

# CITY OF SALEM

## MASSACHUSETTS



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended June 30, 2007**

Kimberley L. Driscoll, Mayor  
Richard Viscay, Jr., Finance Director

Prepared by the City of Salem Finance Department

### On the cover:

The Salem Ferry, named the *Nathaniel Bowditch*, is a 92-foot high-speed catamaran. It has a capacity of 149 passengers. Twin diesel engines drive the vessel to a top speed of 30 knots, meaning she can make the trip between Salem and Boston in only 45 minutes! The main deck features walk-around deck space with an enclosed cabin with a full-service snack bar and booth-style seating. The second deck is open air with a partially covered space after of the bridge. The *Bowditch* is ADA-accessible and has restrooms onboard for your comfort. For more information you can visit the website [www.salemferry.com](http://www.salemferry.com).



### Salem Common

In 1802, the Salem Common was named Washington Square. A wooden fence with four large, impressive gates was added to the Common in 1805 with one of the gates on the western side decorated with carvings by Samuel McIntire, the famous Salem architect and wood carver. Today the medallion portrait of George Washington and the gold painted eagle which adorned the original gate are preserved in the Peabody Essex Museum.

After Salem's great fire of 1914 which cut a destructive path through much of the City, the Salem Common was filled with tents to house the people who had lost their homes in the fire's devastation. Reminders of the City's past and evidence of our current lifestyle coexist in harmony on Salem Common today. A modern playground fills a large area of the park with the sounds of children playing while a handsome bandstand from an earlier era looms over the grounds.

# **CITY OF SALEM, MASSACHUSETTS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2007



Prepared by Finance Department

CITY OF SALEM, MASSACHUSETTS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2007

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# ***Introductory Section***



*Photo courtesy of Jeff Brown*

## **Salem Willows Park Bandstand**

The Salem Willows offers beautiful shaded seaside grounds, scenic ocean views, public pier, bandstand for concerts, picnic areas, beaches, children's rides, activities and many eateries. One of Salem's treasures, this park has a fascinating history.

Salem Willows is renowned for the European white willow trees planted here in 1801 to form a shaded walk for patients convalescing at the old smallpox hospital. Later the area became a park. During the first half of the 20th century, Restaurant Row on the park's north shore served fresh seafood favored by locals and visitors alike. A carousel with carved flying horses was another special attraction at Salem Willows, which then, as now, operated as an entertainment center. Visitors still flock here during the summer to enjoy the sunshine, the arcade and the park's ample picnic grounds and recreational facilities.

# ***Introductory Section***

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## City of Salem, Massachusetts

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Fax 978.741.3348  
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### Letter of Transmittal

Kimberley L. Driscoll, Mayor  
Richard Viscay, Finance Director

January 29, 2008

To the Honorable Mayor, Members of the City Council and Citizens of the City of Salem, Massachusetts:

At the close of each fiscal year, state law requires the City of Salem to publish a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), and that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Salem, Massachusetts, for the fiscal year ending June 30, 2007 for your review.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP.

The City of Salem's financial statements have been audited by Powers & Sullivan, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2007, are free of material

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misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2007 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Salem's separately issued Single Audit Report.

GAAP requires 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 that analysis and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### Profile of the City

The City of Salem, which was incorporated as a town in 1630 and became a city on March 23, 1836, is situated on the Massachusetts coast, 16 miles northeast of Boston. The City has a population of approximately 40,407 and occupies a land area of approximately 8 square miles. The second city in the Commonwealth to be incorporated, it is the Shire City of Essex County. Salem has operated under the Plan B form of government, with a mayor and an eleven-person City Council, seven elected from wards, and four at-large, since 1915.

The Mayor is elected for four years in November of unevenly-numbered years. The Mayor is the administrative head of the city and chairman ex-officio of the School Committee, the Board of Library Trustees, and the Board of Trust Fund Commissioners. The Mayor acts with the City Council and School Committee to carry out city business. The Mayor appoints his or her office staff, the City Solicitor, and the Assistant City Solicitor without City Council confirmation. The appointments of most city department heads, and members of the various boards and commissions, however, require City Council confirmation. The Mayor has the right to veto any order, resolution, or ordinance passed by the Council. However, a veto may be overturned by a two-thirds vote of all councilors. After reviewing and revising estimates prepared by department heads, the Mayor submits the budget to the City Council for final action. The Mayor approves all municipal payrolls, vouchers, contracts and instruments; and recommends bond issues, legislations and orders to the City Council; and represents the city with other levels of government. As the general administrator of all city departments, the Mayor is consulted by department heads pertaining to the city's welfare.

The City Council is primarily the legislative branch of the city government. As the legislative body, the Council confirms appointments made by the Mayor and appropriates all monies necessary to city

operation. It can approve, disapprove, or reduce the amount of appropriations, but not add to the appropriation. The Council receives orders of recommendation by the Mayor and petitions from the public, and acts on them after committee study. The City Council also has the power to enact the Ordinances and other regulations. A majority of the City Council constitutes a quorum, and the affirmative vote of a majority of all the members of the Council is necessary for the adoption of any motion resolution, or ordinance. In some instance, adoption by a two-thirds vote of the members is required by statute.

The City provides general governmental services for the territory within its boundaries, including police and fire protection, disposal of garbage and rubbish (for residential properties); public education, including vocational-technical education at the high school level; street maintenance; certain water services, through the Salem and Beverly Water Supply Board; certain sewerage disposal services, through the South Essex Sewerage District; and parks and recreational facilities. Approximately 95 percent of the City is connected to the sewerage system; the entire area of the City is served by the municipal water system. The Salem Housing Authority is responsible for managing 1,462 units of low income housing for the City. Buildings are either owned by the Authority, or are part of the rental subsidy program or the voucher program. Of the 1,462 units, 715 are included in twelve elderly developments, nine family developments, and one handicapped accessible family developments. These units are owned and operated by the Authority. The principal highways serving the City are state Routes 1A, 107, and 114, all of which provide immediate access to Routes 1 and 128 and other major highways serving the greater Boston area. The City is a member municipality of the Massachusetts Bay Commuter Railroad, which provides passenger and freight service.

Within 170 days after the annual organization of the city government (which is ordinarily in early January), the Mayor is required to submit a budget of proposed expenditures for the fiscal year beginning on the next July 1. The City Council may make appropriations for the recommended purposes and may reduce or reject any item. Without recommendation of the Mayor, the City Council may not increase any item or make an appropriation for a purpose not included in the proposed budget (except by a two-thirds vote in case of the failure of the Mayor to recommend an appropriation for such a purpose within 7 days after a request from the City Council, pursuant to state statute). If the Council fails to act on any item of the proposed budget within 45 days, that item takes effect. The City's operating budget for fiscal year 2007 totaled approximately \$106 million.

#### Factors Affecting Economic Condition

The City of Salem is a historic waterfront community that has a rich cultural heritage, known worldwide for its architecture, maritime history, literary prominence, and witchcraft hysteria. For this reason, tourism is one of the City's major industries, accommodating almost one million visitors each year.

Salem originated as one of the earliest landing sites of the English colonists, and went on to rise as the first major port in the United States, opening up the East Indian trade. In its heyday, Salem was known as a thriving hub of American commerce and was the home of Nathaniel Hawthorne. Salem is well known for the infamous Salem Witchcraft Trials of 1692, when nineteen people were convicted for the crime of witchcraft and were put to their deaths.

The City's golden years have left her modern inhabitants with architectural treasures, fine museums, and a sparkling literary heritage. Equally important, the development of Salem has produced a rich ethnic history, to which people of all races, creeds, colors and origins have contributed over the generations. Long a trading, manufacturing and retail center, Salem has been making a slow, and sometimes painful, transition to a service-based economy. The City today serves as the home of Salem State College, the North Shore Medical Center, the Essex County District Superior and Probate Courts, and Registry of Deeds, the world-famous Peabody and Essex Museum, and a host of banks and other financial institutions. It is the educational, medical, legal, cultural and banking hub of the North Shore.

Salem boasts an impressive collection of historically significant residential structures that are always in high demand. The uniqueness of these historic homes, coupled with a growing downtown condominium market, has helped boost home sales prices in Salem.

The City also enjoys a mix of commercial businesses and markets. Commercial development has been prominent in the Highland Avenue and Vinnin Square areas. Additionally, the City has recently experienced a \$100 million expansion of the Peabody Essex Museum and the privately funded renovation and reuse of several key properties. In fact, private investment in commercial and residential developments in downtown since 2001 totals close to \$50 million, and expected future investment over the next two years totals close to an additional \$10 million. The redevelopment of long dormant and underutilized industrial sites is helping to revitalize our central business district.

The Salem waterfront is also experiencing a great deal of investment from the addition of the Pickering Wharf Hotel and a municipally managed Harbor Walkway project which will connect pedestrians walking along the harbor from the Pickering Wharf area to adjacent areas.

The City also boasts Shetland Park, a sprawling business park which houses more than 70 concerns and an industrial park on Technology Way which houses large or expanding companies. The North Shore Medical Center has recently invested \$12 million for their new 10,700 square foot cardiac surgical suite and also built a new 19,000 square foot Emergency Department, which is one of the most sophisticated and modern emergency facilities in the state.

According to the Massachusetts Workforce Development Agency, the City had a labor force of 23,504, of whom 22,531 were employed and 973, or 4.1% were unemployed. The Commonwealth, for the same period, had an unadjusted unemployment rate of 5.1%.

On the operating side, the City had experienced financial challenges during fiscal year 2006 and into the 2007 budget cycle. In order to better forecast the financial challenges, the City has developed its first Five Year Financial Forecast and made it part of the budget process. This forecast will act as a useful tool to the Mayor and Council to better identify "budget busters" on the expenditure side and to also determine whether forecasted revenue growth is adequate for future expenses.

We have also developed a Five Year Capital Plan for the purposes of maintaining the City's capital and infrastructure. We have also adopted policies on funding options for all of the City's capital needs. The first draft has been distributed to all departments for their review and input. The City has major capital expenses in FY07, including \$34 million toward the high school renovations and \$1.9 million for water system improvements. The City has been in the process of renovating several schools which is being

financed, in part, by the State's School Building Assistance Program which is run by the Massachusetts School Building Authority. Through this program, the City is reimbursed for 90% of the construction and debt interest costs of the projects. Other significant FY07 capital expenditures were a purchase of a new boat at \$123 thousand through a State grant for our Harbormaster, as well as four new school buses and various vehicles for our water, sewer, and fire departments.

One of the key challenges for the City has been rising health care costs for City employees/retirees, as well as increases in pension costs. Since the state law, known as proposition 2 ½, caps the City's ability to raise taxes to meet rising costs, the City is actively exploring the use of alternative, local revenue sources to help offset the aforementioned rising expenditures. In fiscal year 2006, the City Council accepted the provisions of Massachusetts General Law (M.G.L.) chapter 32B, section 18, a Massachusetts statute requiring all Medicare-eligible retirees who are currently on self-insured plans to move from self-insured coverage to a fully insured Medicare supplement plan. This provision saved the City approximately \$700,000 in FY07 and continues to realize savings for the City. This is a major cost saving initiative that will insure that all retirees over the age of 65 are treated consistently, while also providing greater control of costs associated with the City's Healthcare Insurance Trust account, the fastest rising municipal budget item for each of the last five years.

The City also put its health insurance out to bid for the first time in many years. This process resulted in the City changing its health insurance structure from a self-insurance system to a premium based system. The RFQ process proved to be quite successful, as the insurance rates for active employees decreased when they became effective in February, 2007, saving both the City and its employee's money on the monthly premiums for the last five months of FY07. Furthermore, the City, with the approval of the insurance advisory committee, introduced a third product to compliment its HMO and PPO plans, the Advantage HMO. This plan is offered to all City employees at a premium that is 23% less than the HMO and allows the employees more options in choosing their health plan.

Another significant change in the health insurance budget was the Firefighters Union agreeing to a three year contract commencing on July 1, 2007 that lowers the municipal contribution for health insurance from 80% in FY07 to 79% in FY08, 77% in FY09, and 75% in FY10. The City's exempt employees have also adopted this structure and all other bargaining units have been informed that these contribution percentages will be the basis for contract negotiations. It is believed that through collective bargaining with all of the City's unions, we will have uniformity in the contribution rates which will help stabilize the ever increasing cost of providing health benefits to the employees of the City.

In FY07, the Mayor appointed herself to the Salem Retirement Board. By appointing herself, Mayor Driscoll has taken an active role in managing the City's retirement system. The annual assessment from the Retirement Board to the City continues to be one of the biggest budget busters year in and year out. The Retirement Board moved some of its funds into the State's Public Reserve Investment Trust (PRIT) to take advantage of its higher returns and lower administrative fees. Because of its size, the PRIT can diversify assets for maximum possible return. Over the last 21 years, PRIT has averaged an 11.27% return, making it one of the best pension systems in the country. PRIT currently invests the full assets of the state employees, state teachers, and 28 other local pension systems. The Board continues to research whether to invest its entire \$85 million portfolio in the PRIT core fund.

To help curb the fiscal challenges, the City also expanded the hours at the parking garage, instituted Saturday meter collections, and also installed seasonal meters at Salem Willows recreational park. The council also passed an increase of \$5 on expired parking meters, bringing the fine from \$10 to \$15. For several years, it was cheaper to receive a ticket for an expired meter than it was to park in one of our municipal garages. Both the State Revenue Department and Parking Board recommended this change to the ticket fine structure to encourage greater use of the parking garage by long term parkers and freeing up additional short term spaces for downtown merchants. The additional revenue from these new collections is estimated to generate \$270,000 per year.

At the end of fiscal year 2006, the City purchased a Ferry Boat in which they received a state grant for 75% of the purchase cost. The City is leasing the Ferry Boat to Water Transportation Services, Inc., which operates the ferry. The City received \$60,000 in revenue from Water Transportation Services in FY07 and will receive \$75,000 in FY08 and \$100,000 in FY09 per the three year agreement entered into in FY07.

The City implemented a trash fee for fiscal year 2007 which went into effect in September 2006. The City collected approximately \$450 thousand for the 10 months of collections during fiscal year 2007 and has an additional \$237 thousand recorded as receivable at year end. The City anticipates revenues of \$800 thousand a year for twelve months of collections in future fiscal years. These amounts are based on the number of residential and commercial units that are currently being billed for trash. The fees collected are used to offset the cost of collecting solid waste. The City adopted an Enterprise Fund for solid waste collections for fiscal year 2008.

The City has set a target level for the Stabilization fund of 5% of the City's current operating budget. The target funding date is projected to occur by fiscal year 2011. The stabilization fund shall be funded by appropriations from free cash, operating budget appropriations when available, and other one time non-recurring revenues that become available for appropriation per M.G.L.

Free cash is the remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax rate recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the community's auditor, accountant, or comptroller. Free cash is not available for appropriation until certified by the Massachusetts Director of Accounts. Free cash is the term used for a community's funds that are available for appropriation. Once free cash is certified, it is available for appropriation by City Council.

Free cash may be used for any lawful municipal purpose and provides communities with flexibility to fund additional appropriations after the tax rate has been set. Free cash balances do not carry forward to the next fiscal year (July 1st); the Director's certification expires on June 30th at the end of the fiscal year.

The City's policy is to use free cash for reserves, capital, and special uses in accordance with the policies set forth by the Mayor and Finance Director. Any drawdown of the Stabilization Fund from the prior fiscal year should be allocated from the certified free cash if the free cash exceeds such drawdown. Twenty percent of any free cash available after funding a prior year drawdown will also be



allocated from free cash to Stabilization Fund up to the goal of stabilization fund equaling 5% of the current operating budget of the City. Twenty percent of any free cash available after funding a prior year drawdown of Stabilization fund will also be allocated to the Capital Improvement Fund for funding Capital. Any free cash available after funding the above may be used to augment trust funds related to fringe benefits and unfunded liabilities related to employee benefits, including Health Insurance Trust Fund, Workers' Compensation Fund, Unemployment Fund, and any health benefits payable through Police and Fire operating budgets (111f settlements). Free Cash available may also be used to augment general fund appropriations for expenses that increased due to extraordinary and/or unforeseen events as detailed by the department head of the affected budget.

