>79,615</u>	<u>67,996</u>	<u>57,224</u>	<u>10,772</u>

(Continued)

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Government:				
Mayor:				
Personal Services	68,988	88,609	87,580	1,029
Materials and Supplies	779	1,000	700	300
Total Mayor	<u>69,767</u>	<u>89,609</u>	<u>88,280</u>	<u>1,329</u>
Auditor:				
Personal Services	136,835	175,751	174,442	1,309
Materials and Supplies	3,418	4,390	4,326	64
Capital Outlay	3,114	4,000	4,000	0
Total Auditor	<u>143,367</u>	<u>184,141</u>	<u>182,768</u>	<u>1,373</u>
Treasurer:				
Personal Services	6,831	8,774	8,574	200
Materials and Supplies	156	200	135	65
Total Treasurer	<u>6,987</u>	<u>8,974</u>	<u>8,709</u>	<u>265</u>
Law Director:				
Personal Services	74,241	95,356	90,265	5,091
Material and Supplies	1,749	2,246	855	1,391
Total Law Director	<u>75,990</u>	<u>97,602</u>	<u>91,120</u>	<u>6,482</u>
Service Director:				
Personal Services	64,308	82,598	80,376	2,222
Materials and Supplies	779	1,000	412	588
Total Service Director	<u>65,087</u>	<u>83,598</u>	<u>80,788</u>	<u>2,810</u>
City Council:				
Personal Services	37,199	47,779	47,390	389
Materials and Supplies	2,147	2,757	2,721	36
Total City Council	<u>39,346</u>	<u>50,536</u>	<u>50,111</u>	<u>425</u>
Council Clerk:				
Personal Services	3,878	4,981	4,975	6
Materials and Supplies	241	310	212	98
Total Council Clerk	<u>4,119</u>	<u>5,291</u>	<u>5,187</u>	<u>104</u>

(Continued)

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Civil Service Commission:				
Personal Services	4,660	5,986	5,962	24
Materials and Supplies	3,103	3,985	3,744	241
Total Civil Service Commission	<u>7,763</u>	<u>9,971</u>	<u>9,706</u>	<u>265</u>
City Hall:				
Personal Services	144,687	185,836	178,404	7,432
Materials and Supplies	15,638	20,085	14,436	5,649
Total City Hall	<u>160,325</u>	<u>205,921</u>	<u>192,840</u>	<u>13,081</u>
General Administrative:				
Personal Services	90,575	116,335	107,565	8,770
Contractual Services	38,806	49,843	49,843	0
Other Expenditures	14,404	18,500	18,500	0
Total General Administrative	<u>143,785</u>	<u>184,678</u>	<u>175,908</u>	<u>8,770</u>
Total General Government	<u>716,536</u>	<u>920,321</u>	<u>885,417</u>	<u>34,904</u>
Total Expenditures	<u>3,793,438</u>	<u>4,047,604</u>	<u>3,858,271</u>	<u>189,333</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,250,692)	(2,292,817)	(1,975,719)	317,098
Other Financing Sources (Uses):				
Sale of Fixed Assets	0	5,000	0	(5,000)
Transfers In	2,637,998	2,637,998	2,510,357	(127,641)
Transfers Out	(889,817)	(755,982)	(750,534)	5,448
Total Other Financing Sources (Uses)	<u>1,748,181</u>	<u>1,887,016</u>	<u>1,759,823</u>	<u>(127,193)</u>
Net Change in Fund Balances	(502,511)	(405,801)	(215,896)	189,905
Fund Balance at Beginning of Year	599,753	599,753	599,753	0
Prior Year Encumbrances	68,051	68,051	68,051	0
Fund Balance at End of Year	<u>\$ 165,293</u>	<u>\$ 262,003</u>	<u>\$ 451,908</u>	<u>\$ 189,905</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Special Revenue Funds
For the Year Ended December 31, 2003***

MUNICIPAL INCOME TAX FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 3,500,000	\$ 3,700,000	\$ 3,699,668	\$ (332)
Total Revenues	<u>3,500,000</u>	<u>3,700,000</u>	<u>3,699,668</u>	<u>(332)</u>
Expenditures:				
General Government:				
Personal Services	128,102	128,102	121,594	6,508
Materials and Supplies	10,813	10,813	9,352	1,461
Other Expenditures	75,000	75,000	30,549	44,451
Capital Outlay	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>	<u>0</u>
Total Expenditures	<u>219,415</u>	<u>219,415</u>	<u>166,995</u>	<u>52,420</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,280,585	3,480,585	3,532,673	52,088
Other Financing Sources (Uses):				
Transfers Out	<u>(3,380,585)</u>	<u>(3,380,585)</u>	<u>(3,316,643)</u>	<u>63,942</u>
Total Other Financing Sources (Uses)	<u>(3,380,585)</u>	<u>(3,380,585)</u>	<u>(3,316,643)</u>	<u>63,942</u>
Net Change in Fund Balances	(100,000)	100,000	216,030	116,030
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (100,000)</u>	<u>\$ 100,000</u>	<u>\$ 216,030</u>	<u>\$ 116,030</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund
For the Year Ended December 31, 2003***

INCOME TAX CAPITAL IMPROVEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 3,093	\$ 10,000	\$ 9,935	\$ (65)
Intergovernmental Revenues	49,480	160,001	160,000	(1)
All Other Revenues	<u>26,627</u>	<u>86,100</u>	<u>4,004</u>	<u>(82,096)</u>
Total Revenues	<u>79,200</u>	<u>256,101</u>	<u>173,939</u>	<u>(82,162)</u>
Expenditures:				
Capital Outlay	<u>907,500</u>	<u>3,198,600</u>	<u>3,325,742</u>	<u>(127,142)</u>
Total Expenditures	<u>907,500</u>	<u>3,198,600</u>	<u>3,325,742</u>	<u>(127,142)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(828,300)	(2,942,499)	(3,151,803)	(209,304)
Other Financing Sources (Uses):				
Sale of Fixed Assets	1,800	6,400	6,303	(97)
General Obligation Notes Issued	639,000	2,242,000	2,242,000	0
Transfers In	<u>180,000</u>	<u>637,499</u>	<u>633,913</u>	<u>(3,586)</u>
Total Other Financing Sources (Uses)	<u>820,800</u>	<u>2,885,899</u>	<u>2,882,216</u>	<u>(3,683)</u>
Net Change in Fund Balances	(7,500)	(56,600)	(269,587)	(212,987)
Fund Balance at Beginning of Year	479,008	479,008	479,008	0
Prior Year Encumbrances	<u>608,113</u>	<u>608,113</u>	<u>608,113</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,079,621</u>	<u>\$ 1,030,521</u>	<u>\$ 817,534</u>	<u>\$ (212,987)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