### School Operating Deficit

Subsequent to the close of the fiscal year, City officials became aware that \$2.6 million of general fund school expenditures were not processed or recorded during the fiscal 2007 budget year. In addition, \$341 thousand of inappropriate special revenue fund payments to the health insurance internal service fund were recorded. The City's financial statements properly reflect these changes, however, significant problems have resulted in the fiscal year 2008 budget. The City and School Department are working with state officials to close the budget deficiency through the use of reserves, layoffs, expenditure reductions, and other measures. Although a difficult proposition, the City expects to finish fiscal year 2008 with a balanced budget.

### Awards and Acknowledgements

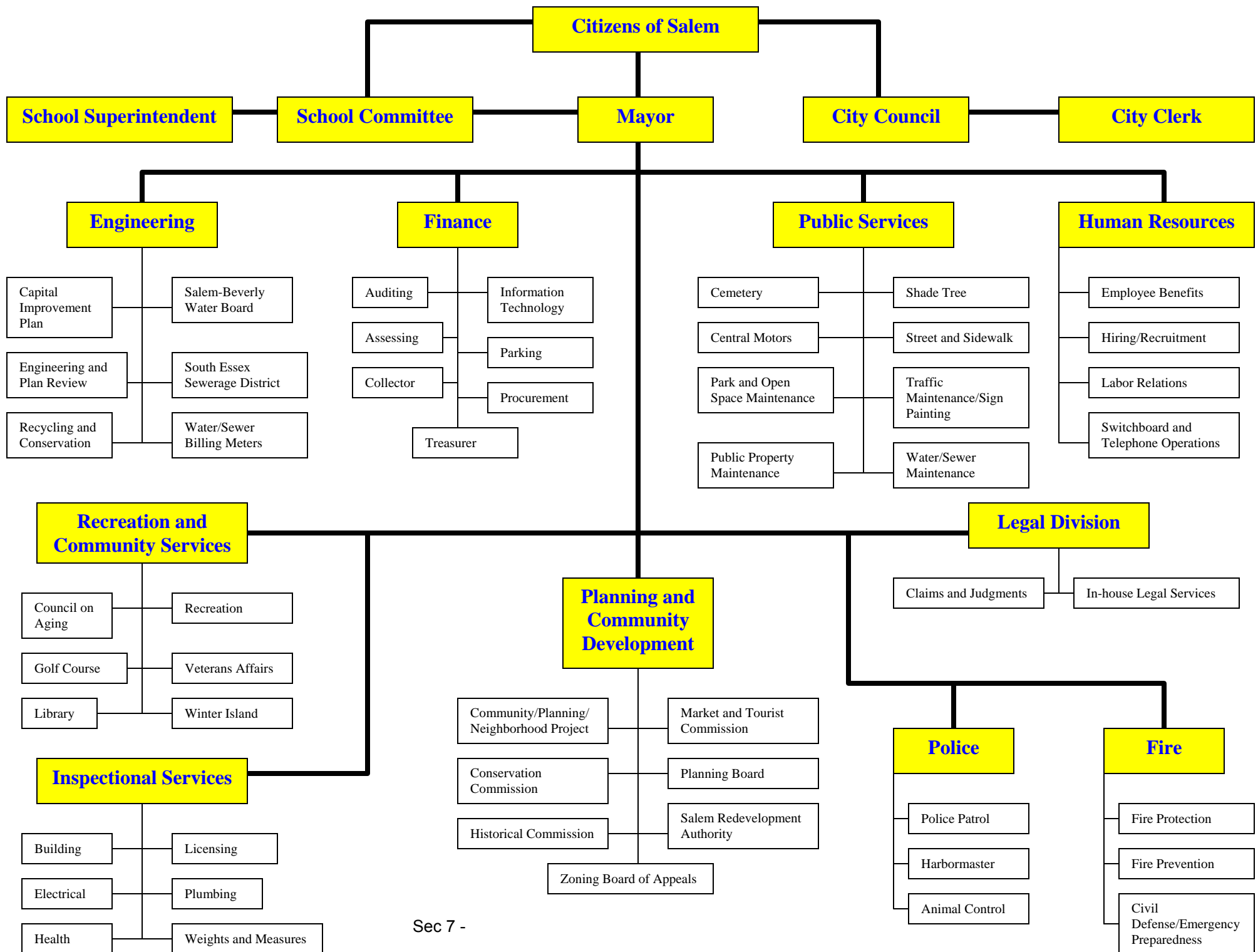
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Salem for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the second year that the City submitted a CAFR to the GFOA. In order to receive this prestigious award, a government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine it's eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance department's staff. We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the City Council and Mayor for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Salem's finances.

Respectfully submitted,

  
Richard Viscay  
Finance Director



## Principal Executive Officers

TITLE	NAME	FIRST TOOK OFFICE	TERM EXPIRES
Mayor	Kimberley L. Driscoll	1/2/2006	12/31/2009
President, City Council	Matthew A. Veno	1/2/2006	12/31/2007
Finance Director	Richard Viscay	3/6/2006	1/31/2009
Treasurer	Anne L. Busteed	5/22/2000	1/31/2007*
Collector	Bonnie Celi	3/11/2004	1/31/2009
City Clerk	Cheryl LaPointe	7/15/2004	11/9/2009
City Solicitor	Elizabeth Rennard	1/10/2006	Indefinite
Asst. Finance Director	Nina Bridgman	1/22/2004	1/31/2008

\*Treasurer's term has not been extended.

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Salem  
Massachusetts

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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



President

Executive Director

# ***Financial Section***



## **Downtown Salem**

The Essex Street Pedestrian Mall, a shady red-bricked plaza sandwiched between rows of shops. The inventory of the corner bookstore spills onto tables out front on most days, and trolleys occasionally pass by. Young women hand out coupons and ads for nearby shops. Many tourists and locals enjoy the view of the terrace garden of the Peabody Essex Museum. Fountains at each end of the mall are a great place for people to relax and enjoy the views of historic Salem or sit on a bench and have a bite to eat. The red line of the Heritage Trail will lead visitors in and out of the area to various points of interest and history within the City. The fountain in this picture has a raised outline of Salem in concrete surrounded by the water of the fountain.

## ***Financial Section***



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## Independent Auditors' Report

To the Honorable Mayor  
and Members of the City Council  
City of Salem, Massachusetts

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, Massachusetts, as of and for the fiscal year ended June 30, 2007 (except for the Salem Contributory Retirement System which is as of and for the year ended December 31, 2006), 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 of Salem, Massachusetts' 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, Massachusetts, as of June 30, 2007 (except for the Salem Contributory Retirement System which is as of December 31, 2006), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining fund statements, as listed in the table of contents, are presented for the purpose of supplementary analysis and are not a required part of the financial statements of the City of Salem, Massachusetts. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

As described in Note 14, the City has restated the fund balance of the General Fund in the governmental fund financial statements and the net assets of the Governmental Activities in the entity wide financial statements as of June 30, 2006, by \$1,099,148.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2008 on our consideration of the City of Salem, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. 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.

A handwritten signature in cursive script, reading "Bowers + Sullivan".

January 29, 2008

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the City of Salem, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principals (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the City of Salem's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, community development, health and human services, culture and recreation and interest. The business-type activities include the activities of water and sewer and parking services as well as the municipal golf course.

The government-wide financial statements include not only the City of Salem itself (known as the *primary government*), but also a legally separate public employee retirement system for which the City of Salem is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and

demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Salem adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** The City maintains two types of propriety funds.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer activities, parking services, and for the operation of the municipal golf course.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to active employees' and retirees' health insurance.

**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. The accounting used for fiduciary funds is much like that used for propriety funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Government-wide Financial Analysis**

### **Governmental Activities**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City of Salem's governmental assets exceeded liabilities by \$143.8 million at the close of Fiscal 2007 an increase of \$27.4 million from the prior year. This is an indication that the overall financial position of the City has improved during the current fiscal year. The majority of the increase is the result of a \$29 million capital construction grant received from the Massachusetts School Building Authority as a 90% reimbursement of the construction costs for the City's High School project. The remaining change in net assets shows a decrease of \$1.9 million, which is consistent with the prior fiscal year.



Net assets of \$136.2 million (95%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the governmental net assets, \$8.8 million (6%), represents resources that are subject to external restrictions on how they may be used. The balance of *unrestricted net assets* has a year end deficit of \$1.3 million, which reflects the City's lack of resources available to be used to meet the City's ongoing obligations to citizens and creditors.

During fiscal year 2006, the School Department understated accrued expenses in the General Fund by approximately \$1,099,000. The fiscal year 2006 balances presented below reflect a restatement of the June 30, 2006 balances by \$1,099,148.

The components of the City's governmental activities are presented below.

	Governmental Activities	
	Fiscal 2007	Fiscal 2006
<b>Assets:</b>		
Current assets.....	\$ 30,051,728	\$ 31,394,323
Noncurrent assets (excluding capital).....	35,727,288	39,293,034
Capital assets.....	157,019,282	124,167,537
<b>Total assets.....</b>	<b>222,798,298</b>	<b>194,854,894</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	11,450,475	11,186,979
Noncurrent liabilities (excluding debt).....	5,070,049	5,161,709
Current debt.....	8,908,864	12,103,864
Noncurrent debt.....	53,600,000	50,040,000
<b>Total liabilities.....</b>	<b>79,029,388</b>	<b>78,492,552</b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	136,205,337	109,183,737
Restricted.....	8,868,048	8,649,700
Unrestricted.....	(1,304,475)	(1,471,095)
<b>Total net assets.....</b>	<b>\$ 143,768,910</b>	<b>\$ 116,362,342</b>

	Fiscal 2007	Fiscal 2006
<b>Program revenues:</b>		
Charges for services.....	\$ 6,438,645	\$ 4,661,268
Operating grants and contributions.....	37,957,703	37,934,300
Capital grants and contributions.....	30,118,572	3,312,346
<b>General Revenues:</b>		
Real estate and personal property taxes.....	60,991,003	58,379,505
Motor vehicle and other excise taxes.....	3,357,765	3,452,569
Nonrestricted grants.....	8,971,625	7,661,752
Unrestricted investment income.....	965,694	183,980
Other revenues.....	2,215,208	2,553,058
<b>Total revenues.....</b>	<b>151,016,215</b>	<b>118,138,778</b>
<b>Expenses:</b>		
General government.....	9,432,631	9,867,573
Public safety.....	23,511,430	23,481,525
Education.....	72,450,806	68,357,344
Public works.....	8,550,491	7,991,774
Community development.....	1,804,554	1,891,386
Health and human services.....	5,045,584	5,016,513
Culture and recreation.....	2,647,456	3,718,183
Interest.....	2,604,390	2,889,116
<b>Total expenses.....</b>	<b>126,047,342</b>	<b>123,213,414</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>24,968,873</b>	<b>(5,074,636)</b>
<b>Transfers.....</b>	<b>2,437,695</b>	<b>2,628,834</b>
<b>Change in net assets.....</b>	<b>\$ 27,406,568</b>	<b>\$ (2,445,802)</b>

The governmental expenses totaled \$126 million of which \$74.5 million (59%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$76.5 million, primarily coming from property taxes, motor vehicle and other excise, and non-restricted state aid.

The governmental net assets increased by \$27.4 million during the current fiscal year which directly relates to \$29 million in capital grants received from the Massachusetts School Building Authority representing 90% of the City's construction cost related to the High School Construction Project. Restricted net assets are up slightly from fiscal year 2006, which is due to the timing of expenditures of City and School Grant funds. The deficit in the City's unrestricted net assets has remained consistent after accounting for the restatement of the 2006 net assets.

In an effort to better manage its finances, the City restructured the Parks and Recreation Department through closing a separate office building, and combining the parks function within the Department of Public Works. As a result, expenses in the culture and recreation function have decreased during fiscal year 2007 by approximately \$1.1 million.

### **Business-type Activities**

For the City's business-type activities, assets exceeded liabilities by \$14.9 million at the close of fiscal year 2007.

	Business-type Activities	
	Fiscal 2007	Fiscal 2006
<b>Assets:</b>		
Current assets.....	\$ 8,252,450	\$ 6,414,075
Capital assets.....	14,665,096	12,482,454
<b>Total assets.....</b>	<b>22,917,546</b>	<b>18,896,529</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	1,028,082	396,910
Noncurrent liabilities (excluding debt).....	80,000	73,000
Current debt.....	482,687	3,446,136
Noncurrent debt.....	6,396,105	1,240,000
<b>Total liabilities.....</b>	<b>7,986,874</b>	<b>5,156,046</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt.....	9,321,266	9,018,231
Unrestricted.....	5,609,406	4,722,252
<b>Total net assets.....</b>	<b>\$ 14,930,672</b>	<b>\$ 13,740,483</b>

Business-type net assets of \$9.3 million (62%) represent investments in capital assets net of related debt. The remaining \$5.6 million (38%) is available to be used for the ongoing operation of the City's water, sewer, parking and the municipal golf course activities. There was an increase of \$1.2 million in net assets reported in connection with the water, sewer, parking, and the municipal golf course.

The water enterprise fund's net assets of \$4.1 million (65%) represent the investment in capital assets while \$2.2 million (35%) is unrestricted. The water department experienced a net increase of \$879 thousand in net assets from the prior year. The water fund pays an annual assessment to the Salem Beverly Water Supply Board, which totaled \$2.1 million, or 65% of the funds expenses for fiscal year 2007. The minor change in net assets is the result of the City's policy to recover 100% of the cost of operations through rates while still maintaining adequate reserves.

The sewer enterprise fund's net assets of \$534 thousand (14%) represent the investment in capital assets net of related debt, and \$3.3 million (86%) is unrestricted. The unrestricted balance includes the City's equity interest in the South Essex Sewerage District. The sewer department operations experienced a net increase of \$456 thousand during the current fiscal year. Approximately 87% of the expenses in the sewer fund consist of the annual assessments paid to the South Essex Sewerage District. The minor change in net assets is the result of the City's policy to recover 100% of the cost of operations through rates while still maintaining adequate reserves.

The golf course enterprise fund's net assets of \$287 thousand (59%) represent the investment in capital assets while \$201 thousand (41%) is unrestricted. The golf course operations experienced a decrease of \$1,070 during fiscal year 2007.

The parking enterprise fund's net assets of \$4.4 million (100%) represent the investment in capital assets net of related debt while (\$21,880) (less than 1%) is unrestricted. The parking operations experienced a net decrease of \$144 thousand during fiscal year 2007, mostly due to depreciation expense of \$223 thousand. The City reports this fee-for-service activity an enterprise fund however any cash based surplus generated is transferred back to the general fund to support City programs. In FY2007 \$1.05 million was transferred back to the general fund. Consequently, the funds remaining in the enterprise fund at year end represent non-current assets and liabilities and the assets and liabilities related to the enterprise funds capital construction projects.

	Business-type Activities	
	<u>Fiscal 2007</u>	<u>Fiscal 2006</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 13,776,703	\$ 12,628,680
<b>Expenses:</b>		
Cost of service and administration.....	2,531,330	2,556,558
District assessment.....	6,933,555	6,750,205
Depreciation.....	464,614	439,720
Interest.....	219,320	218,463
<b>Total expenses.....</b>	<b>10,148,819</b>	<b>9,964,946</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>3,627,884</b>	<b>2,663,734</b>
<b>Transfers.....</b>	<b>(2,437,695)</b>	<b>(2,628,834)</b>
<b>Change in net assets.....</b>	<b>\$ 1,190,189</b>	<b>\$ 34,900</b>

## ***Financial Analysis of the Government's Funds***

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$9.4 million of which a deficit of \$1.1 million is reported in the general fund, \$488 thousand is reported in the stabilization major fund, a deficit of \$310 thousand is reported in the school capital projects major fund, and \$10.3 million is reported in the nonmajor governmental funds. Cumulatively there was an increase of \$882 thousand in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was in a deficit of \$1.2 million, while total fund balance was in a deficit of \$1.1 million. This negative position is a direct reflection of the overspending within the City's school department. During the previous fiscal year, the school department understated accrued expenses in the general fund by \$1.1 million, resulting in a restatement of the 2006 balance. During fiscal year 2007, the school department under-reported expenditures in the general fund and misallocated expenditures to the internal service fund and to the grant funds, once the

expenditures were properly classified, the school's general fund budget was overspent for education by \$1.4 million for fiscal year 2007. To address this issue, management has raised \$1.8 million in the subsequent fiscal year's tax levy, and has taken aggressive steps to recoup the remaining deficit by making adjustments in the fiscal year 2008 budget.

The fund balance decrease in the City's general fund totaled \$1.3 million for fiscal year 2007, which is almost entirely the result of the mismanagement of the school department's budget.

The stabilization major fund is used to account for the accumulation of resources to be used for general and/or capital purposes upon approval of City Council. The fund increased by \$210 thousand in fiscal 2007, due to investment earnings and a budgeted transfer in from the general fund to fund the stabilization fund of \$194 thousand.

The School Capital Projects fund is used to account for the City's ongoing major school construction projects. The fund balance is in a deficit position because short-term notes of \$4.1 million which have not yet been borrowed long-term or funded by state grants. Permanent long-term borrowing is anticipated to occur for the City's share of the projects once the Commonwealth reimburses the City for all of its 90% of approved project costs. During fiscal 2007, the City received an additional \$29 million to offset current school construction expenditures. Subsequent to year end, the City issued general obligation bonds which were used to permanently finance \$6.9 million of BANs that were outstanding as of June 30<sup>th</sup>. The bond proceeds have been recognized in the City's financial statements as of June 30<sup>th</sup>.

### ***General Fund Budgetary Highlights***

The \$729 thousand increase between the original budget and the final amended budget was due to several council orders issued throughout the fiscal year to utilize available funds to address budget issues. One significant component of the increase was the result of contract settlements with the fire department which resulted in a total budget increase of \$173 thousand. Insurance and retirement budgets were also increased by \$50 thousand, and settlements within the school department were funded for \$40 thousand.

The City experienced a deficiency of actual revenues compared to budget of \$547 thousand. The deficiency in real estate and personal property taxes was due to lower than anticipated collection rates. The deficiency in motor vehicle and other excise taxes was due to bills being sent out late by the City's outside vendor. The deficiency in intergovernmental revenue was mainly due to a less than anticipated reimbursement for Charter School Tuition.

Due to recent budget cuts, most departments, with the exception of the schools, ended the year with a minimal amount of unspent funds. State and county assessments were lower than anticipated by \$325 thousand, and the City's snow and ice removal account ended the year in a deficit of \$12 thousand, which is allowable under state law. This deficit is required to be funded in the subsequent year's tax levy.

### ***Capital Asset and Debt Administration***

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$171.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, and infrastructure related to governmental and business-type activities. The City's total investment in capital assets for the current year was \$38 million for governmental activities and \$2.6 million for business-type activities.

The major capital asset event during the current fiscal year was the continued work on a major renovation to the Salem High School which is reported as construction in progress pending the completion of the project. The City receives a 90% reimbursement of eligible construction costs from the Massachusetts School Building Authority as work progresses on this project.

**Debt Administration.** Outstanding long-term debt of the general government, as of June 30, 2007, totaled \$58,394,497, of which \$55,050,633 is related to school projects, leaving a balance of \$3,308,864 for other CIP related projects. The long-term debt reported includes \$8,319,497 in BANs outstanding as of June 30, 2007 which were permanently financed subsequent to year end. The BANs have been classified as long-term debt as of June 30<sup>th</sup>, and bond proceeds have been recognized by the City.

The Commonwealth of Massachusetts is obligated to provide school construction assistance for approved school projects through a grant program administered by the Massachusetts School Building Authority (MSBA). The assistance is paid to support construction costs and reduce the total debt service of the City. At June 30, 2007 the City has recorded a receivable from the MSBA of \$41.5 million, which is equal to 90% of approved construction and interest costs incurred by the City to date, less amounts that have been reimbursed to the City by the MSBA.

After the classification of the \$8.3 million in BANs to long term debt, the City has \$4,114,367 in governmental related short-term notes remaining which are due on 10/23/07, with an interest rate of 4%. The City's short-term notes represent temporary financing for school construction projects.

At year end the golf course and parking enterprise funds have \$290,000 and \$950,000, respectively, of outstanding long-term debt, which is fully supported by fees and does not rely on a general fund subsidy.

In fiscal year 2007, the City entered into a loan program with Massachusetts Water Pollution Abatement Trust for Water projects which entitled the city to borrow \$2,330,656 at 2% for 20 years. Additionally, the City had water-improvement BANs outstanding at June 30, 2007 totaling \$3,308,136, of which \$3,250,503 were converted into long-term debt subsequent to year end and have been classified as long-term debt in the financial statements.

Please refer to notes 4, 7 and 8 in the financial statements for further discussion of the major capital and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the City of Salem's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City Hall, 93 Washington Street, Salem, Massachusetts 01970.



## ***Basic Financial Statements***

**STATEMENT OF NET ASSETS**

JUNE 30, 2007

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 13,649,596	\$ 4,276,964	\$ 17,926,560
Investments.....	4,658,377	-	4,658,377
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	970,348	-	970,348
Tax liens.....	846,981	-	846,981
Motor vehicle and other excise taxes.....	770,978	-	770,978
User fees.....	-	2,779,677	2,779,677
Trash fees.....	236,850	-	236,850
Departmental and other.....	83,327	-	83,327
Intergovernmental.....	8,586,490	78,030	8,664,520
Loans.....	166,355	-	166,355
Investment in joint venture.....	-	1,117,779	1,117,779
Working capital deposit.....	82,426	-	82,426
Total current assets.....	<u>30,051,728</u>	<u>8,252,450</u>	<u>38,304,178</u>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	35,106,011	-	35,106,011
Loans.....	621,277	-	621,277
Capital assets, non depreciable.....	44,332,979	276,422	44,609,401
Capital assets, net of accumulated depreciation.....	<u>112,686,303</u>	<u>14,388,674</u>	<u>127,074,977</u>
Total noncurrent assets.....	<u>192,746,570</u>	<u>14,665,096</u>	<u>207,411,666</u>
<b>TOTAL ASSETS.....</b>	<b><u>222,798,298</u></b>	<b><u>22,917,546</u></b>	<b><u>245,715,844</u></b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	5,062,546	765,932	5,828,478
Accrued liabilities.....	1,140,759	98,902	1,239,661
Accrued payroll.....	1,935,895	11,984	1,947,879
Health claims payable.....	118,211	-	118,211
Tax refunds payable.....	182,959	-	182,959
Accrued interest.....	1,236,945	108,264	1,345,209
Capital lease obligations.....	304,210	-	304,210
Compensated absences.....	1,383,000	43,000	1,426,000
Workers' compensation.....	85,950	-	85,950
Bonds and notes payable.....	<u>8,908,864</u>	<u>482,687</u>	<u>9,391,551</u>
Total current liabilities.....	<u>20,359,339</u>	<u>1,510,769</u>	<u>21,870,108</u>
<b>NONCURRENT:</b>			
Capital lease obligations.....	475,696	-	475,696
Compensated absences.....	4,275,000	80,000	4,355,000
Workers' compensation.....	319,353	-	319,353
Bonds and notes payable.....	<u>53,600,000</u>	<u>6,396,105</u>	<u>59,996,105</u>
Total noncurrent liabilities.....	<u>58,670,049</u>	<u>6,476,105</u>	<u>65,146,154</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>79,029,388</u></b>	<b><u>7,986,874</u></b>	<b><u>87,016,262</u></b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	136,205,337	9,321,266	145,526,603
Restricted for:			
Loans.....	787,632	-	787,632
Permanent funds:			
Expendable.....	3,556,455	-	3,556,455
Nonexpendable.....	1,629,202	-	1,629,202
Grants and gifts.....	2,894,759	-	2,894,759
Unrestricted.....	<u>(1,304,475)</u>	<u>5,609,406</u>	<u>4,304,931</u>
<b>TOTAL NET ASSETS.....</b>	<b>\$ <u>143,768,910</u></b>	<b>\$ <u>14,930,672</u></b>	<b>\$ <u>158,699,582</u></b>

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2007

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
<b>Primary Government:</b>						
<i>Governmental Activities:</i>						
General government.....	\$ 9,432,631	\$ 716,592	\$ 313,535	\$ 446,477	\$ (7,956,027)	
Public safety.....	23,511,430	2,217,287	805,059	-	(20,489,084)	
Education.....	72,450,806	1,659,544	28,773,984	29,307,001	(12,710,277)	
Public works.....	8,550,491	994,682	108,767	365,094	(7,081,948)	
Community development.....	1,804,554	13,093	1,778,583	-	(12,878)	
Health and human services.....	5,045,584	70,692	4,050,350	-	(924,542)	
Culture and recreation.....	2,647,456	766,755	82,594	-	(1,798,107)	
Interest.....	2,604,390	-	2,044,831	-	(559,559)	
Total Governmental Activities...	126,047,342	6,438,645	37,957,703	30,118,572	(51,532,422)	
<i>Business-Type Activities:</i>						
Water.....	3,381,221	4,822,041	-	-	1,440,820	
Sewer.....	5,604,546	6,694,172	-	-	1,089,626	
Golf Course.....	357,072	546,841	-	-	189,769	
Parking.....	805,980	1,713,649	-	-	907,669	
Total Business-Type Activities..	10,148,819	13,776,703	-	-	3,627,884	
Total Primary Government.....	\$ 136,196,161	\$ 20,215,348	\$ 37,957,703	\$ 30,118,572	\$ (47,904,538)	

See notes to basic financial statements.

(Continued)

# STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <u>(51,532,422)</u>	\$ <u>3,627,884</u>	\$ <u>(47,904,538)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	60,991,003	-	60,991,003
Tax liens.....	182,650	-	182,650
Motor vehicle and other excise taxes.....	3,357,765	-	3,357,765
Hotel/motel tax.....	282,324	-	282,324
Penalties and interest on taxes.....	266,246	-	266,246
Payments in lieu of taxes.....	1,235,083	-	1,235,083
Grants and contributions not restricted to specific programs.....	8,971,625	-	8,971,625
Unrestricted investment income.....	965,694	-	965,694
Miscellaneous.....	248,905	-	248,905
<i>Transfers, net</i> .....	<u>2,437,695</u>	<u>(2,437,695)</u>	<u>-</u>
Total general revenues and transfers.....	<u>78,938,990</u>	<u>(2,437,695)</u>	<u>76,501,295</u>
Change in net assets.....	27,406,568	1,190,189	28,596,757
<i>Net Assets:</i>			
Beginning of year as restated.....	<u>116,362,342</u>	<u>13,740,483</u>	<u>130,102,825</u>
End of year.....	\$ <u>143,768,910</u>	\$ <u>14,930,672</u>	\$ <u>158,699,582</u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2007

	General	Stabilization	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 2,701,384	\$ 487,980	\$ 5,163,965	\$ 5,296,267	\$ 13,649,596
Investments.....	-	-	-	4,658,377	4,658,377
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	970,348	-	-	-	970,348
Tax liens.....	846,981	-	-	-	846,981
Motor vehicle and other excise taxes.....	770,978	-	-	-	770,978
Trash fees.....	236,850	-	-	-	236,850
Departmental and other.....	49,001	-	-	19,925	68,926
Intergovernmental.....	40,410,252	-	1,500,343	1,781,906	43,692,501
Loans.....	-	-	-	787,632	787,632
Due from other funds.....	278,271	-	-	575,936	854,207
<b>TOTAL ASSETS.....</b>	<b>\$ 46,264,065</b>	<b>\$ 487,980</b>	<b>\$ 6,664,308</b>	<b>\$ 13,120,043</b>	<b>\$ 66,536,396</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 1,620,582	\$ -	\$ 2,860,583	\$ 540,763	\$ 5,021,928
Accrued liabilities.....	1,140,759	-	-	-	1,140,759
Accrued payroll.....	1,777,728	-	-	158,167	1,935,895
Tax refunds payable.....	182,959	-	-	-	182,959
Accrued interest on short-term debt.....	76,400	-	-	-	76,400
Deferred revenues.....	42,547,205	-	-	1,556,992	44,104,197
Due to other funds.....	-	-	-	575,936	575,936
Notes payable.....	-	-	4,114,367	-	4,114,367
<b>TOTAL LIABILITIES.....</b>	<b>47,345,633</b>	<b>-</b>	<b>6,974,950</b>	<b>2,831,858</b>	<b>57,152,441</b>
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances and continuing appropriations.....	69,631	-	-	-	69,631
Perpetual permanent funds.....	-	-	-	1,629,202	1,629,202
Unreserved:					
Undesignated, reported in:					
General fund.....	(1,151,199)	-	-	-	(1,151,199)
Special revenue funds.....	-	487,980	-	4,989,156	5,477,136
Capital projects funds.....	-	-	(310,642)	113,372	(197,270)
Permanent funds.....	-	-	-	3,556,455	3,556,455
<b>TOTAL FUND BALANCES.....</b>	<b>(1,081,568)</b>	<b>487,980</b>	<b>(310,642)</b>	<b>10,288,185</b>	<b>9,383,955</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 46,264,065</b>	<b>\$ 487,980</b>	<b>\$ 6,664,308</b>	<b>\$ 13,120,043</b>	<b>\$ 66,536,396</b>

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2007

Total governmental fund balances.....	\$ 9,383,955
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	157,019,282
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	44,104,197
Internal service funds are used by management to account for health insurance activities.	
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....	(340,273)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(1,160,545)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and notes payable.....	(58,394,497)
Workers' compensation.....	(405,303)
Capital leases.....	(779,906)
Compensated absences.....	(5,658,000)
Net effect of reporting long-term liabilities.....	(65,237,706)
Net assets of governmental activities.....	\$ <u>143,768,910</u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2007

	General	Stabilization	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 60,638,180	\$ -	\$ -	\$ -	\$ 60,638,180
Tax liens.....	216,663	-	-	-	216,663
Motor vehicle and other excise taxes.....	3,215,438	-	-	-	3,215,438
Hotel/motel tax.....	282,324	-	-	-	282,324
Charges for services.....	1,473,751	-	-	130,960	1,604,711
Trash disposal.....	449,665	-	-	-	449,665
Penalties and interest on taxes.....	266,246	-	-	-	266,246
Payments in lieu of taxes.....	1,235,083	-	-	-	1,235,083
Licenses and permits.....	517,697	-	-	-	517,697
Fines and forfeitures.....	1,085,729	-	-	-	1,085,729
Intergovernmental.....	35,390,860	-	29,821,380	15,354,955	80,567,195
Departmental and other.....	248,905	-	-	2,194,799	2,443,704
Contributions.....	-	-	-	915,888	915,888
Investment income.....	187,374	16,447	-	721,950	925,771
<b>TOTAL REVENUES.....</b>	<b>105,207,915</b>	<b>16,447</b>	<b>29,821,380</b>	<b>19,318,552</b>	<b>154,364,294</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	4,019,115	-	-	1,176,731	5,195,846
Public safety.....	14,649,823	-	-	1,149,735	15,799,558
Education.....	45,161,936	-	35,805,582	9,756,178	90,723,696
Public works.....	5,678,440	-	-	1,103,374	6,781,814
Community development.....	-	-	-	1,804,554	1,804,554
Health and human services.....	848,440	-	-	3,881,721	4,730,161
Culture and recreation.....	1,630,818	-	-	357,384	1,988,202
Pension benefits.....	14,375,924	-	-	-	14,375,924
Employee benefits.....	10,889,249	-	-	-	10,889,249
State and county charges.....	5,589,986	-	-	-	5,589,986
Debt service:					
Principal.....	4,255,000	-	-	55,000	4,310,000
Interest.....	2,496,858	-	-	16,717	2,513,575
<b>TOTAL EXPENDITURES.....</b>	<b>109,595,589</b>	<b>-</b>	<b>35,805,582</b>	<b>19,301,394</b>	<b>164,702,565</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(4,387,674)</b>	<b>16,447</b>	<b>(5,984,202)</b>	<b>17,158</b>	<b>(10,338,271)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds and notes.....	-	-	6,885,633	1,433,864	8,319,497
Premium from issuance of bonds and notes.....	85,169	-	-	-	85,169
Capital lease financing.....	280,002	-	-	98,167	378,169
Transfers in.....	3,234,524	193,774	-	130,547	3,558,845
Transfers out.....	(554,736)	-	-	(566,414)	(1,121,150)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>3,044,959</b>	<b>193,774</b>	<b>6,885,633</b>	<b>1,096,164</b>	<b>11,220,530</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(1,342,715)</b>	<b>210,221</b>	<b>901,431</b>	<b>1,113,322</b>	<b>882,259</b>
<b>FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED.....</b>	<b>261,147</b>	<b>277,759</b>	<b>(1,212,073)</b>	<b>9,174,863</b>	<b>8,501,696</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ (1,081,568)</b>	<b>\$ 487,980</b>	<b>\$ (310,642)</b>	<b>\$ 10,288,185</b>	<b>\$ 9,383,955</b>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds.....	\$ 882,259
<p>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 and reported as depreciation expense.</p>	
Capital outlay.....	38,018,740
Depreciation expense.....	<u>(5,166,995)</u>
Net effect of reporting capital assets.....	32,851,745
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>	
	(3,391,538)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>	
Capital lease principal payments.....	770,914
Capital lease issuance.....	(378,169)
Issuance of bonds and notes.....	(8,319,497)
Debt service principal payments.....	<u>4,310,000</u>
Net effect of reporting long-term debt.....	(3,616,752)
<p>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.</p>	
Net change in compensated absences accrual.....	444,000
Net change in workers' compensation.....	24,789
Net change in accrued interest on long-term debt.....	<u>(175,984)</u>
Net effect of recording long-term liabilities and amortizing deferred losses.....	292,805
<p>Internal service funds are used by management to account for health insurance activities</p>	
The net activity of internal service funds is reported with Governmental Activities.....	<u>388,049</u>
Change in net assets of governmental activities.....	<u>\$ 27,406,568</u>

See notes to basic financial statements.