POLICE PENSION FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 51,665	\$ 61,894	\$ 57,541	\$ (4,353)
Intergovernmental Revenues	4,174	5,000	6,315	1,315
Total Revenues	<u>55,839</u>	<u>66,894</u>	<u>63,856</u>	<u>(3,038)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	174,000	178,100	178,089	11
Total Expenditures	<u>174,000</u>	<u>178,100</u>	<u>178,089</u>	<u>11</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,161)	(111,206)	(114,233)	(3,027)
Other Financing Sources (Uses):				
Transfers In	115,000	115,000	113,885	(1,115)
Total Other Financing Sources (Uses)	<u>115,000</u>	<u>115,000</u>	<u>113,885</u>	<u>(1,115)</u>
Net Change in Fund Balances	(3,161)	3,794	(348)	(4,142)
Fund Balance at Beginning of Year	925	925	925	0
Fund Balance at End of Year	<u>\$ (2,236)</u>	<u>\$ 4,719</u>	<u>\$ 577</u>	<u>\$ (4,142)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	FIRE PENSION FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 47,331	\$ 61,900	\$ 57,541	\$ (4,359)
Intergovernmental Revenues	4,829	6,316	6,315	(1)
Total Revenues	<u>52,160</u>	<u>68,216</u>	<u>63,856</u>	<u>(4,360)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	160,000	173,700	173,629	71
Total Expenditures	<u>160,000</u>	<u>173,700</u>	<u>173,629</u>	<u>71</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(107,840)	(105,484)	(109,773)	(4,289)
Other Financing Sources (Uses):				
Transfers In	105,679	105,679	109,730	4,051
Total Other Financing Sources (Uses)	<u>105,679</u>	<u>105,679</u>	<u>109,730</u>	<u>4,051</u>
Net Change in Fund Balances	(2,161)	195	(43)	(238)
Fund Balance at Beginning of Year	637	637	637	0
Fund Balance at End of Year	<u>\$ (1,524)</u>	<u>\$ 832</u>	<u>\$ 594</u>	<u>\$ (238)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 500	\$ 500	\$ 0	\$ (500)
Fines and Forfeitures	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>(2,000)</u>
Total Revenues	<u>2,500</u>	<u>2,500</u>	<u>0</u>	<u>(2,500)</u>
Expenditures:				
Security of Persons and Property:				
Materials and Supplies	1,000	1,000	0	1,000
Capital Outlay	<u>575</u>	<u>575</u>	<u>0</u>	<u>575</u>
Total Expenditures	<u>1,575</u>	<u>1,575</u>	<u>0</u>	<u>1,575</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	925	925	0	(925)
Fund Balance at Beginning of Year	<u>1,576</u>	<u>1,576</u>	<u>1,576</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,501</u>	<u>\$ 2,501</u>	<u>\$ 1,576</u>	<u>\$ (925)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