**PROPRIETARY FUNDS**  
STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Parking	Total	
<b>ASSETS</b>						
<b>CURRENT:</b>						
Cash and cash equivalents.....	\$ 3,399,248	\$ 593,888	\$ 251,194	\$ 32,634	\$ 4,276,964	\$ -
Receivables, net of allowance for uncollectibles						
User fees.....	1,130,287	1,649,390	-	-	2,779,677	-
Departmental and other.....	-	-	-	-	-	14,401
Intergovernmental.....	78,030	-	-	-	78,030	-
Working capital deposit.....	-	-	-	-	-	82,426
Investment in joint venture.....	-	1,117,779	-	-	1,117,779	-
Total current assets.....	<u>4,607,565</u>	<u>3,361,057</u>	<u>251,194</u>	<u>32,634</u>	<u>8,252,450</u>	<u>96,827</u>
<b>NONCURRENT:</b>						
Capital assets, non depreciable.....	10,589	99,552	118,067	48,214	276,422	-
Capital assets, net of accumulated depreciation	<u>8,166,349</u>	<u>434,462</u>	<u>459,200</u>	<u>5,328,663</u>	<u>14,388,674</u>	<u>-</u>
Total noncurrent assets.....	<u>8,176,938</u>	<u>534,014</u>	<u>577,267</u>	<u>5,376,877</u>	<u>14,665,096</u>	<u>-</u>
<b>TOTAL ASSETS.....</b>	<u>12,784,503</u>	<u>3,895,071</u>	<u>828,461</u>	<u>5,409,511</u>	<u>22,917,546</u>	<u>96,827</u>
<b>LIABILITIES</b>						
<b>CURRENT:</b>						
Warrants payable.....	765,511	-	421	-	765,932	40,618
Accrued liabilities.....	22,138	76,764	-	-	98,902	-
Accrued payroll.....	6,019	5,965	-	-	11,984	-
Health claims payable.....	-	-	-	-	-	118,211
Accrued interest.....	85,643	-	4,127	18,494	108,264	-
Due to other funds.....	-	-	-	-	-	278,271
Compensated absences.....	6,000	6,000	12,000	19,000	43,000	-
Bonds and notes payable.....	<u>377,687</u>	<u>-</u>	<u>30,000</u>	<u>75,000</u>	<u>482,687</u>	<u>-</u>
Total current liabilities.....	<u>1,262,998</u>	<u>88,729</u>	<u>46,548</u>	<u>112,494</u>	<u>1,510,769</u>	<u>437,100</u>
<b>NONCURRENT:</b>						
Compensated absences.....	15,000	15,000	33,000	17,000	80,000	-
Bonds and notes payable.....	<u>5,261,105</u>	<u>-</u>	<u>260,000</u>	<u>875,000</u>	<u>6,396,105</u>	<u>-</u>
Total noncurrent liabilities.....	<u>5,276,105</u>	<u>15,000</u>	<u>293,000</u>	<u>892,000</u>	<u>6,476,105</u>	<u>-</u>
<b>TOTAL LIABILITIES.....</b>	<u>6,539,103</u>	<u>103,729</u>	<u>339,548</u>	<u>1,004,494</u>	<u>7,986,874</u>	<u>437,100</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt.....	4,073,108	534,014	287,267	4,426,877	9,321,266	-
Unrestricted.....	<u>2,172,292</u>	<u>3,257,328</u>	<u>201,646</u>	<u>(21,860)</u>	<u>5,609,406</u>	<u>(340,273)</u>
<b>TOTAL NET ASSETS.....</b>	<u>\$ 6,245,400</u>	<u>\$ 3,791,342</u>	<u>\$ 488,913</u>	<u>\$ 4,405,017</u>	<u>\$ 14,930,672</u>	<u>\$ (340,273)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Parking	Total	
<b>OPERATING REVENUES:</b>						
Employee contributions .....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,378,765
Employer contributions .....	-	-	-	-	-	9,600,028
Charges for services .....	4,822,041	6,694,172	546,841	1,713,649	13,776,703	-
Other.....	-	-	-	-	-	224,008
<b>TOTAL OPERATING REVENUES .....</b>	<b>4,822,041</b>	<b>6,694,172</b>	<b>546,841</b>	<b>1,713,649</b>	<b>13,776,703</b>	<b>14,202,801</b>
<b>OPERATING EXPENSES:</b>						
Cost of services and administration .....	941,132	733,692	311,621	544,885	2,531,330	-
District Assessment.....	2,081,364	4,852,191	-	-	6,933,555	-
Depreciation.....	191,949	18,663	31,020	222,982	464,614	-
Employee benefits .....	-	-	-	-	-	13,858,211
<b>TOTAL OPERATING EXPENSES .....</b>	<b>3,214,445</b>	<b>5,604,546</b>	<b>342,641</b>	<b>767,867</b>	<b>9,929,499</b>	<b>13,858,211</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>1,607,596</b>	<b>1,089,626</b>	<b>204,200</b>	<b>945,782</b>	<b>3,847,204</b>	<b>344,590</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Investment income.....	-	-	-	-	-	43,459
Interest expense.....	(166,776)	-	(14,431)	(38,113)	(219,320)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(166,776)</b>	<b>-</b>	<b>(14,431)</b>	<b>(38,113)</b>	<b>(219,320)</b>	<b>43,459</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>1,440,820</b>	<b>1,089,626</b>	<b>189,769</b>	<b>907,669</b>	<b>3,627,884</b>	<b>388,049</b>
<b>TRANSFERS:</b>						
Transfers in.....	-	-	325,025	-	325,025	-
Transfers out.....	(561,761)	(633,569)	(515,864)	(1,051,526)	(2,762,720)	-
<b>TOTAL TRANSFERS.....</b>	<b>(561,761)</b>	<b>(633,569)</b>	<b>(190,839)</b>	<b>(1,051,526)</b>	<b>(2,437,695)</b>	<b>-</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>879,059</b>	<b>456,057</b>	<b>(1,070)</b>	<b>(143,857)</b>	<b>1,190,189</b>	<b>388,049</b>
<b>NET ASSETS AT BEGINNING OF YEAR .....</b>	<b>5,366,341</b>	<b>3,335,285</b>	<b>489,983</b>	<b>4,548,874</b>	<b>13,740,483</b>	<b>(728,322)</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 6,245,400</b>	<b>\$ 3,791,342</b>	<b>\$ 488,913</b>	<b>\$ 4,405,017</b>	<b>\$ 14,930,672</b>	<b>\$ (340,273)</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Parking	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users.....	\$ 4,544,171	\$ 6,474,209	\$ 546,841	\$ 1,713,649	\$ 13,278,870	\$ -
Receipts from interfund services provided.....	-	-	-	-	-	14,274,218
Payments to vendors.....	(2,820,878)	(5,416,047)	(85,087)	(154,645)	(8,476,657)	-
Payments to employees.....	(181,396)	(162,121)	(195,113)	(393,240)	(931,870)	-
Payments for interfund services used.....	-	-	-	-	-	(14,929,045)
NET CASH FROM OPERATING ACTIVITIES.....	1,541,897	896,041	266,641	1,165,764	3,870,343	(654,827)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers in.....	-	-	325,025	-	325,025	-
Transfers out.....	(561,761)	(633,569)	(515,864)	(1,051,526)	(2,762,720)	-
Advances from other funds.....	-	-	-	-	-	278,271
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(561,761)	(633,569)	(190,839)	(1,051,526)	(2,437,695)	278,271
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from the issuance of bonds and notes.....	2,252,626	-	-	-	2,252,626	-
Acquisition and construction of capital assets.....	(2,074,538)	(38,502)	-	(29,134)	(2,142,174)	-
Principal payments on bonds and notes.....	(33,000)	-	(30,000)	(75,000)	(138,000)	-
Interest expense.....	(152,233)	-	(14,825)	(39,238)	(206,296)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(7,145)	(38,502)	(44,825)	(143,372)	(233,844)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment income.....	-	-	-	-	-	43,459
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	972,991	223,970	30,977	(29,134)	1,198,804	(333,097)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	2,426,257	369,918	220,217	61,768	3,078,160	333,097
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 3,399,248	\$ 593,888	\$ 251,194	\$ 32,634	\$ 4,276,964	\$ -
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>						
Operating income (loss).....	\$ 1,607,596	\$ 1,089,626	\$ 204,200	\$ 945,782	\$ 3,847,204	\$ 344,590
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	191,949	18,663	31,020	222,982	464,614	-
Changes in assets and liabilities:						
User fees.....	(277,870)	(219,963)	-	-	(497,833)	-
Investment in joint venture.....	-	(63,708)	-	-	(63,708)	-
Departmental and other.....	-	-	-	-	-	71,417
Working capital deposit.....	-	-	-	-	-	82,574
Warrants payable.....	21,554	(5,104)	421	-	16,871	(293,619)
Accrued liabilities.....	18,845	76,562	-	-	95,407	-
Accrued payroll.....	(14,177)	5,965	-	-	(8,212)	-
Health claims payable.....	-	-	-	-	-	(859,789)
Accrued compensated absences.....	(6,000)	(6,000)	31,000	(3,000)	16,000	-
Total adjustments.....	(65,699)	(193,585)	62,441	219,982	23,139	(999,417)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,541,897	\$ 896,041	\$ 266,641	\$ 1,165,764	\$ 3,870,343	\$ (654,827)

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Pension Trust Fund (as of December 31, 2006)	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 7,010,830	\$ 244,278	\$ 404,548
Investments:			
U.S. Treasury Notes.....	12,236,864	-	-
Corporate bonds.....	7,886,503	1,356,908	-
Equity securities.....	11,334,087	-	-
Equity mutual funds.....	44,116,819		
Real estate and alternative investment mutual funds...	9,531,719	-	-
Federal Home Loan Mortgages.....	677,179	-	-
Federal National Mortgage Association.....	669,168	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	328,563	-	21,851
<b>TOTAL ASSETS.....</b>	<b>93,791,732</b>	<b>1,601,186</b>	<b>426,399</b>
<b>LIABILITIES</b>			
Warrants payable.....	113,931	-	36,409
Liabilities due depositors.....	-	-	389,990
<b>TOTAL LIABILITIES.....</b>	<b>113,931</b>	<b>-</b>	<b>426,399</b>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes.....	\$ 93,677,801	\$ 1,601,186	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2007

	Pension Trust Fund (as of December 31, 2006)	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer.....	\$ 8,468,103	\$ -
Plan member.....	2,793,697	-
Private donations.....	-	12,432
Total contributions.....	11,261,800	12,432
Net investment income (loss):		
Net change in fair value of investments.....	9,942,426	-
Interest.....	2,079,599	208,640
Total investment income (loss).....	12,022,025	208,640
Less: investment expense.....	(725,663)	-
Net investment income (loss).....	11,296,362	208,640
Intergovernmental.....	431,290	-
Transfers from other systems.....	446,445	-
TOTAL ADDITIONS.....	23,435,897	221,072
<b>DEDUCTIONS:</b>		
Administration.....	312,366	-
Retirement benefits and refunds.....	11,361,454	-
Educational scholarships.....	-	23,173
Housing subsidies.....	-	28,265
TOTAL DEDUCTIONS.....	11,939,067	51,438
CHANGE IN NET ASSETS.....	11,496,830	169,634
NET ASSETS AT BEGINNING OF YEAR.....	82,180,971	1,431,552
NET ASSETS AT END OF YEAR.....	\$ 93,677,801	\$ 1,601,186

See notes to basic financial statements.

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

The accompanying basic financial statements of the City of Salem, Massachusetts (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**A. Reporting Entity**

The City is a Massachusetts municipal corporation with a Mayor-Council form of government. The Mayor is elected at large for a four-year term. The City Council is comprised of eleven members elected for two-year terms from seven wards and four at-large.

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and institutions. The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the City (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

*Blended Component Units* – Blended component units are entities that are legally separate from the City, but are so related that they are, in substance, the same as the City, or entities providing services entirely or almost entirely for the benefit of the City. The following component unit is blended within the Fiduciary Funds of the primary government:

The Salem Contributory Retirement System (the System) was established to provide retirement benefits to City employees, the Salem Housing Authority employees, the South Essex Sewerage District employees, the Salem-Beverly Water Supply Board employees, the North Shore Regional Vocational School employees and their beneficiaries. The System is governed by a five-member board comprised of the Finance Director (ex-officio), two members elected by the System's participants, one member appointed by the Mayor and one member appointed by the other board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The City is a member of the South Essex Sewerage District (the District), a joint venture with the Cities of Salem and Beverly and the Towns of Danvers and Marblehead, for the operation of a septage disposal facility. The members share in overseeing the operations of the District. Each member is responsible for its proportionate share of the operational costs of the District, which are paid in the form of assessments. As of June 30, 2007, the City's equity interest in the operations of the District totaled \$1,117,779, which is recorded in the Sewer Enterprise Fund. Complete financial statements for the District can be obtained by contacting them at 50 Fort Avenue, Salem, MA 01970.

The City is a member of the Salem-Beverly Water Supply Board (Water Board), a joint venture with the City of Beverly for the operation of a water distribution system. The City does not have an equity interest in the Salem-Beverly Water Supply Board. The annual assessment from the Water Board for the fiscal year ended June 30, 2007 totaled approximately \$2,081,000. Complete financial information for the Water Board can be obtained by contacting them at 50 Arlington Avenue, Beverly, MA 01915.

**Availability of Financial Information for Component Units**

The System did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 20 Central Street, Suite 110, Salem, Massachusetts 01970.

## B. Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

### *Major Fund Criteria*

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

## C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

**Governmental** fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to be used for general and/or capital purposes upon approval of City Council.

The *school capital projects fund* is used to account for the ongoing construction and renovations of the City's school buildings.



The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

**Proprietary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *sewer enterprise fund* is used to account for the sewer activities.

The *water enterprise fund* is used to account for the water activities.

The *golf course enterprise fund* is used to account for the golf course activities.

The *parking activities enterprise fund* is used to account for parking activities.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to active employees' and retirees' health insurance.

**Fiduciary** fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and

trustee policies only allow the trustees to authorize spending of the realized investment earnings. The City's educational scholarships and housing subsidy trust funds are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity. The City's agency funds consist primarily of payroll withholdings, and police and fire special detail accounts.

#### *Government-Wide and Fund Financial Statements*

For enterprise fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market. Mortgages are valued on the basis of future plan principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based upon independent appraisals. Investments that do not have an established market are reported at estimated fair values.

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

#### ***Real Estate, Personal Property Taxes, Tax Liens and Tax Foreclosures***

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

The City has the ability to process real estate tax liens on delinquent properties. Tax liens are processed once a year following the first quarter of the following fiscal year. Liens are recorded as receivables in the fiscal year they are processed.

Real estate receivables which have been secured via the tax lien process are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

### ***Motor Vehicle and Other Excise Taxes***

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value. Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

### ***User Fees***

Water and Sewer user fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period. The City abides by a strict policy for unpaid fees resulting in the discontinuation of service also known as a "shut off" policy. The water department provides strict guidelines as to the process of discontinuation of service

Trash user fees are levied monthly based on the number of units located on the property. The monthly per unit fee collected is \$30 for commercial and \$20 for residential. Collection from any one property shall not exceed \$100. Unpaid trash fees are subject to interest and demand fees; any fees not paid within thirty (30) days may be lien to the property in the following fiscal years' real estate bill.

Since the receivables are secured via either a shut off or lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

### ***Departmental and Other***

Departmental and other receivables consist primarily of grant proceeds and fire detail fees and investment funds of the retirement system received after year end that are recorded as receivables in the fiscal year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

### ***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**Loans**

Loan receivables are comprised of funds advanced to small businesses and developers under various Urban Development Action Grants (UDAG) and Community Development Block Grants (CDBG). The City loans funds to owners of commercial and residential properties for the purpose of rehabilitating these properties. The City receives funding for these loans from the U.S Department of Housing and Urban Development (HUD) under Community Development Block Grant (CDBG) programs for the City. These loans are repaid to the City under various terms and conditions stipulated by each loan agreement. The loan repayments may be used by the City for any eligible activity relevant to the community development program.

**F. Inventories*****Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

**G. Capital Assets*****Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, land improvements, buildings and improvements, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. This excludes vehicles, which will all be capitalized.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20-30
Buildings and improvements.....	40
Equipment.....	5-10
Vehicles.....	5-15
Infrastructure.....	15-40

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

***Governmental Fund Financial Statements***

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

#### H. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

##### *Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

##### *Fund Financial Statements*

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

#### I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

##### *Government-Wide Financial Statements*

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

##### *Fund Financial Statements*

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

#### J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

## K. Net Assets and Fund Equity

### *Government-Wide Financial Statements (Net Assets)*

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been “restricted for” the following:

“Loans” represents community development outstanding loan receivable balances which are funded through the Community Development Block Grant program. The loan repayments are subject to various restrictions which are imposed by the grantors.

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings that support governmental programs.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Grants and gifts” represents assets that have restrictions placed on them from outside parties.

### *Fund Financial Statements (Fund Balances)*

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

## L. Long-term debt

### *Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

### *Governmental Fund Financial Statements*

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL). Investment income of the enterprise funds is voluntarily assigned to the general fund.

N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures.

*Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

*Governmental Fund Financial Statements*

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

O. Post Retirement Benefits*Government-Wide and Fund Financial Statements*

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording its share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2007, this expenditure totaled approximately \$1,259,000. There were approximately 578 participants eligible to receive benefits at June 30, 2007.

The Commonwealth of Massachusetts administers a health insurance plan for all retired teachers of the Commonwealth. The cost of providing that benefit is assessed to each community annually. For the fiscal year ending June 30, 2007 this expense/expenditure amounted to approximately \$1,898,000. The number of participants covered is not provided by the Commonwealth.

P. Fund Deficits and Appropriation Deficits

Individual fund deficits exist at June 30, 2007 in the School Capital Projects Fund; in the School Lunch, Highway Grants, Police Station Equipment and Salem Ferry nonmajor governmental funds; and in the internal service fund. These deficits will be funded by grants, departmental revenues, long-term borrowing and available fund balance.

Massachusetts General Laws require that any operating deficit within the internal service fund be funded by a general fund transfer. In addition any deficit created by recording the incurred but not reported liability must be funded through general fund contributions or other available funds.

Actual expenditures exceeded appropriations for education and snow and ice removal. These over-expenditures will be funded through available funds during fiscal year 2008. In the snow and ice removal appropriation line, the general law allows deficits to occur and to be raised in the subsequent fiscal year. The deficit in the education line is the result of the School Department understating accrued expenditures at year end.

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

R. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

*Fund Financial Statements*

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer and Trust Fund Commission may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth; provided, that not more than fifteen per cent of any trust fund may be invested in bank stocks and insurance company stocks, and not more than one and one-half per cent of any trust fund can invested in the stock of any one bank or insurance company.

The System also has expanded investment powers which are governed by Chapter 32 of the general laws of the Commonwealth and by the regulations issued by the Public Employee Retirement Administration Commission (PERAC). The existing law provides that Systems will invest in securities other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.



Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$13,128,132 and the bank balance totaled \$15,000,818. Of the bank balance, \$503,277 was covered by Federal Depository Insurance, \$1,182,801 was covered by the Depositors Insurance Fund, and \$13,314,740 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The System does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$2,435,751 and the bank balance totaled \$2,573,728. The entire bank balance was covered by Federal Depository Insurance.

Investments

As of June 30, 2007, the City had the following investments:

Investment Type	Fair Value	Maturity	
		Under 1 Year	1-5 Years
<u>Debt Securities:</u>			
Federal Farm Credit Bank.....	\$ 97,594	\$ -	\$ 97,594
Corporate Bonds.....	1,394,619	99,245	1,295,374
Repurchase Agreements.....	3,879,092	3,879,092	-
Total Debt Securities.....	5,371,305	\$ 3,978,337	\$ 1,392,968
<u>Other Investments:</u>			
Equity Securities.....	3,746,810		
Equity Mutual Funds.....	533,252		
Real Estate Investment Trusts.....	243,010		
MMDT.....	1,568,162		
Total Investments.....	\$ 11,462,539		

As of December 31, 2006, the System had the following investments:

Investment Type	Fair Value	Maturity			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
<u>Debt Securities:</u>					
U.S. Treasury Notes.....	\$ 2,116,102	\$ -	\$ 44,859	\$ 2,045,105	\$ 26,138
Corporate Bonds.....	7,529,734	80,956	1,147,633	677,527	5,623,618
Federal Home Loan Mortgages.....	667,270	301,038	-	-	366,232
Federal National Mortgage Association....	661,935	-	-	254,300	407,635
Repurchase Agreements.....	4,575,079	4,575,079	-	-	-
Total Debt Securities.....	15,550,120	\$ 4,957,073	\$ 1,192,492	\$ 2,976,932	\$ 6,423,623
<u>Other Investments:</u>					
Equity Securities.....	4,422,580				
Equity Mutual Funds.....	58,550,368				
Alternative Investment Mutual Funds.....	3,308,388				
Real Estate Mutual Funds.....	9,195,962				
Total Investments.....	\$ 91,027,418				

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the City will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the City's investments, \$97,594 in Federal Farm Credit Bank securities, \$1,394,619 in corporate bonds and \$4,280,062 in equity securities are exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by the counterparty. The investments in MMDT is not exposed to custodial credit risk because the existence is not evidenced by securities that exist in physical or book entry form. The \$3,879,092 repurchase agreement is invested in collateralized Federal Home Loan Mortgage Corporation government backed securities. The City does not have an investment policy related to custodial credit risk.

The System's investments are not subject to custodial credit risk as all of the securities are insured or registered, and held by its agents in the name of the Salem Retirement System.

Interest Rate Risk

Neither the City nor the System have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City has not adopted a formal policy related to Credit Risk. Moody's Investors Service rated \$197,212 of corporate bonds AAA; \$249,095, AA; and \$948,312, A. The federal farm credit bank investment of \$97,594 and \$1,568,162 of MMDT investments are rated AAA. The repurchase agreements and equity mutual fund investments are unrated.

The System has not adopted a formal policy related to Credit Risk. Moody's Investors Service rated \$2,458,216 of corporate bonds AAA; \$1,412,637, AA; \$1,609,886, A; \$1,132,647, BBB and \$916,348 were unrated. The Federal Home Loan investments of \$667,270 are rated AAA. The repurchase agreement, equity mutual fund securities, alternate investment mutual funds and real estate mutual fund investments are unrated.

Concentration of Credit Risk

The City places no limit on the amount the government may invest in any one issuer. Through the City's repurchase agreement, more than 5 percent of the City's investments are in the following securities:

<u>Issuer</u>	<u>Percentage of Total Investments</u>
Federal Home Loan Mortgage Corporation.....	34%

The retirement system places no limit on the amount the government may invest in any one issuer. More than 5 percent of the System's investments are in the following securities:

<u>Issuer</u>	<u>Percentage of Total Investments</u>
Copper Rock Small Capital Growth Fund.....	5%
PRIT Core Real Estate Fund.....	6%
Freedom Large Capital Growth Fund.....	9%
Freedom Large Capital Value Fund.....	10%
Freedom Capital Equity Style Fund.....	12%
Freedom Core Plus Fixed Income Fund.....	12%
TBC International Core Equity.....	17%

### NOTE 3 – RECEIVABLES

At June 30, 2007, receivables for the individual major governmental funds, non-major governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 970,348	\$ -	\$ 970,348
Tax liens.....	846,981	-	846,981
Motor vehicle and other excise taxes.....	1,063,799	(292,821)	770,978
Trash Fees.....	236,850	-	236,850
Departmental and other.....	83,327	-	83,327
Intergovernmental.....	43,692,501	-	43,692,501
Loans.....	787,632	-	787,632
Total.....	<u>\$ 47,681,438</u>	<u>\$ (292,821)</u>	<u>\$ 47,388,617</u>

At June 30, 2007, receivables for the water and sewer enterprise funds consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water user fees.....	\$ 1,130,287	\$ -	\$ 1,130,287
Sewer user fees.....	1,649,390	-	1,649,390
Intergovernmental.....	78,030	-	78,030
Total.....	<u>\$ 2,857,707</u>	<u>\$ -</u>	<u>\$ 2,857,707</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

**COMPONENTS OF DEFERRED REVENUE**

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 634,325	\$ -	\$ 634,325
Tax liens.....	846,981	-	846,981
Motor vehicle and other excise.....	770,978	-	770,978
Trash fees.....	236,850	-	236,850
Intergovernmental.....	40,058,071	769,360	40,827,431
Loans.....	-	787,632	787,632
Total.....	<u>\$ 42,547,205</u>	<u>\$ 1,556,992</u>	<u>\$ 44,104,197</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,684,753	\$ -	\$ -	\$ 4,684,753
Construction in progress.....	3,315,079	36,333,147	-	39,648,226
Total capital assets not being depreciated.....	<u>7,999,832</u>	<u>36,333,147</u>	<u>-</u>	<u>44,332,979</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,401,862	223,933	-	2,625,795
Buildings and improvements.....	109,830,207	-	-	109,830,207
Equipment.....	7,037,351	438,843	(58,702)	7,417,492
Infrastructure.....	50,915,425	644,480	-	51,559,905
Vehicles.....	6,006,125	378,337	(281,637)	6,102,825
Total capital assets being depreciated.....	<u>176,190,970</u>	<u>1,685,593</u>	<u>(340,339)</u>	<u>177,536,224</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,275,019)	(87,926)	-	(1,362,945)
Buildings and improvements.....	(29,563,834)	(2,875,487)	-	(32,439,321)
Equipment.....	(2,746,599)	(498,994)	58,702	(3,186,891)
Infrastructure.....	(22,176,249)	(1,372,995)	-	(23,549,244)
Vehicles.....	(4,261,564)	(331,593)	281,637	(4,311,520)
Total accumulated depreciation.....	<u>(60,023,265)</u>	<u>(5,166,995)</u>	<u>340,339</u>	<u>(64,849,921)</u>
Total capital assets being depreciated, net.....	<u>116,167,705</u>	<u>(3,481,402)</u>	<u>-</u>	<u>112,686,303</u>
Total governmental activities capital assets.....	<u>\$ 124,167,537</u>	<u>\$ 32,851,745</u>	<u>\$ -</u>	<u>\$ 157,019,282</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 10,589	\$ -	\$ -	\$ 10,589
<u>Capital assets being depreciated:</u>				
Land improvements.....	114,550	-	-	114,550
Equipment.....	-	91,290	-	91,290
Infrastructure.....	11,117,124	2,508,330	-	13,625,454
Total capital assets being depreciated.....	11,231,674	2,599,620	-	13,831,294
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(25,775)	(5,728)	-	(31,503)
Equipment.....	-	(9,129)	-	(9,129)
Infrastructure.....	(5,447,221)	(177,092)	-	(5,624,313)
Total accumulated depreciation.....	(5,472,996)	(191,949)	-	(5,664,945)
Total capital assets being depreciated, net.....	5,758,678	2,407,671	-	8,166,349
Total water activities capital assets.....	\$ 5,769,267	\$ 2,407,671	\$ -	\$ 8,176,938
<b>Sewer Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 99,552	\$ -	\$ -	\$ 99,552
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	5,425	-	-	5,425
Vehicles.....	125,486	-	-	125,486
Infrastructure.....	1,444,815	38,502	-	1,483,317
Total capital assets being depreciated.....	1,575,726	38,502	-	1,614,228
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(4,951)	(136)	-	(5,087)
Vehicles.....	(125,486)	-	-	(125,486)
Infrastructure.....	(1,030,666)	(18,527)	-	(1,049,193)
Total accumulated depreciation.....	(1,161,103)	(18,663)	-	(1,179,766)
Total capital assets being depreciated, net.....	414,623	19,839	-	434,462
Total sewer activities capital assets.....	\$ 514,175	\$ 19,839	\$ -	\$ 534,014

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Golf Course Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 118,067	\$ -	\$ -	\$ 118,067
<u>Capital assets being depreciated:</u>				
Land improvements.....	312,852	-	-	312,852
Buildings and improvements.....	453,988	-	-	453,988
Equipment.....	330,409	-	-	330,409
Total capital assets being depreciated.....	1,097,249	-	-	1,097,249
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(294,226)	(6,014)	-	(300,240)
Buildings and improvements.....	(76,089)	(11,350)	-	(87,439)
Equipment.....	(236,714)	(13,656)	-	(250,370)
Total accumulated depreciation.....	(607,029)	(31,020)	-	(638,049)
Total capital assets being depreciated, net.....	490,220	(31,020)	-	459,200
Total golf course activities capital assets.....	\$ 608,287	\$ (31,020)	\$ -	\$ 577,267
<b>Parking Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 48,214	\$ -	\$ -	\$ 48,214
Construction in progress.....	1,036,532	-	(1,036,532)	-
Total capital assets not being depreciated.....	1,084,746	-	(1,036,532)	48,214
<u>Capital assets being depreciated:</u>				
Land improvements.....	292,700	1,045,666	-	1,338,366
Buildings and improvements.....	7,625,100	-	-	7,625,100
Equipment.....	5,100	-	-	5,100
Total capital assets being depreciated.....	7,922,900	1,045,666	-	8,968,566
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(54,141)	(33,289)	-	(87,430)
Buildings and improvements.....	(3,358,955)	(189,183)	-	(3,548,138)
Equipment.....	(3,825)	(510)	-	(4,335)
Total accumulated depreciation.....	(3,416,921)	(222,982)	-	(3,639,903)
Total capital assets being depreciated, net.....	4,505,979	822,684	-	5,328,663
Total parking activities capital assets.....	\$ 5,590,725	\$ 822,684	\$ (1,036,532)	\$ 5,376,877

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General government.....	\$	298,938
Public safety.....		378,870
Education.....		2,781,427
Public works.....		1,491,465
Health and human services.....		29,990
Culture and recreation.....		186,305

Total depreciation expense - governmental activities..... \$ 5,166,995

**Business-Type Activities:**

Water.....	\$	191,949
Sewer.....		18,663
Golf Course.....		31,020
Parking.....		222,982

Total depreciation expense - business-type activities..... \$ 464,614

**NOTE 5 – INTERFUND TRANSFERS AND BALANCES**

Interfund transfers for the fiscal year ended June 30, 2007, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	Stabilization Fund	Golf Course Enterprise Fund	Nonmajor Governmental Funds		
General Fund.....	\$ -	\$ 193,774	\$ 325,025	\$ 35,937	\$	554,736 (1)
Nonmajor Governmental Funds.....	471,804	-	-	94,610		566,414 (2)
Parking Enterprise Fund.....	1,051,526	-	-	-		1,051,526 (3)
Golf Course Enterprise Fund.....	515,864	-	-	-		515,864 (4)
Sewer Enterprise Fund.....	633,569	-	-	-		633,569 (5)
Water Enterprise Fund.....	561,761	-	-	-		561,761 (6)
Total.....	\$ <u>3,234,524</u>	\$ <u>193,774</u>	\$ <u>325,025</u>	\$ <u>130,547</u>	\$	<u>3,883,870</u>

(1) Transfer from general fund to stabilization fund and golf course enterprise fund to reimburse for amounts raised by taxation.