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

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 5,000	\$ 5,000	\$ 1,937	\$ (3,063)
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>1,937</u>	<u>(3,063)</u>
Expenditures:				
Security of Persons and Property:				
Materials and Supplies	<u>8,500</u>	<u>8,500</u>	<u>7,550</u>	<u>950</u>
Total Expenditures	<u>8,500</u>	<u>8,500</u>	<u>7,550</u>	<u>950</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,500)	(3,500)	(5,613)	(2,113)
Fund Balance at Beginning of Year	<u>8,992</u>	<u>8,992</u>	<u>8,992</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,492</u>	<u>\$ 5,492</u>	<u>\$ 3,379</u>	<u>\$ (2,113)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
DRUG ENFORCEMENT AGENCY EQUITABLE SHARE FUND				
Revenues:				
Intergovernmental Revenues	\$ 4,924	\$ 21,963	\$ 21,962	\$ (1)
Investment Earnings	76	337	351	14
Total Revenues	<u>5,000</u>	<u>22,300</u>	<u>22,313</u>	<u>13</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	3,294	5,000	0	5,000
Materials And Supplies	2,541	3,857	3,328	529
Capital Outlay	<u>14,165</u>	<u>21,500</u>	<u>20,781</u>	<u>719</u>
Total Expenditures	<u>20,000</u>	<u>30,357</u>	<u>24,109</u>	<u>6,248</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,000)	(8,057)	(1,796)	6,261
Fund Balance at Beginning of Year	<u>20,048</u>	<u>20,048</u>	<u>20,048</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,048</u>	<u>\$ 11,991</u>	<u>\$ 18,252</u>	<u>\$ 6,261</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 306,921	\$ 371,683	\$ 372,176	\$ 493
Investment Earnings	826	1,000	478	(522)
All Other Revenues	310	376	376	0
Total Revenues	<u>308,057</u>	<u>373,059</u>	<u>373,030</u>	<u>(29)</u>
Expenditures:				
Transportation:				
Personal Services	464,676	464,676	451,257	13,419
Materials and Supplies	128,869	128,869	125,148	3,721
Total Expenditures	<u>593,545</u>	<u>593,545</u>	<u>576,405</u>	<u>17,140</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(285,488)	(220,486)	(203,375)	17,111
Other Financing Sources (Uses):				
Transfers In	191,943	191,943	191,943	0
Total Other Financing Sources (Uses)	<u>191,943</u>	<u>191,943</u>	<u>191,943</u>	<u>0</u>
Net Change in Fund Balances	(93,545)	(28,543)	(11,432)	17,111
Fund Balance at Beginning of Year	56,961	56,961	56,961	0
Prior Year Encumbrances	21,851	21,851	21,851	0
Fund Balance at End of Year	<u>\$ (14,733)</u>	<u>\$ 50,269</u>	<u>\$ 67,380</u>	<u>\$ 17,111</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 26,645	\$ 30,000	\$ 30,176	\$ 176
Investment Earnings	355	400	87	(313)
Total Revenues	<u>27,000</u>	<u>30,400</u>	<u>30,263</u>	<u>(137)</u>
Expenditures:				
Transportation:				
Personal Services	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>	<u>0</u>
Total Expenditures	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,000)	2,400	2,263	(137)
Fund Balance at Beginning of Year	2,526	2,526	2,526	0
Prior Year Encumbrances	780	780	780	0
Fund Balance at End of Year	<u>\$ 2,306</u>	<u>\$ 5,706</u>	<u>\$ 5,569</u>	<u>\$ (137)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 85,500	\$ 93,000	\$ 92,521	\$ (479)
Total Revenues	<u>85,500</u>	<u>93,000</u>	<u>92,521</u>	<u>(479)</u>
Expenditures:				
Transportation:				
Personal Services	72,909	72,909	70,605	2,304
Materials and Supplies	<u>25,141</u>	<u>25,141</u>	<u>24,347</u>	<u>794</u>
Total Expenditures	<u>98,050</u>	<u>98,050</u>	<u>94,952</u>	<u>3,098</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,550)	(5,050)	(2,431)	2,619
Fund Balance at Beginning of Year	8,100	8,100	8,100	0
Prior Year Encumbrances	<u>3,182</u>	<u>3,182</u>	<u>3,182</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (1,268)</u>	<u>\$ 6,232</u>	<u>\$ 8,851</u>	<u>\$ 2,619</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,000	\$ 6,500	\$ 3,691	\$ (2,809)
Total Revenues	<u>4,000</u>	<u>6,500</u>	<u>3,691</u>	<u>(2,809)</u>
Expenditures:				
Community Environment:				
Personal Services	23,902	23,902	22,710	1,192
Materials and Supplies	98	98	93	5
Total Expenditures	<u>24,000</u>	<u>24,000</u>	<u>22,803</u>	<u>1,197</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,000)	(17,500)	(19,112)	(1,612)
Other Financing Sources (Uses):				
Transfers In	8,000	8,000	5,000	(3,000)
Total Other Financing Sources (Uses)	<u>8,000</u>	<u>8,000</u>	<u>5,000</u>	<u>(3,000)</u>
Net Change in Fund Balances	(12,000)	(9,500)	(14,112)	(4,612)
Fund Balance at Beginning of Year	15,317	15,317	15,317	0
Prior Year Encumbrances	532	532	532	0
Fund Balance at End of Year	<u>\$ 3,849</u>	<u>\$ 6,349</u>	<u>\$ 1,737</u>	<u>\$ (4,612)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

LAKES AND GROUNDS FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Licenses and Permits	\$ 6,000	\$ 7,000	\$ 7,379	\$ 379
All Other Revenues	9,000	10,500	9,333	(1,167)
Total Revenues	<u>15,000</u>	<u>17,500</u>	<u>16,712</u>	<u>(788)</u>
Expenditures:				
Leisure Time Activities:				
Personal Services	19,570	19,570	15,382	4,188
Materials and Supplies	5,130	5,130	4,032	1,098
Total Expenditures	<u>24,700</u>	<u>24,700</u>	<u>19,414</u>	<u>5,286</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,700)	(7,200)	(2,702)	4,498
Fund Balance at Beginning of Year	7,837	7,837	7,837	0
Prior Year Encumbrances	691	691	691	0
Fund Balance at End of Year	<u>\$ (1,172)</u>	<u>\$ 1,328</u>	<u>\$ 5,826</u>	<u>\$ 4,498</u>

CITY OF SALEM, OHIO**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	PARKS FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 183,476	\$ 193,404	\$ 212,949	\$ 19,545
Intergovernmental Revenues	18,635	19,644	21,629	1,985
Charges for Services	13,080	13,788	15,181	1,393
All Other Revenues	38,591	40,679	44,790	4,111
Total Revenues	<u>253,782</u>	<u>267,515</u>	<u>294,549</u>	<u>27,034</u>
Expenditures:				
Leisure Time Activities:				
Personal Services	333,893	333,893	285,777	48,116
Materials and Supplies	36,891	36,891	31,575	5,316
Total Expenditures	<u>370,784</u>	<u>370,784</u>	<u>317,352</u>	<u>53,432</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(117,002)	(103,269)	(22,803)	80,466
Other Financing Sources (Uses):				
Transfers In	50,000	50,000	51,453	1,453
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>51,453</u>	<u>1,453</u>
Net Change in Fund Balances	(67,002)	(53,269)	28,650	81,919
Fund Balance at Beginning of Year	44,760	44,760	44,760	0
Prior Year Encumbrances	12,379	12,379	12,379	0
Fund Balance at End of Year	<u>\$ (9,863)</u>	<u>\$ 3,870</u>	<u>\$ 85,789</u>	<u>\$ 81,919</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 7,000	\$ 7,000	\$ 7,000	\$ 0
Total Revenues	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>0</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	7,169	7,000	5,947	1,053
Materials and Supplies	512	500	256	244
Capital Outlay	<u>819</u>	<u>800</u>	<u>0</u>	<u>800</u>
Total Expenditures	<u>8,500</u>	<u>8,300</u>	<u>6,203</u>	<u>2,097</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,500)	(1,300)	797	2,097
Fund Balance at Beginning of Year	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (200)</u>	<u>\$ 0</u>	<u>\$ 2,097</u>	<u>\$ 2,097</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 64,000	\$ 64,000	\$ 0
All Other Revenues	0	1,250	1,250	0
Total Revenues	<u>0</u>	<u>65,250</u>	<u>65,250</u>	<u>0</u>
Expenditures:				
Community Environment:				
Personal Services	18,478	19,025	19,650	(625)
Capital Outlay	46,522	47,898	49,473	(1,575)
Total Expenditures	<u>65,000</u>	<u>66,923</u>	<u>69,123</u>	<u>(2,200)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(65,000)	(1,673)	(3,873)	(2,200)
Other Financing Sources (Uses):				
Advances In	0	1,250	1,250	0
Advances Out	0	(1,250)	(1,250)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(65,000)	(1,673)	(3,873)	(2,200)
Fund Balance at Beginning of Year	(1,827)	(1,827)	(1,827)	0
Prior Year Encumbrances	4,200	4,200	4,200	0
Fund Balance at End of Year	<u>\$ (62,627)</u>	<u>\$ 700</u>	<u>\$ (1,500)</u>	<u>\$ (2,200)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	REHABILITATION LOAN FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Investment Earnings	\$ 1,000	\$ 1,000	\$ 863	\$ (137)
All Other Revenues	<u>7,510</u>	<u>7,510</u>	<u>7,511</u>	<u>1</u>
Total Revenues	<u>8,510</u>	<u>8,510</u>	<u>8,374</u>	<u>(136)</u>
Expenditures:				
Community Environment:				
Personal Services	<u>0</u>	<u>652</u>	<u>652</u>	<u>0</u>
Capital Outlay	<u>0</u>	<u>5,371</u>	<u>5,371</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>6,023</u>	<u>6,023</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,510	2,487	2,351	(136)
Other Financing Sources (Uses):				
Advances In	31,490	66,490	66,032	(458)
Advances Out	<u>0</u>	<u>(66,032)</u>	<u>(66,032)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>31,490</u>	<u>458</u>	<u>0</u>	<u>(458)</u>
Net Change in Fund Balances	40,000	2,945	2,351	(594)
Fund Balance at Beginning of Year	41,447	41,447	41,447	0
Prior Year Encumbrances	<u>1,173</u>	<u>1,173</u>	<u>1,173</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 82,620</u>	<u>\$ 45,565</u>	<u>\$ 44,971</u>	<u>\$ (594)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