Transfer from general fund to nonmajor fund to fund deficit in MTC Collaborative.

(2) Transfer from nonmajor funds to general fund for their share of indirect costs and transfers within nonmajor funds.

(3) Transfer from parking enterprise fund to general fund for their share of indirect costs.

(4) Transfer from golf course enterprise fund to general fund for their share of indirect costs.

(5) Transfer from sewer enterprise fund to general fund for their share of indirect costs.

(6) Transfer from water enterprise fund to general fund for their share of indirect costs.

The City's interfund balances at June 30, 2007 consisted of \$278,271 due from the internal service fund to the general fund and \$575,936 in balances within the nonmajor governmental funds all representing interfund borrowings for cash flow purposes.

**NOTE 6 – CAPITAL & OPERATING LEASES**

The City has entered into lease agreements as lessee for financing the acquisition of a fire truck, police cruiser, a snow plow, a school bus, and computer hardware and software. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 2,334,415
Vehicles.....	476,650
Less: accumulated depreciation.....	<u>(808,333)</u>
Total.....	<u>\$ 2,002,732</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2008.....	\$ 342,946
2009.....	192,876
2010.....	117,537
2011.....	57,264
2012.....	57,264
2013.....	57,264
2014.....	<u>57,264</u>
Total minimum lease payments.....	882,415
Less: amounts representing interest.....	<u>(102,509)</u>
Present value of minimum lease payments.....	<u>\$ 779,906</u>

The City leases office space for the City Hall Annex under an operating lease that expires on February 28, 2011. The cost of the lease for the fiscal year ended June 30, 2007, totaled \$360,000, and is reported as a general government expenditure in the general fund.



The future minimum lease payments for the City's operating lease are as follows:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2008.....	\$ 360,000
2009.....	360,000
2010.....	360,000
2011.....	<u>240,000</u>
Total.....	\$ <u>1,320,000</u>

#### **NOTE 7 – SHORT-TERM FINANCING**

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- 
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2007, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2006	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2007
SAN	Equipment - Ferry Boat.....	6.0%	07/21/06	\$ 2,325,000	\$ -	\$ 2,325,000	\$ -
BAN	Equipment - Ferry Boat.....	6.0%	07/21/06	775,000	-	775,000	-
RAN	Equipment - Ferry Boat.....	4.3%	08/30/06	-	3,100,000	3,100,000	-
RAN	Equipment - Ferry Boat.....	3.7%	11/01/06	-	9,100,000	9,100,000	-
BAN	School Construction.....	4.3%	01/11/07	4,000,000	-	4,000,000	-
BAN	Police Equipment.....	4.3%	01/11/07	658,864	-	658,864	-
BAN	Equipment - Ferry Boat.....	6.5%	07/18/07	-	775,000	775,000	-
BAN	School Construction.....	4.0%	10/23/07	-	7,000,000	6,885,633	114,367
BAN	School Construction.....	4.0%	10/23/07	-	3,033,969	-	3,033,969
BAN	School Construction.....	4.0%	10/23/07	-	966,031	-	966,031
BAN	Police Equipment.....	4.0%	10/23/07	-	658,864	658,864	-
Sub-total governmental-type notes....				<u>7,758,864</u>	<u>24,633,864</u>	<u>28,278,361</u>	<u>4,114,367</u>
BAN	Water System.....	4.3%	01/11/07	3,341,136	-	3,341,136	-
BAN	Water System.....	4.0%	10/23/07	-	3,308,136	3,250,503	57,633
Sub-total business-type notes.....				<u>3,341,136</u>	<u>3,308,136</u>	<u>6,591,639</u>	<u>57,633</u>
Total notes payable.....				<u>\$ 11,100,000</u>	<u>\$ 27,942,000</u>	<u>\$ 34,870,000</u>	<u>\$ 4,172,000</u>

Subsequent to year end, on July 18, 2007, the City reissued the \$775,000 BAN at 5.95% with a maturity date of October 23, 2007. In October, the City issued \$11,570,000 in General Obligation Bonds, which were used to retire \$6,885,633 of School Construction BANs, \$658,864 of Police Equipment BANs, \$775,000 of Equipment – Ferry Boat BANs, and \$3,250,503 of Water System BANs. The City retired \$242,000 of outstanding BANs with available funds, and issued \$3,930,000 in new BANs at 4%, which will mature on October 24, 2008.

The \$11,570,000 General Obligation Bonds have been recorded as long-term bonds payable as of June 30, 2007.

**NOTE 8 – LONG-TERM DEBT**

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2007, and the debt service requirements are as follows:

**Bonds and Notes Payable Schedule – Governmental Funds**

Project	Interest Rate (%)	Outstanding at June 30, 2006	Issued	Redeemed	Outstanding at June 30, 2007
School Construction.....	5.13-5.75%	\$ 4,180,000	\$ -	\$ 420,000	\$ 3,760,000
School Construction.....	5.13-5.75%	930,000	-	95,000	835,000
HUD Section 108.....	3.41-3.70%	55,000	-	55,000	-
HUD Section 108.....	9.00%	245,000	-	-	245,000
School Construction.....	4.50-6.75%	8,945,000	-	420,000	8,525,000
Swimming Pool.....	4.50-6.75%	240,000	-	40,000	200,000
School Construction.....	3.50-4.00%	2,655,000	-	555,000	2,100,000
School Construction.....	3.50-4.00%	3,936,000	-	706,000	3,230,000
Police Station.....	3.50-4.00%	1,759,000	-	294,000	1,465,000
School Construction.....	3.00-5.00%	15,840,000	-	655,000	15,185,000
School Construction.....	3.00-5.00%	8,550,000	-	355,000	8,195,000
School Construction.....	3.00-5.00%	1,305,000	-	70,000	1,235,000
School Construction.....	2.25-4.50%	3,410,000	-	520,000	2,890,000
School Construction.....	3.00-5.00%	1,790,000	-	95,000	1,695,000
School Construction.....	3.00-5.00%	545,000	-	30,000	515,000
School Construction.....	3.75-5.00%	-	6,885,633	-	6,885,633
Police Equipment.....	3.75-5.00%	-	658,864	-	658,864
Ferry Boat.....	3.75-5.00%	-	775,000	-	775,000
Total Governmental bonds payable.....		\$ 54,385,000	\$ 8,319,497	\$ 4,310,000	\$ 58,394,497

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008.....	\$ 4,794,497	\$ 2,136,191	\$ 6,930,688
2009.....	4,880,000	2,492,644	7,372,644
2010.....	4,955,000	2,108,022	7,063,022
2011.....	5,025,000	1,899,968	6,924,968
2012.....	4,600,000	1,699,376	6,299,376
2013.....	3,770,000	1,515,794	5,285,794
2014.....	3,445,000	1,348,487	4,793,487
2015.....	2,960,000	1,206,683	4,166,683
2016.....	2,905,000	1,080,058	3,985,058
2017.....	2,925,000	953,117	3,878,117
2018.....	3,050,000	821,850	3,871,850
2019.....	3,170,000	683,656	3,853,656
2020.....	3,290,000	527,197	3,817,197
2021.....	2,265,000	389,578	2,654,578
2022.....	2,345,000	288,878	2,633,878
2023.....	2,420,000	183,646	2,603,646
2024.....	460,000	72,982	532,982
2025.....	455,000	54,079	509,079
2026.....	340,000	35,063	375,063
2027.....	340,000	28,050	368,050
Totals.....	\$ <u>58,394,497</u>	\$ <u>19,525,319</u>	\$ <u>77,919,816</u>

The Commonwealth has approved school construction assistance to the City. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding along with direct capital grants. During fiscal year 2007, \$39,869,000 of such assistance was received. Approximately \$49,389,000 will be received in future fiscal years. Of this amount, approximately \$7,831,000 represents reimbursement of long-term interest costs, and approximately \$41,558,000 represents reimbursement of approved construction costs. Accordingly, a \$41,558,000 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental fund financial statements. The net change in deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

#### **Bonds and Notes Payable Schedule – Golf Course Enterprise Fund**

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2006</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2007</u>
Golf Course.....	4.50-6.75%	\$ <u>320,000</u>	\$ <u>-</u>	\$ <u>30,000</u>	\$ <u>290,000</u>

Debt service requirements for principal and interest for the golf course enterprise fund bonds payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008.....	\$ 30,000	\$ 13,475	\$ 43,475
2009.....	30,000	11,938	41,938
2010.....	30,000	10,401	40,401
2011.....	30,000	9,036	39,036
2012.....	30,000	7,641	37,641
2013.....	30,000	6,216	36,216
2014.....	30,000	4,761	34,761
2015.....	30,000	3,276	33,276
2016.....	30,000	1,776	31,776
2017.....	20,000	513	20,513
Totals.....	<u>\$ 290,000</u>	<u>\$ 69,033</u>	<u>\$ 359,033</u>

#### Bonds and Notes Payable Schedule – Parking Enterprise Fund

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2006</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2007</u>
Parking Garage Repairs.....	3.00-5.00%	\$ 1,025,000	\$ -	\$ 75,000	\$ 950,000

Debt service requirements for principal and interest for the parking enterprise fund bonds payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008.....	\$ 75,000	\$ 36,988	\$ 111,988
2009.....	75,000	34,738	109,738
2010.....	75,000	32,488	107,488
2011.....	75,000	30,238	105,238
2012.....	75,000	27,800	102,800
2013.....	75,000	25,250	100,250
2014.....	75,000	21,500	96,500
2015.....	75,000	17,750	92,750
2016.....	75,000	14,000	89,000
2017.....	75,000	11,000	86,000
2018.....	75,000	8,000	83,000
2019.....	75,000	5,000	80,000
2020.....	50,000	2,000	52,000
Total.....	<u>\$ 950,000</u>	<u>\$ 266,752</u>	<u>\$ 1,216,752</u>

**Bonds and Notes Payable Schedule – Water Enterprise Fund**

In fiscal year 2007, the City entered into a loan program with Massachusetts Water Pollution Abatement Trust for Water project which entitled the city to borrow \$2,330,656 at 2% for 20 years.

Project	Interest Rate (%)	Outstanding at June 30, 2006	Issued	Redeemed	Outstanding at June 30, 2007
Water Project.....	2.00%	\$ -	\$ 2,330,656	\$ -	\$ 2,330,656
Water Project.....	3.75-5.00%	-	3,250,503	-	3,250,503
Total Water Enterprise Fund.....		\$ -	\$ 5,581,159	\$ -	\$ 5,581,159

Debt service requirements for principal and interest for the water enterprise fund bonds payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2008.....	\$ 262,421	\$ 49,707	\$ 312,128
2009.....	262,830	247,613	510,443
2010.....	264,806	167,882	432,688
2011.....	266,822	157,615	424,437
2012.....	268,880	147,309	416,189
2013.....	270,978	136,961	407,939
2014.....	273,119	127,395	400,514
2015.....	275,303	118,611	393,914
2016.....	277,532	109,989	387,521
2017.....	274,805	101,322	376,127
2018.....	277,124	92,502	369,626
2019.....	279,490	83,735	363,225
2020.....	281,904	74,921	356,825
2021.....	284,367	66,059	350,426
2022.....	286,880	57,147	344,027
2023.....	289,443	48,184	337,627
2024.....	292,058	39,169	331,227
2025.....	294,726	30,001	324,727
2026.....	297,447	20,679	318,126
2027.....	300,224	14,602	314,826
Total.....	\$ 5,581,159	\$ 1,891,403	\$ 7,472,562

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2007, the City had the following authorized and unissued debt:

Purpose	Amount
School construction.....	\$ 45,516,031
Water systems improvements.....	6,295,208
Ferry Boat Project.....	<u>2,325,000</u>
Total.....	<u>\$ 54,136,239</u>

### Changes in Long-term Liabilities

During the fiscal year ended June 30, 2007, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Capital leases.....	\$ 1,172,651	\$ 378,169	\$ (770,914)	\$ 779,906	\$ 304,210
Long-term bonds and notes.....	54,385,000	8,319,497	(4,310,000)	58,394,497	4,794,497
Compensated absences.....	6,102,000	1,758,000	(2,202,000)	5,658,000	1,383,000
Workers' compensation.....	<u>430,092</u>	<u>123,136</u>	<u>(147,925)</u>	<u>405,303</u>	<u>85,950</u>
Total governmental activity long-term liabilities.....	<u>\$ 62,089,743</u>	<u>\$ 10,578,802</u>	<u>\$ (7,430,839)</u>	<u>\$ 65,237,706</u>	<u>\$ 6,567,657</u>
<b>Business-Type Activities:</b>					
Long-term bonds and notes.....	1,345,000	5,581,159	(105,000)	6,821,159	425,054
Compensated absences.....	<u>107,000</u>	<u>34,000</u>	<u>(18,000)</u>	<u>123,000</u>	<u>43,000</u>
Total business-type activity long-term liabilities.....	<u>\$ 1,452,000</u>	<u>\$ 5,615,159</u>	<u>\$ (123,000)</u>	<u>\$ 6,944,159</u>	<u>\$ 468,054</u>

Compensated absence and workers' compensation liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures, which consist of the general fund and the sewer, water, golf and parking enterprise funds.

### **NOTE 9 – RISK FINANCING**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. In addition, the City is self-insured for damages not covered by commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The City is self-insured for Medex coverage for certain retirees which is accounted for in the City's internal service fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. The City is also self-insured for its workers' compensation and unemployment compensation activities which are accounted for in the funds incurring the expenditures.

During fiscal year 2007 the City has converted most health insurance plans to premium based which shifts the risk of insurance to a third party. The premium based plan took effect on February 1, 2007. The City has paid all residual claims under the self-insured health plan that have been reported through June 30, 2007. The City is responsible for paying any additional claims on the self-insured plan that may not have been reported as of June 30, 2007. However, the City estimates that the future liability for unreported claims is immaterial to the financial statements and, accordingly, has not recorded an estimated future liability for health insurance for active employees.

#### *Medex*

Medex claims are administered by a third party administrator and are funded on an as needed basis from the City's internal service fund. The estimate of Incurred But Not Reported (IBNR) claims is based on 1 month of the annual claims. At June 30, 2007, the City's estimated future liability for unreported claims is \$118,111. This liability is the best estimate based on available information.

Changes in the City's liability since July 1, 2005 when the City was fully self-insured for health insurance through June 30, 2007, when the City was self-insured for Medex coverage only, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-End	Current Portion
Fiscal Year 2006..... \$	900,000	\$ 10,092,974	\$ (10,014,974)	\$ 978,000	\$ 978,000
Fiscal Year 2007.....	978,000	7,709,418	(8,569,207)	118,211	118,211

#### *Workers' Compensation*

Workers' compensation claims are administered by the City and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers' compensation liability is based on history and injury type. At June 30, 2007, the amount of the liability for workers' compensation claims totaled \$405,303.

Changes in the reported liability since July 1, 2005, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-End	Current Portion
Fiscal Year 2006..... \$	705,225	\$ 119,493	\$ (394,626)	\$ 430,092	\$ 123,136
Fiscal Year 2007.....	430,092	224,682	(249,471)	405,303	85,950

#### **NOTE 10 – PENSION PLAN**

*Plan Description* - The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Salem Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$7,044,987 for the fiscal year ended June 30, 2007, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.



The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Salem Contributory Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 20 Central Street, Salem, Massachusetts 01970.

At December 31, 2006, the System's membership consists of the following:

Active members.....	834
Inactive members.....	155
Retirees and beneficiaries currently receiving benefits.....	<u>633</u>
Total.....	<u><u>1,622</u></u>

**Funding Policy** - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the employers required the City to contribute 90% of the total. Chapter 32 of the MGL governs the contributions of plan members and the City.

**Annual Pension Cost** - The City's contributions to the System for the fiscal years ended June 30, 2007, 2006, and 2005, were \$7,209,359, \$6,957,102, and \$5,918,415, respectively, which equaled its required contribution for each fiscal year. At June 30, 2007, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included an inflation rate of 4.5%, 8.25% investment rate of return and projected salary increases of 5.5% per year. The actuarial value of the System's assets was determined using the fair value of the assets. The System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining open amortization period at January 1, 2007 was 18 years.

#### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/06	\$ 84,796,044	\$ 166,958,606	\$ 82,162,562	50.8%	\$ 32,824,144	250.3%
01/01/05	81,801,377	156,479,479	74,678,102	52.3%	31,328,083	238.4%
01/01/04	80,659,012	142,499,185	61,840,173	56.6%	29,355,291	210.7%
01/01/03	76,438,885	137,111,559	60,672,674	55.7%	31,089,195	195.2%
01/01/01	73,727,923	117,334,727	43,606,804	62.8%	29,072,197	150.0%
01/01/99	68,563,143	111,294,953	42,731,810	61.6%	25,411,629	168.2%
01/01/97	51,236,360	82,440,774	31,204,414	62.1%	22,930,939	136.1%

Funding progress is reported based on the biennial actuarial valuation performed by the System, and is being accumulated on a biennial basis. The City is responsible for approximately 90% of the unfunded liability.

*Noncontributory Retirement Allowance* – The City pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for fiscal year 2007 totaled approximately \$148,443.

#### **NOTE 11 – MAJOR TAXPAYER**

The City receives a significant portion of its real estate and personal property tax revenue from one taxpayer under a Real and Personal Property Tax Appeal Settlement Agreement (the Agreement). The Agreement was entered into in July 1997 and covers fiscal years 1997 through 2007. The City and the taxpayer have agreed on a real and personal property tax assessment amount for fiscal years 1997 through 2004. For fiscal years 2005 through 2007, the City and the taxpayer have agreed that a portion of the property would be assessed at fair market value as calculated by the City and that, in the absence of an agreement by the parties, the remaining property will be assessed at fair market value of the existing facilities as determined in binding arbitration, resulting in tax revenue not to exceed \$4.5 million in each fiscal year. The parties further agreed if additional facilities are constructed during this period, the total assessment would be based on the fair market value of the new facilities and existing facilities, resulting in a tax revenue not to exceed \$4.5 million plus 50% of any such taxes in excess of \$4.5 million resulting from the aggregate assessed valuation of any new facilities. For the fiscal year ended June 30, 2007, the City received approximately 7% (\$4.5 million) of its total real estate and personal property tax revenue from this taxpayer. On December 14, 2007, the City and the taxpayer have signed an agreement stipulating that the taxpayer would make an in-lieu-of- tax payment for fiscal year 2008 in the amount of \$3,500,000, and an additional agreement was signed stipulating that the taxpayer would make a one-time contribution to the City of \$1,250,000 to be used exclusively for public purposes.

#### **NOTE 12 – COMMITMENTS**

The City is in the process of completing school construction projects and improvements to its water system. The City has entered into or is planning to enter into contracts totaling approximately \$30,550,000, and \$8,746,000, respectively to complete these projects.

#### **NOTE 13 – CONTINGENCIES**

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2007, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2007, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2007.

**NOTE 14 – RESTATEMENT OF BEGINNING BALANCES**

During fiscal year 2006, the School Department understated accrued expenditures in the General Fund by approximately \$1,099,000. As a result, the fund balance of the General Fund, and the net assets of the Governmental Activities in the entity wide financial statements, as of June 30, 2006, have been restated by \$1,099,148.

**NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2007, the following GASB pronouncements were implemented:

The GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which was required to be implemented in Fiscal 2007. Since there is no legally established separate trust for the postemployment benefit plan this pronouncement will not impact the basic financial statements.

The GASB issued Statement #49, Accounting and Financial Reporting for Pollution Remediation Obligations, which is required to be implemented in fiscal year 2008. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.

The GASB issued Statement #51, Accounting and Financial Reporting for Intangible Assets, which is required to be implemented in fiscal year 2010. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.

*Other Future GASB Pronouncements:*

The GASB issued Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which is required to be implemented in Fiscal 2008. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

The GASB issued Statement #50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27, which is required to be implemented in fiscal year 2008. This GASB will change the disclosures related to pensions.

The GASB issued Statement #52, Land and Other Real Estate Held as Investments by Endowments, which is required to be implemented in fiscal year 2009. The standards in this statement require all investments in land and real estate in permanent and similar funds to be reported at fair value. Management does not expect this pronouncement to impact the basic financial statements.

## ***Required Supplementary Information***

**GENERAL FUND**  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts							
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget	
<b>REVENUES:</b>								
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 61,135,514	\$ 61,135,514	\$ 61,135,514	\$ 60,720,951	\$ -	\$ (414,563)	
Tax liens.....	-	-	-	-	216,663	-	216,663	
Motor vehicle and other excise taxes.....	-	3,479,295	3,479,295	3,479,295	3,215,438	-	(263,857)	
Hotel/motel tax.....	-	308,500	308,500	308,500	282,324	-	(26,176)	
Charges for services.....	-	1,250,000	1,250,000	1,250,000	1,473,751	-	223,751	
Trash disposal.....	-	700,000	700,000	700,000	449,665	-	(250,335)	
Penalties and interest on taxes.....	-	325,000	325,000	325,000	266,246	-	(58,754)	
Payments in lieu of taxes.....	-	1,108,500	1,108,500	1,108,500	1,235,083	-	126,583	
Licenses and permits.....	-	510,000	510,000	510,000	517,697	-	7,697	
Fines and forfeitures.....	-	1,150,000	1,150,000	1,150,000	1,085,729	-	(64,271)	
Intergovernmental.....	-	28,466,106	28,466,106	28,466,106	28,331,837	-	(134,269)	
Departmental and other.....	-	1,910,000	1,910,000	1,910,000	1,962,554	-	52,554	
Investment income.....	-	150,000	150,000	150,000	187,374	-	37,374	
TOTAL REVENUES.....	-	100,492,915	100,492,915	100,492,915	99,945,312	-	(547,603)	
<b>EXPENDITURES:</b>								
Current:								
General government								
City Council								
Personnel.....	-	119,700	119,700	119,700	119,700	-	-	
Non - Personnel.....	-	26,850	26,850	47,741	46,919	-	822	
Total.....	-	146,550	146,550	167,441	166,619	-	822	
Mayor								
Personnel.....	-	227,967	227,967	227,967	227,967	-	-	
Non - Personnel.....	21,100	127,050	148,150	148,150	137,398	3,700	7,052	
Total.....	21,100	355,017	376,117	376,117	365,365	3,700	7,052	
Finance/Auditing								
Personnel.....	9,700	211,804	221,504	221,504	210,527	-	10,977	
Non - Personnel.....	580	5,000	5,580	5,580	4,329	1,000	251	
Total.....	10,280	216,804	227,084	227,084	214,856	1,000	11,228	
Purchasing								
Personnel.....	-	94,523	94,523	94,523	94,523	-	-	
Non - Personnel.....	-	17,701	17,701	21,701	20,885	-	816	
Fixed Costs.....	-	54,000	54,000	57,500	57,500	-	-	
Total.....	-	166,224	166,224	173,724	172,908	-	816	
Assessors								
Personnel.....	-	194,013	194,013	194,013	194,013	-	-	
Non - Personnel.....	12,300	34,000	46,300	46,300	42,811	-	3,489	
Total.....	12,300	228,013	240,313	240,313	236,824	-	3,489	
Treasurer								
Personnel.....	-	135,734	135,734	135,734	135,734	-	-	
Non - Personnel.....	-	52,050	52,050	52,050	42,452	8,800	798	
Total.....	-	187,784	187,784	187,784	178,186	8,800	798	
Collector								
Personnel.....	-	193,758	193,758	194,538	193,943	-	595	
Non - Personnel.....	7,300	17,625	24,925	24,145	23,078	-	1,067	
Total.....	7,300	211,383	218,683	218,683	217,021	-	1,662	
Solicitor								
Personnel.....	-	142,418	142,418	142,418	142,409	-	9	
Non - Personnel.....	-	91,000	91,000	91,000	90,973	-	27	
Total.....	-	233,418	233,418	233,418	233,382	-	36	

(continued)

**GENERAL FUND**  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
Human Resources							
Personnel.....	-	181,857	181,857	168,849	165,147	-	3,702
Non - Personnel.....	-	25,650	25,650	38,650	36,900	-	1,750
Total.....	-	207,507	207,507	207,499	202,047	-	5,452
Data Processing							
Personnel.....	-	144,734	144,734	144,734	144,734	-	-
Non - Personnel.....	-	9,116	9,116	9,116	8,507	250	359
Fixed Costs.....	-	172,920	172,920	172,920	172,108	-	812
GIS.....	-	57,000	57,000	57,000	56,605	-	395
Total.....	-	383,770	383,770	383,770	381,954	250	1,566
City Clerk Record Maintenance							
Personnel.....	-	149,289	149,289	149,289	149,289	-	-
Non - Personnel.....	-	6,551	6,551	6,551	5,774	-	777
Total.....	-	155,840	155,840	155,840	155,063	-	777
Elections & Registrations							
Personnel.....	-	167,593	167,593	168,443	168,307	-	136
Non - Personnel.....	-	51,850	51,850	44,109	43,714	-	395
Total.....	-	219,443	219,443	212,552	212,021	-	531
Licensing							
Personnel.....	-	46,658	46,658	46,857	46,857	-	-
Non - Personnel.....	-	1,539	1,539	1,340	1,169	-	171
Total.....	-	48,197	48,197	48,197	48,026	-	171
Conservation Commission							
Personnel.....	-	21,591	21,591	21,591	21,591	-	-
Non - Personnel.....	-	426	426	426	351	-	75
Total.....	-	22,017	22,017	22,017	21,942	-	75
Subdivision, Planning, and Zoning Board							
Personnel.....	-	21,592	21,592	21,592	19,981	-	1,611
Non - Personnel.....	-	3,500	3,500	3,500	2,978	-	522
Total.....	-	25,092	25,092	25,092	22,959	-	2,133
Board of Appeals							
Personnel.....	-	3,000	3,000	3,000	2,410	-	590
Non - Personnel.....	-	675	675	675	642	-	33
Total.....	-	3,675	3,675	3,675	3,052	-	623
Planning Department							
Personnel.....	-	175,586	175,586	175,586	175,463	-	123
Non - Personnel.....	-	7,275	7,275	7,275	6,997	-	278
Total.....	-	182,861	182,861	182,861	182,460	-	401
Public Property/Building Maintenance							
Personnel.....	-	88,693	88,693	44,201	42,145	-	2,056
Non - Personnel.....	4,739	143,160	147,899	180,274	173,804	-	6,470
Fixed Costs.....	11,900	497,725	509,625	492,625	485,562	-	7,063
Total.....	16,639	729,578	746,217	717,100	701,511	-	15,589
Market and Tourism.....	-	8,000	8,000	8,000	7,685	-	315
Total General Government.....	67,619	3,731,173	3,798,792	3,791,167	3,723,881	13,750	53,536

(continued)

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
Public safety							
Police							
Personnel.....	-	6,716,656	6,716,656	6,689,811	6,689,811	-	-
Non - Personnel.....	-	384,150	384,150	410,995	367,895	20,000	23,100
Total.....	-	7,100,806	7,100,806	7,100,806	7,057,706	20,000	23,100
Fire							
Personnel.....	-	5,578,410	5,578,410	5,848,702	5,818,530	-	30,172
Non - Personnel.....	-	367,863	367,863	383,434	369,003	-	14,431
Total.....	-	5,946,273	5,946,273	6,232,136	6,187,533	-	44,603
Building, Plumbing, Gas Inspections							
Personnel.....	-	228,626	228,626	251,986	243,843	-	8,143
Non - Personnel.....	-	2,000	2,000	2,000	2,000	-	-
Total.....	-	230,626	230,626	253,986	245,843	-	8,143
Electrical Inspection and Maintenance							
Personnel.....	-	265,452	265,452	268,802	268,802	-	-
Non - Personnel.....	-	546,198	546,198	542,848	540,007	-	2,841
Total.....	-	811,650	811,650	811,650	808,809	-	2,841
Harbormaster							
Personnel.....	-	214,506	214,506	214,506	180,667	-	33,839
Non - Personnel.....	-	37,300	37,300	42,100	38,097	-	4,003
Total.....	-	251,806	251,806	256,606	218,764	-	37,842
Total Public Safety.....	-	14,341,161	14,341,161	14,655,184	14,518,655	20,000	116,529
Education							
School.....	-	42,163,350	42,163,350	42,202,883	43,647,853	-	(1,444,970)
NSRS/Charter/Choice.....	-	1,514,562	1,514,562	1,511,259	1,510,808	-	451
Total Education.....	-	43,677,912	43,677,912	43,714,142	45,158,661	-	(1,444,519)
Public Works							
Public Services							
Personnel.....	-	1,451,399	1,451,399	1,451,399	1,402,440	-	48,959
Non - Personnel.....	-	551,590	551,590	633,269	582,860	14,430	35,979
Total.....	-	2,002,989	2,002,989	2,084,668	1,985,300	14,430	84,938
Engineering							
Personnel.....	-	77,483	77,483	77,483	70,612	-	6,871
Non - Personnel.....	-	12,850	12,850	12,850	11,855	-	995
Total.....	-	90,333	90,333	90,333	82,467	-	7,866
Snow and Ice							
Personnel.....	-	50,000	50,000	50,000	37,030	-	12,970
Non - Personnel.....	-	344,560	344,560	344,560	369,194	-	(24,634)
Total.....	-	394,560	394,560	394,560	406,224	-	(11,664)
Solid Waste Collection.....	-	3,198,754	3,198,754	3,198,754	3,198,754	-	-
Parking Garage							
Personnel.....	-	448,153	448,153	448,153	393,240	-	54,913
Non - Personnel.....	12,691	145,200	157,891	157,891	154,645	1,068	2,178
Total.....	12,691	593,353	606,044	606,044	547,885	1,068	57,091

(continued)