SHADE TREE FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Community Environment:				
Personal Services	10,630	10,630	15,200	(4,570)
Materials and Supplies	20	20	29	(9)
Total Expenditures	<u>10,650</u>	<u>10,650</u>	<u>15,229</u>	<u>(4,579)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,650)	(10,650)	(15,229)	(4,579)
Other Financing Sources (Uses):				
Transfers In	10,000	10,000	7,600	(2,400)
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>7,600</u>	<u>(2,400)</u>
Net Change in Fund Balances	(650)	(650)	(7,629)	(6,979)
Fund Balance at Beginning of Year	1,031	1,031	1,031	0
Prior Year Encumbrances	6,750	6,750	6,750	0
Fund Balance at End of Year	<u>\$ 7,131</u>	<u>\$ 7,131</u>	<u>\$ 152</u>	<u>\$ (6,979)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 0	\$ 5,000	\$ 610	\$ (4,390)
Total Revenues	<u>0</u>	<u>5,000</u>	<u>610</u>	<u>(4,390)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	5,000	610	(4,390)
Fund Balance at Beginning of Year	<u>24,967</u>	<u>24,967</u>	<u>24,967</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 24,967</u>	<u>\$ 29,967</u>	<u>\$ 25,577</u>	<u>\$ (4,390)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 15,000	\$ 15,000	\$ 0	\$ (15,000)
Total Revenues	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>(15,000)</u>
Expenditures:				
Community Environment:				
Other Expenditures	<u>0</u>	<u>3,940</u>	<u>10,940</u>	<u>(7,000)</u>
Total Expenditures	<u>0</u>	<u>3,940</u>	<u>10,940</u>	<u>(7,000)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,000	11,060	(10,940)	(22,000)
Fund Balance at Beginning of Year	14,000	14,000	14,000	0
Prior Year Encumbrances	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 36,000</u>	<u>\$ 32,060</u>	<u>\$ 10,060</u>	<u>\$ (22,000)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

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

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

COMMUNITY HOUSING IMPROVEMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 213,831	\$ 545,000	\$ 334,260	\$ (210,740)
Total Revenues	<u>213,831</u>	<u>545,000</u>	<u>334,260</u>	<u>(210,740)</u>
Expenditures:				
Community Environment:				
Personal Services	211,827	254,887	289,247	(34,360)
Capital Outlay	<u>108,391</u>	<u>130,425</u>	<u>148,007</u>	<u>(17,582)</u>
Total Expenditures	<u>320,218</u>	<u>385,312</u>	<u>437,254</u>	<u>(51,942)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(106,387)	159,688	(102,994)	(262,682)
Other Financing Sources (Uses):				
Advances In	76,169	79,169	64,782	(14,387)
Advances Out	<u>(64,782)</u>	<u>(64,782)</u>	<u>(64,782)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>11,387</u>	<u>14,387</u>	<u>0</u>	<u>(14,387)</u>
Net Change in Fund Balances	(95,000)	174,075	(102,994)	(277,069)
Fund Balance at Beginning of Year	(160,000)	(160,000)	(160,000)	0
Prior Year Encumbrances	<u>161,300</u>	<u>161,300</u>	<u>161,300</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (93,700)</u>	<u>\$ 175,375</u>	<u>\$ (101,694)</u>	<u>\$ (277,069)</u>

CITY OF SALEM, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	FEMA FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 23,725	\$ 23,725	\$ 0
Total Revenues	<u>0</u>	<u>23,725</u>	<u>23,725</u>	<u>0</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>23,725</u>	<u>23,725</u>	<u>0</u>
Other Financing Sources (Uses):				
Transfers Out	<u>0</u>	<u>(23,725)</u>	<u>(23,725)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(23,725)</u>	<u>(23,725)</u>	<u>0</u>
Net Change in Fund Balances	0	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2003***

GENERAL OBLIGATION DEBT RETIREMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Debt Service:				
Principal Retirement	967,884	967,884	967,456	428
Interest and Fiscal Charges	40,538	40,538	37,136	3,402
Total Expenditures	<u>1,008,422</u>	<u>1,008,422</u>	<u>1,004,592</u>	<u>3,830</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,008,422)	(1,008,422)	(1,004,592)	3,830
Other Financing Sources (Uses):				
Sale of Fixed Assets	771,839	800,000	800,000	0
Transfers In	201,161	208,500	204,537	(3,963)
Total Other Financing Sources (Uses)	<u>973,000</u>	<u>1,008,500</u>	<u>1,004,537</u>	<u>(3,963)</u>
Net Change in Fund Balances	(35,422)	78	(55)	(133)
Fund Balance at Beginning of Year	<u>55</u>	<u>55</u>	<u>55</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (35,367)</u>	<u>\$ 133</u>	<u>\$ 0</u>	<u>\$ (133)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	\$ 25,000	\$ 25,000	\$ 16,747	\$ (8,253)
Total Revenues	<u>25,000</u>	<u>25,000</u>	<u>16,747</u>	<u>(8,253)</u>
Expenditures:				
Debt Service:				
Principal Retirement	10,000	10,000	10,000	0
Interest and Fiscal Charges	<u>9,468</u>	<u>9,468</u>	<u>8,967</u>	<u>501</u>
Total Expenditures	<u>19,468</u>	<u>19,468</u>	<u>18,967</u>	<u>501</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,532	5,532	(2,220)	(7,752)
Fund Balance at Beginning of Year	<u>33,658</u>	<u>33,658</u>	<u>33,658</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 39,190</u>	<u>\$ 39,190</u>	<u>\$ 31,438</u>	<u>\$ (7,752)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:				
Capital Outlay	<u>70,000</u>	<u>75,571</u>	<u>5,571</u>	<u>70,000</u>
Total Expenditures	<u>70,000</u>	<u>75,571</u>	<u>5,571</u>	<u>70,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(70,000)	(75,571)	(5,571)	70,000
Other Financing Sources (Uses):				
Sale of Fixed Assets	<u>80,000</u>	<u>80,000</u>	<u>0</u>	<u>(80,000)</u>
Total Other Financing Sources (Uses)	<u>80,000</u>	<u>80,000</u>	<u>0</u>	<u>(80,000)</u>
Net Change in Fund Balances	10,000	4,429	(5,571)	(10,000)
Fund Balance at Beginning of Year	<u>84,201</u>	<u>84,201</u>	<u>84,201</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 94,201</u>	<u>\$ 88,630</u>	<u>\$ 78,630</u>	<u>\$ (10,000)</u>

CITY OF SALEM, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 10,000	\$ 10,000	\$ 0	\$ (10,000)
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>0</u>	<u>(10,000)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,000	10,000	0	(10,000)
Fund Balance at Beginning of Year	<u>12,607</u>	<u>12,607</u>	<u>12,607</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 22,607</u>	<u>\$ 22,607</u>	<u>\$ 12,607</u>	<u>\$ (10,000)</u>



Fiduciary Funds

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

Agency Funds

Miscellaneous Agency Fund

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

Street Opening Fund

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

Developers Fund

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

Demolition Fund

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

CITY OF SALEM, OHIO

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2003**

	Balance December 31, 2002	Additions	Deductions	Balance December 31, 2003
<u>Miscellaneous Agency Fund</u>				
Assets:				
Cash and Cash Equivalents	\$28	\$159	\$0	\$187
Total Assets	<u>\$28</u>	<u>\$159</u>	<u>\$0</u>	<u>\$187</u>
Liabilities:				
Due to Others	\$28	\$159	\$0	\$187
Total Liabilities	<u>\$28</u>	<u>\$159</u>	<u>\$0</u>	<u>\$187</u>
<u>Street Opening Fund</u>				
Assets:				
Cash and Cash Equivalents	\$1,570	\$1,750	(\$750)	\$2,570
Total Assets	<u>\$1,570</u>	<u>\$1,750</u>	<u>(\$750)</u>	<u>\$2,570</u>
Liabilities:				
Due to Others	\$1,570	\$1,750	(\$750)	\$2,570
Total Liabilities	<u>\$1,570</u>	<u>\$1,750</u>	<u>(\$750)</u>	<u>\$2,570</u>
<u>Developers Fund</u>				
Assets:				
Cash and Cash Equivalents	\$10,276	\$0	(\$5,310)	\$4,966
Total Assets	<u>\$10,276</u>	<u>\$0</u>	<u>(\$5,310)</u>	<u>\$4,966</u>
Liabilities:				
Due to Others	\$10,276	\$0	(\$5,310)	\$4,966
Total Liabilities	<u>\$10,276</u>	<u>\$0</u>	<u>(\$5,310)</u>	<u>\$4,966</u>
<u>Demolition Fund</u>				
Assets:				
Cash and Cash Equivalents	\$21,267	\$12,000	(\$27,267)	\$6,000
Total Assets	<u>\$21,267</u>	<u>\$12,000</u>	<u>(\$27,267)</u>	<u>\$6,000</u>
Liabilities:				
Due to Others	\$21,267	\$12,000	(\$27,267)	\$6,000
Total Liabilities	<u>\$21,267</u>	<u>\$12,000</u>	<u>(\$27,267)</u>	<u>\$6,000</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$33,141	\$13,909	(\$33,327)	\$13,723
Total Assets	<u>\$33,141</u>	<u>\$13,909</u>	<u>(\$33,327)</u>	<u>\$13,723</u>
Liabilities:				
Due to Others	\$33,141	\$13,909	(\$33,327)	\$13,723
Total Liabilities	<u>\$33,141</u>	<u>\$13,909</u>	<u>(\$33,327)</u>	<u>\$13,723</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF SALEM, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2003***

<u>Capital Assets</u>	
Land	\$3,952,184
Construction in Progress	1,988,808
Buildings and Improvements	2,749,433
Land Improvements	229,661
Machinery and Equipment	2,888,380
Infrastructure	<u>14,728,180</u>
Total Capital Assets	<u><u>\$26,536,646</u></u>
<u>Investment in Capital Assets</u>	
General Fund	\$894,681
Special Revenue Funds	19,779,154
Capital Projects Funds	5,852,805
Donations	<u>10,006</u>
Total Investment in Capital Assets	<u><u>\$26,536,646</u></u>

CITY OF SALEM, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2003**

Function and Activity	Land	Construction in Progress	Buildings and Improvements	Land Improvements
<u>General Government:</u>				
Mayor	\$0	\$0	\$1,041	\$0
Auditor	0	0	1,904	0
Treasurer	0	0	0	0
Law Director	0	0	0	0
City Hall	323,637	0	598,098	0
Income Tax	0	0	16,692	0
Total	323,637	0	617,735	0
<u>Security of Persons and Property:</u>				
Police	0	0	30,125	0
Fire	0	363,094	606,509	0
Traffic	0	0	60,300	0
Total	0	363,094	696,934	0
<u>Transportation:</u>				
Street	3,299,724	1,216,146	380,490	0
<u>Leisure Time Activities:</u>				
Parks	328,823	409,568	1,044,515	229,661
<u>Public Health and Welfare:</u>				
Health	0	0	0	0
<u>Community Environment:</u>				
Housing, Planning, Zoning	0	0	9,759	0
Total Capital Assets	\$3,952,184	\$1,988,808	\$2,749,433	\$229,661

CITY OF SALEM, OHIO

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$0	\$0	\$1,041
26,435	0	28,339
1,372	0	1,372
1,139	0	1,139
21,113	0	942,848
6,405	0	23,097
<u>56,464</u>	<u>0</u>	<u>997,836</u>
259,388	0	289,513
1,178,109	0	2,147,712
87,363	0	147,663
<u>1,524,860</u>	<u>0</u>	<u>2,584,888</u>
<u>1,022,820</u>	<u>14,728,180</u>	<u>20,647,360</u>
<u>256,014</u>	<u>0</u>	<u>2,268,581</u>
<u>6,444</u>	<u>0</u>	<u>6,444</u>
<u>21,778</u>	<u>0</u>	<u>31,537</u>
<u>\$2,888,380</u>	<u>\$14,728,180</u>	<u>\$26,536,646</u>

CITY OF SALEM, OHIO**Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2003**

<u>Function and Activity</u>	<u>Restated December 31, 2002</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2003</u>
<u>General Government:</u>					
Mayor	\$1,041	\$0	\$0	\$0	\$1,041
Auditor	18,104	0	10,235	0	28,339
Treasurer	1,372	0	0	0	1,372
Law Director	1,139	0	0	0	1,139
Service Director	0	0	0	0	0
City Hall	954,498	(11,650)	0	0	942,848
Income Tax	23,097	0	0	0	23,097
Total	<u>999,251</u>	<u>(11,650)</u>	<u>10,235</u>	<u>0</u>	<u>997,836</u>
<u>Security of Persons and Property:</u>					
Police	273,203	0	63,776	(47,466)	289,513
Fire	1,755,618	0	392,094	0	2,147,712
Traffic	139,128	0	8,535	0	147,663
Total	<u>2,167,949</u>	<u>0</u>	<u>464,405</u>	<u>(47,466)</u>	<u>2,584,888</u>
<u>Transportation:</u>					
Street	<u>19,260,372</u>	<u>0</u>	<u>1,421,323</u>	<u>(34,335)</u>	<u>20,647,360</u>
<u>Leisure Time Activities:</u>					
Parks	<u>2,041,619</u>	<u>11,650</u>	<u>217,821</u>	<u>(2,509)</u>	<u>2,268,581</u>
<u>Public Health and Welfare:</u>					
Health	<u>13,146</u>	<u>0</u>	<u>0</u>	<u>(6,702)</u>	<u>6,444</u>
<u>Community Environment:</u>					
Housing, Planning, Zoning	<u>31,537</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,537</u>
Total Capital Assets	<u>\$24,513,874</u>	<u>\$0</u>	<u>\$2,113,784</u>	<u>(\$91,012)</u>	<u>\$26,536,646</u>

STATISTICAL SECTION



STATISTICAL TABLES

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

CITY OF SALEM, OHIO

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

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
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
2003	3,111,007	0	332,390	510,618	727,501	1,007,890	0	205,609	0	5,895,015

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

CITY OF SALEM, OHIO

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

Year	Taxes	Inter-Governmental Revenues	Charges for Services	Licenses and Permits	Investment Earnings	Fines and Forfeitures	All Other (2)	Total
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
2003	4,613,318	1,850,794	65,601	92,031	307,208	36,734	108,909	7,074,595

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

(2) Includes Special Assessment Revenue

CITY OF SALEM, OHIO

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

Collection Year	Total Tax Levy	Current Tax Collections	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes To Total Tax Levy
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%
2003	761,074	702,618	24,436	727,054	95.53%	34,020	4.47%

Source: Columbiana County Auditor

CITY OF SALEM, OHIO

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

Tax Year	Real Property		Public Utility Personal		Tangible Personal Property		Total		Assessed Value as a Percent of Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Actual	
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%
2003	165,979,880	474,228,229	5,303,490	6,026,693	50,462,560	201,850,240	221,745,930	682,105,162	32.51%

Source: Columbiana County Auditor

CITY OF SALEM, OHIO

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

Collection Year	City of Salem							Total City	Salem City School District	Columbiana County	Township	Total
	General Fund	Police Pension	Fire Pension	Park Fund	Total	City	County					
1994	2.80	0.30	0.30	1.00	4.40	4.40	4.40	49.50	8.70	0.20	62.80	
1995	2.80	0.30	0.30	1.00	4.40	4.40	4.40	48.40	8.70	0.20	61.70	
1996	2.80	0.30	0.30	1.00	4.40	4.40	4.40	48.30	8.70	0.20	61.60	
1997	2.80	0.30	0.30	0.50	3.90	3.90	3.90	47.90	8.70	0.20	60.70	
1998	2.80	0.30	0.30	1.50	4.90	4.90	4.90	42.00	10.30	0.20	57.40	
1999	2.80	0.30	0.30	1.50	4.90	4.90	4.90	47.30	10.30	0.20	62.70	
2000	2.80	0.30	0.30	1.50	4.90	4.90	4.90	42.00	10.30	0.20	57.40	
2001	2.80	0.30	0.30	1.50	4.90	4.90	4.90	49.80	9.05	0.20	63.95	
2002	2.80	0.30	0.30	1.50	4.90	4.90	4.90	49.20	9.05	0.20	63.35	
2003	2.80	0.30	0.30	1.50	4.90	4.90	4.90	48.50	9.05	0.20	62.65	

Source: Columbiana County Auditor
Columbiana County Treasurer

CITY OF SALEM, OHIO

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

Collection Year	Amount Billed	Amount Collected	Percent Collected
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%
2003	21,273	17,418	81.88%

Source: Columbiana County Auditor

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

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2003**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$221,745,930	\$221,745,930
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	23,283,323	12,196,026
City Debt Outstanding (2)	3,192,000	3,192,000
Less: Applicable Debt Service Fund Amounts	<u>0</u>	<u>0</u>
Net Indebtedness Subject to Limitation	<u>3,192,000</u>	<u>3,192,000</u>
Legal Debt Margin	<u>\$20,091,323</u>	<u>\$9,004,026</u>

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

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

CITY OF SALEM, OHIO

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

Levy Year	Population (1)	Assessed Value (2)	Gross General Obligation Debt (3)	Debt Service Funds Available	Net General Obligation Debt	Ratio of Net General Obligation Debt to Assessed Valuation	
						Net General Obligation Debt Per Capita	Net General Obligation Debt Per Capita
1994	12,233	\$137,866,475	\$1,975,001	\$144,297	\$1,830,704	1.33%	\$150
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	12,197	215,757,110	1,100,000	55	1,099,945	0.51%	90.18
2003	12,197	221,745,930	3,192,000	0	3,192,000	1.44%	261.70

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

(2) Source: Columbiana County Auditor.

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

CITY OF SALEM, OHIO

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

Year	Debt Principal	Debt Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Tax Debt Service to Governmental Expenditures
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%
2003	150,000	13,538	163,538	5,895,015	2.77%

**COMPUTATION OF ALL DIRECT AND OVERLAPPING
GENERAL OBLIGATION BONDED DEBT
DECEMBER 31, 2003**

Jurisdiction	Net Debt Outstanding (1)	Percentage Applicable to City of Salem (2)	Amount Applicable to City of Salem
Direct			
City of Salem	\$150,000	100.00%	\$150,000
Overlapping Subdivisions			
Columbiana County	1,912,024	15.13%	289,289
South Range School District	2,830,000	0.02%	566
		Subtotal	<u>289,855</u>
		Total	<u><u>\$439,855</u></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

CITY OF SALEM, OHIO

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

Year	Gross Revenues (2)	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirement (4)	Coverage
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	0.00%
1999	0	0	0	0	0.00%
2000	0	0	0	0	0.00%
2001	0	0	0	0	0.00%
2002	0	0	0	0	0.00%
2003	0	0	0	0	0.00%

- (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

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

Year	Gross Revenues (2)	Direct Operating Expenses (3)	Net Revenue Available For Debt Service	Debt Service Requirement (4)	Coverage
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%
2003	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

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

<u>Year</u>	<u>Population (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate County Area (3)</u>
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%
2003	12,197	2,450	7.0%

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

(2) Salem School Treasurer

(3) Ohio Job and Family Services

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

Year	Residential (1)		Commercial (1)	
	Number of Permits	Property Value	Number of Permits	Property Value
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
2003	288	3,163,181	64	4,359,718

Source: City of Salem Building Department

**PRINCIPAL TAXPAYERS (PERSONAL PROPERTY TAX)
DECEMBER 31, 2003**

	Taxpayer	Type of Business	2002 Assessed Valuation (Tax Duplicate)	Percentage of Total Assessed Valuation
1.	Fresh Mark, Inc.	Food Processing	\$5,179,920	9.88%
2.	Sekely Industries, Inc.	Manufacturing	5,159,930	9.84%
3.	American Standard, Inc.	Manufacturing	4,787,050	9.13%
4.	Blackhawk Automotive Plastic	Manufacturing	3,171,420	6.05%
5.	Hunt Valve Co., Inc.	Manufacturing	2,301,810	4.39%
6.	Eljer Plumbingware, Inc.	Manufacturing	2,136,080	4.08%
7.	Colfor Manufacturing, Inc.	Manufacturing	1,971,650	3.76%
8.	Stadium Olds Buick, Pontiac, GMC	Car Dealership	1,771,680	3.38%
9.	Stadium Chev Cad Geo Inc	Car Dealership	1,681,790	3.21%
10.	Church Budget Monthly Mail Co.	Manufacturing	1,235,240	2.36%
		Sub-Total	29,396,570	56.08%
		All Others	23,021,860	43.92%
		Total	\$52,418,430	100.00%

Source: Columbiana County Auditor

**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>
<u>1994 Water/Sewer Usage</u>					
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
<u>1995 Water/Sewer Usage</u>					
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
<u>1996 Water/Sewer Usage</u>					
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	287200	2148256	Buckeye International	337300	429,352
12. Salem Board of Education	284800	2130304	Salem Board of Education	266800	417,384.00

Source: Salem Utilities Department

(Continued)

CITY OF SALEM, OHIO

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

Consumer	Water cubic feet	Water gallons	Consumer	Sewer cubic feet	Sewer gallons
<u>1997 Water/Sewer Usage</u>					
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
<u>1998 Water/Sewer Usage</u>					
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
<u>1999 Water/Sewer Usage</u>					
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

Source: Salem Utilities Department

(Continued)

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

Consumer	Water cubic feet	Water gallons	Consumer	Sewer cubic feet	Sewer gallons
<u>2000 Water/Sewer Usage</u>					
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
<u>2001 Water/Sewer Usage</u>					
1. Elkton Federal Prison	14,083,350	105,343,458	Carriage Hill Foods	11,998,400	89,748,032
2. Carriage Hill Foods	11,998,400	89,748,032	Salem Community Hospital	2,383,500	17,828,580
3. Washingtonville	2,397,000	17,929,560	American Standard	1,214,400	9,083,712
4. Salem Community Hospital	2,383,500	17,828,580	Hutton Nursing Centers	1,213,500	9,076,980
5. Colfor Manufacturing, Inc.	2,178,400	16,294,432	Eljer Corporation	953,100	7,129,188
6. American Standard	1,214,400	9,083,712	Blackhawk Automotive Plastics	620,500	4,641,340
7. Eljer Corporation	973,800	7,284,024	Salem Convalescent Center	555,100	4,152,148
8. Hutton Nursing Centers	930,000	6,956,400	Timberlanes Motel	530,600	3,968,888
9. Salem Board of Education	617,000	4,615,160	Salem Board of Education	524,000	3,919,520
10. Salem Convalescent Center	603,400	4,513,432	Quaker Manufacturing	377,500	2,823,700
11. Blackhawk Automotive Plastic	544,400	4,072,112	Northern Industries	282,600	2,113,848
12. Timberlanes Motel	417,000	3,119,160	Blossom Rehabilitation Center	218,700	1,635,876
<u>2002 Water/Sewer Usage</u>					
1. Carriage Hill Foods	14,886,400	111,350,272	Carriage Hill Foods	14,886,400	111,350,272
2. Elkton Federal Prison	14,797,699	110,686,789	Salem Community Hospital	2,515,100	18,812,948
3. Washingtonville	2,440,900	18,257,932	American Standard	1,667,300	12,471,404
4. Salem Community Hospital	2,515,100	18,812,948	Hutton Nursing Centers	1,150,500	8,605,740
5. Colfor Manufacturing, Inc.	1,763,000	13,187,240	Eljer Corporation	857,300	6,412,604
6. American Standard	1,667,300	12,471,404	Blackhawk Automotive Plastics	726,400	5,433,472
7. Hutton Nursing Centers	1,150,500	8,605,740	Holander House	613,900	4,591,972
8. Salem Board of Education	834,800	6,244,304	Salem Board of Education	568,800	4,254,624
9. Eljer Corporation	760,100	5,685,548	Timberlanes Motel	525,400	3,929,992
10. Blackhawk Automotive Plastic	580,000	4,338,400	Quaker Manufacturing	501,000	3,747,480
11. Holander House	557,900	4,173,092	Northern Industries	273,000	2,042,040
12. Timberlanes Motel	276,300	2,066,724	Blossom Rehabilitation Center	262,400	1,962,752

Source: Salem Utilities Department

(Continued)

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

Consumer	Water cubic feet	Water gallons	Consumer	Sewer cubic feet	Sewer gallons
<u>2003 Water/Sewer Usage</u>					
1. Elkton Federal Prison	14,745,595	110,297,051	Carriage Hill Foods	13,593,600	101,680,128
2. Carriage Hill Foods	13,593,600	101,680,128	Salem Community Hospitals	2,526,500	18,898,220
3. Washingtonville	2,560,700	19,154,036	American Standard	1,289,700	9,646,956
4. Salem Community Hospital	2,526,500	18,898,220	Hutton Nursing Centers	1,071,600	8,015,568
5. Colfor Manufacturing, Inc.	1,705,700	12,758,636	Eljer Corporation	1,046,900	7,830,812
6. American Standard	1,289,700	9,646,956	Holander House	748,000	5,595,040
7. Hutton Nursing Centers	1,071,600	8,015,568	Salem Board of Education	530,600	3,968,888
8. Eljer Corporation	1,046,900	7,830,812	Blackhawk Automotive Plastics	525,100	3,927,748
9. Holander House	748,000	5,595,040	Quaker Manufacturing	493,300	3,689,884
10. Blackhawk Automotive Plastic	494,800	3,701,104	Timberlanes Motel	454,100	3,396,668
11. Salem Board of Education	487,200	3,644,256	Blossom Rehab Center	401,500	3,003,220
12. Quaker Manufacturing	449,900	3,365,252	Salem Kidney Center	156,300	1,169,124

Source: Salem Utilities Department

**MISCELLANEOUS STATISTICS
DECEMBER 31, 2003**

Date of Incorporation	1887					
Form of Government	Statutory					
Area (square miles)	6.17					
Facilities and Services:						
Miles of Streets	62					
Number of Street Lights	1,421					
Recreation and Culture:						
Number of Parks	6					
Park Area (acres)	335					
Number of Ball Fields:						
Lighted	1					
Unlighted	10					
Number of Libraries	1					
Hospitals:						
Number of Hospitals	1					
Number of Patient Beds	234					
Number of Bassinets	16					
Police Services:						
Number of Stations	1					
Number of Police Personnel and Officers	31					
Number of Patrol Units	7					
Number of Law Violations:						
Criminal Juvenile Citations and Charges	248					
Traffic Citations Issued	940					
Parking Tickets Written	125					
Fire/Emergency Medical Services:						
Number of Stations	1					
Number of Fire Personnel and Officers	16					
Number of Calls Answered	895					
Number of Inspections	168					
Parking Facilities:						
Off-Street Parking Lots	6					
Handicap Spaces	19					
Parking Spaces	480					
Off-Street Parking Lots						
Parking Spaces						
On-Street Parking Meters						
Average Daily Cars Parked	235					
Water System:						
Number of Purification Plants	1					
Miles of Water Mains	112					
Number of Fire Hydrants	774					
Number of Service Connections	6,687					
Average Daily Consumption (Gallons)	2.4 M					
Maximum Daily Capacity of Plant (Gallons)	4.5 M					
Sewerage System:						
Number of Treatment Plants	1					
Miles of Sanitary Sewers	70					
Average Daily Treatment (Gallons)	3.76 M					
Maximum Daily Capacity of Treatment (Gallons)	4.4 M					
Education: *						
Elementary Schools	4					
Elementary School Students	1,266					
Elementary School Instructors	151					
Secondary Schools	2					
Secondary School Students	1,184					
Secondary School Instructors	57					

* Total School District data provided by Salem City School District





**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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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
AUGUST 17, 2004**