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
Open Space/Cemetery / Shade Tree							
Non - Personnel.....	5,695	-	5,695	5,695	5,695	-	-
Total Public Works.....	18,386	6,279,989	6,298,375	6,380,054	6,226,325	15,498	138,231
Health and Human Services							
Board of Health							
Personnel.....	-	401,586	401,586	395,586	390,536	-	5,050
Non - Personnel.....	1,220	17,650	18,870	18,870	17,519	-	1,351
Total.....	1,220	419,236	420,456	414,456	408,055	-	6,401
Council on Aging							
Personnel.....	-	262,168	262,168	262,168	254,901	-	7,267
Non - Personnel.....	-	18,797	18,797	18,797	17,473	-	1,324
Total.....	-	280,965	280,965	280,965	272,374	-	8,591
Veterans Services							
Personnel.....	-	56,014	56,014	61,414	60,953	-	461
Non - Personnel.....	-	77,157	77,157	120,757	107,058	-	13,699
Total.....	-	133,171	133,171	182,171	168,011	-	14,160
Total Health and Human Services.....	1,220	833,372	834,592	877,592	848,440	-	29,152
Library							
Personnel.....	-	758,008	758,008	758,008	732,699	-	25,309
Non - Personnel.....	-	268,846	268,846	268,846	268,827	-	19
Total.....	-	1,026,854	1,026,854	1,026,854	1,001,526	-	25,328
Parks and Recreation							
Personnel.....	-	308,136	308,136	308,139	274,187	-	33,952
Non - Personnel.....	-	97,415	97,415	98,912	89,977	-	8,935
Total.....	-	405,551	405,551	407,051	364,164	-	42,887
Golf Course							
Personnel.....	-	220,222	220,222	220,222	195,113	-	25,109
Non - Personnel.....	656	86,911	87,567	112,567	85,691	20,383	6,493
Total.....	656	307,133	307,789	332,789	280,804	20,383	31,602
Witch House							
Personnel.....	-	74,066	74,066	74,066	71,397	-	2,669
Non - Personnel.....	-	60,680	60,680	63,680	52,378	-	11,302
Total.....	-	134,746	134,746	137,746	123,775	-	13,971
Historical Commission							
Personnel.....	-	6,709	6,709	6,709	6,709	-	-
Non - Personnel.....	-	1,610	1,610	1,610	1,173	-	437
Total.....	-	8,319	8,319	8,319	7,882	-	437
Winter Island							
Personnel.....	-	92,482	92,482	92,482	90,737	-	1,745
Non - Personnel.....	2,000	41,520	43,520	43,520	42,130	-	1,390
Total.....	2,000	134,002	136,002	136,002	132,867	-	3,135
Total Culture and Recreation.....	2,656	2,016,605	2,019,261	2,048,761	1,911,018	20,383	117,360

(continued)



**GENERAL FUND**  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance To Final Budget
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
Debt service:							
Principal.....	-	4,424,480	4,424,480	4,360,000	4,360,000	-	-
Interest.....	-	2,263,770	2,263,770	2,328,250	2,328,250	-	-
Short Term Interest.....	14,000	297,454	311,454	311,454	311,371	-	83
Total.....	14,000	6,985,704	6,999,704	6,999,704	6,999,621	-	83
State and county charges.....	-	5,914,866	5,914,866	5,914,866	5,589,986	-	324,880
Pension benefits							
Contributory Retirement.....	62,400	7,065,685	7,128,085	7,188,611	7,182,494	-	6,117
Non-Contributory Retirement.....	11,600	175,000	186,600	151,525	148,443	-	3,082
Total.....	74,000	7,240,685	7,314,685	7,340,136	7,330,937	-	9,199
Workmen's Compensation.....	-	305,000	305,000	292,862	292,862	-	-
Unemployment Compensation.....	-	260,000	260,000	259,138	249,471	-	9,667
Group Insurance.....	-	9,429,000	9,429,000	9,457,233	9,442,762	-	14,471
Medicare.....	19,700	645,000	664,700	672,337	652,621	-	19,716
Municipal Insurance.....	-	306,000	306,000	296,118	295,234	-	884
TOTAL EXPENDITURES.....	197,581	101,966,467	102,164,048	102,699,294	103,240,474	69,631	(610,811)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(197,581)	(1,473,552)	(1,671,133)	(2,206,379)	(3,295,162)	(69,631)	(1,158,414)
OTHER FINANCING SOURCES (USES):							
Premium from issuance of bonds.....	-	-	-	-	85,169	-	85,169
Transfers in.....	-	2,031,882	2,031,882	2,182,997	2,182,997	-	-
Transfers out.....	-	(335,937)	(335,937)	(529,710)	(529,710)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	1,695,945	1,695,945	1,653,287	1,738,456	-	85,169
NET CHANGE IN FUND BALANCE.....	(197,581)	222,393	24,812	(553,092)	(1,556,706)	(69,631)	(1,073,245)
BUDGETARY FUND BALANCE, Beginning of year.	910,772	910,772	910,772	910,772	910,772	-	-
BUDGETARY FUND BALANCE, End of year..... \$	713,191	\$ 1,133,165	\$ 935,584	\$ 357,680	\$ (645,934)	\$ (69,631)	\$ (1,073,245)
							(concluded)
See notes to required supplementary information.							

**NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY****1. Budgetary Information**

Within 170 days after the annual organization of the City government (which is ordinarily in early January), the Mayor is required to submit a budget of proposed expenditures for the fiscal year beginning on the next July 1. The City Council may make appropriations for the recommended purposes and may reduce or reject any item. Without a recommendation of the Mayor, the Council may not make any appropriation for a purpose not included in the proposed budget, except by a two-thirds vote in the case of the failure of the Mayor to recommend an appropriation for such a purpose within 7 days after a request from the Council. The Council may not increase any item without the recommendation of the Mayor (except as provided by legislation, recommendation of the school committee or regional district school committee and by two-thirds vote of the Council, provided that such increase does not cause the total annual budget to exceed the property tax limitations). If the Council fails to act on any item of the proposed budget within 45 days, that item takes effect.

City department heads are generally required to submit their budget requests to the Mayor between January 1, March 1, and December 1. This does not apply to the school department, which must submit its request in time for the Mayor to include them in the submission to the council.

If the Mayor does not make a timely budget submission, provision is made for preparation of a budget by the Council. Provision is also made for supplementary appropriations upon recommendation of the Mayor. Water and sewer department expenditures are included in the budgets adopted by City Council.

Under recent legislation, the City Council on the recommendation of the Mayor may transfer within the last 2 months of the fiscal year, any amount appropriated for the use of any department to the appropriation for any other department, provided that no such transfer may be made from any appropriation for a school department, regional school district, or municipal light department.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of the City Council.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2007 approved budget authorized approximately \$102 million in appropriations and other amounts to be raised. During the fiscal year, increases to the original budget were approved totaling \$729,019.

The Finance Department has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

The City has an unauthorized deficit reported in the education function due to an underreporting of year-end expenditures by the school department. The City has taken action in the subsequent fiscal year to raise this deficit and to ensure that similar problems will not occur in future fiscal years.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2007, is presented below:

Net change in fund balance - budgetary basis.....	\$ (1,556,706)
<u>Basis of accounting differences:</u>	
Net change in revenues in recording tax refunds payable.....	(82,771)
Additional expense to fund internal service deficit.....	
Recognition of revenue for on-behalf payments.....	7,044,987
Recognition of expenditures for on-behalf payments.....	(7,044,987)
Reclassification of enterprise fund revenue budged in the general fund.....	(1,713,649)
Reclassification of enterprise fund expenditures budged in the general fund...	1,713,649
Net difference in recognition of expenditures.....	<u>296,762</u>
Net change in fund balances - GAAP basis.....	\$ <u><u>(1,342,715)</u></u>

## ***Combining Statements***

# ***Nonmajor Governmental Funds***

## ***Special Revenue Funds***

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

*City Grants Fund* – This fund is used to account for non-school related activity specifically financed by federal, state, and other grants which are designated for specific programs.

*School Grants Fund* – This fund is used to account for the educational programs specifically financed by federal, state, and other grants which are designated for specific programs.

*Community Development Grants Fund* – This fund is used to account for community development activity specifically financed by federal, state, and other grants which are designated for specific programs.

*School Lunch Fund* – This fund is used to account for all cafeteria activities and is funded by user charges, federal and state grants and commodities received.

*Highway Grants Fund* – This fund is used to account for construction, reconstruction and improvements to roadways, streets and sidewalks. Funding is provided primarily by grants.

*Donations & Gifts Fund* – This fund is used to account for gifts which have been accepted by the City to be used for the purpose specified by the donor.

*Receipts Reserved Fund* – This fund is used to account for receipts reserved for appropriation.

*City Revolving Accounts Fund* – This fund is used to account for non school related revolving funds specifically allowed by the laws of the Commonwealth of Massachusetts. These funds are expended for purposes specified by the enabling statute.

*School Revolving Accounts Fund* – This fund is used to account for school related revolving funds specifically allowed by the laws of the Commonwealth of Massachusetts. These funds are expended for purposes specified by the enabling statutes.

## ***Capital Project Funds***

*Police Station Equipment Fund* – This fund is used to account for the purchase of equipment for the Police Station which is being financed through the issuance of capital leases.

*Salem Ferry* – This fund is used to account for the purchase of the Salem Ferry, a high-speed catamaran purchased by the City to provide seasonal ferry service between Salem and Boston.

*Telephone System* – This fund is used to account for the purchase of a new telephone system for the City.

## ***Permanent Funds***

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support governmental programs.

*Cemetery Funds* – This fund is used to account for cemetery perpetual care contributions and expenditures.

*Human Service Funds* – This fund is used to account for various contributions associated with human service activities.

*Other Funds* – This fund is used to account for various contributions associated with governmental programs.

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**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2007

	Special Revenue Funds						
<b>ASSETS</b>	City Grants	School Grants	Community Development Grants	School Lunch	Highway Grants	Donations & Gifts	Receipts Reserved
Cash and cash equivalents.....	\$ 1,192,923	\$ 690,269	\$ 59,289	\$ -	\$ -	\$ 540,478	\$ 610,154
Investments.....	-	-	-	-	-	-	-
Receivables, net of uncollectibles:							
Departmental and other.....	-	-	-	19,925	-	-	-
Intergovernmental.....	277,668	383,580	124,972	72,556	854,291	168	-
Loans.....	-	-	-	-	-	-	-
Due from other funds.....	575,936	-	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 2,046,527</b>	<b>\$ 1,073,849</b>	<b>\$ 184,261</b>	<b>\$ 92,481</b>	<b>\$ 854,291</b>	<b>\$ 540,646</b>	<b>\$ 610,154</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Warrants payable.....	\$ 255,456	\$ -	\$ 12,392	\$ -	\$ 23,641	\$ 57,340	\$ 179,044
Accrued payroll.....	36,056	85,873	5,521	16,302	-	4,190	-
Deferred revenues.....	-	-	-	-	769,360	-	-
Due to other funds.....	-	-	-	500,066	75,870	-	-
<b>TOTAL LIABILITIES.....</b>	<b>291,512</b>	<b>85,873</b>	<b>17,913</b>	<b>516,368</b>	<b>868,871</b>	<b>61,530</b>	<b>179,044</b>
<b>FUND BALANCES:</b>							
Reserved for:							
Perpetual permanent funds.....	-	-	-	-	-	-	-
Unreserved:							
Undesignated, reported in:							
Special revenue funds.....	1,755,015	987,976	166,348	(423,887)	(14,580)	479,116	431,110
Capital projects funds.....	-	-	-	-	-	-	-
Permanent funds.....	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>1,755,015</b>	<b>987,976</b>	<b>166,348</b>	<b>(423,887)</b>	<b>(14,580)</b>	<b>479,116</b>	<b>431,110</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 2,046,527</b>	<b>\$ 1,073,849</b>	<b>\$ 184,261</b>	<b>\$ 92,481</b>	<b>\$ 854,291</b>	<b>\$ 540,646</b>	<b>\$ 610,154</b>

(Continued)



**NONMAJOR GOVERNMENTAL FUNDS**  
COMBINING BALANCE SHEET

JUNE 30, 2007

	Special Revenue Funds			Capital Project Funds			
	City Revolving Accounts	School Revolving Accounts	Subtotal	Police Station Equipment	Salem Ferry	Telephone System	Subtotal
<b>ASSETS</b>							
Cash and cash equivalents.....	\$ 1,554,579	\$ 7,923	\$ 4,655,615	\$ 75,286	\$ 38,086	\$ -	\$ 113,372
Investments.....	-	-	-	-	-	-	-
Receivables, net of uncollectibles:							
Departmental and other.....	-	-	19,925	-	-	-	-
Intergovernmental.....	-	68,671	1,781,906	-	-	-	-
Loans.....	787,632	-	787,632	-	-	-	-
Due from other funds.....	-	-	575,936	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 2,342,211</b>	<b>\$ 76,594</b>	<b>\$ 7,821,014</b>	<b>\$ 75,286</b>	<b>\$ 38,086</b>	<b>\$ -</b>	<b>\$ 113,372</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Warrants payable.....	\$ 12,890	\$ -	\$ 540,763	\$ -	\$ -	\$ -	\$ -
Accrued payroll.....	3,203	7,022	158,167	-	-	-	-
Deferred revenues.....	787,632	-	1,556,992	-	-	-	-
Due to other funds.....	-	-	575,936	-	-	-	-
<b>TOTAL LIABILITIES.....</b>	<b>803,725</b>	<b>7,022</b>	<b>2,831,858</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>							
Reserved for:							
Perpetual permanent funds.....	-	-	-	-	-	-	-
Unreserved:							
Undesignated, reported in:							
Special revenue funds.....	1,538,486	69,572	4,989,156	-	-	-	-
Capital projects funds.....	-	-	-	75,286	38,086	-	113,372
Permanent funds.....	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES.....</b>	<b>1,538,486</b>	<b>69,572</b>	<b>4,989,156</b>	<b>75,286</b>	<b>38,086</b>	<b>-</b>	<b>113,372</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 2,342,211</b>	<b>\$ 76,594</b>	<b>\$ 7,821,014</b>	<b>\$ 75,286</b>	<b>\$ 38,086</b>	<b>\$ -</b>	<b>\$ 113,372</b>

(Continued)

Permanent Funds				Total Nonmajor Governmental Funds
Cemetery Funds	Human Service Funds	Other	Subtotal	
\$ 281,793	\$ 141,450	\$ 104,037	\$ 527,280	\$ 5,296,267
2,442,110	1,325,532	890,735	4,658,377	4,658,377
-	-	-	-	19,925
-	-	-	-	1,781,906
-	-	-	-	787,632
-	-	-	-	575,936
<u>\$ 2,723,903</u>	<u>\$ 1,466,982</u>	<u>\$ 994,772</u>	<u>\$ 5,185,657</u>	<u>\$ 13,120,043</u>
\$ -	\$ -	\$ -	\$ -	\$ 540,763
-	-	-	-	158,167
-	-	-	-	1,556,992
-	-	-	-	575,936
-	-	-	-	2,831,858
943,305	221,174	464,723	1,629,202	1,629,202
-	-	-	-	4,989,156
-	-	-	-	113,372
<u>1,780,598</u>	<u>1,245,808</u>	<u>530,049</u>	<u>3,556,455</u>	<u>3,556,455</u>
<u>2,723,903</u>	<u>1,466,982</u>	<u>994,772</u>	<u>5,185,657</u>	<u>10,288,185</u>
<u>\$ 2,723,903</u>	<u>\$ 1,466,982</u>	<u>\$ 994,772</u>	<u>\$ 5,185,657</u>	<u>\$ 13,120,043</u>

(Concluded)

**NONMAJOR GOVERNMENTAL FUNDS**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2007

	Special Revenue Funds						
	City Grants	School Grants	Community Development Grants	School Lunch	Highway Grants	Donations & Gifts	Receipts Reserved
<b>REVENUES:</b>							
Charges for services.....	\$ 6,180	\$ 56,414	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental.....	4,795,007	6,519,355	1,708,081	1,399,832	660,776	-	-
Departmental and other.....	73,417	-	-	-	-	-	457,845
Contributions.....	320,915	3,165	-	-	-	483,495	-
Investment income.....	3,536	-	5,626	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>5,199,055</b>	<b>6,578,934</b>	<b>1,713,707</b>	<b>1,399,832</b>	<b>660,776</b>	<b>483,495</b>	<b>457,845</b>
<b>EXPENDITURES:</b>							
Current:							
General government.....	408,100	-	-	-	-	119,543	178,941
Public safety.....	564,693	-	-	-	-	29,319	-
Education.....	266,915	6,673,004	-	1,628,298	-	23,281	-
Public works.....	38,727	-	-	-	644,480	248,413	-
Community development.....	-	-	1,642,157	-	30,876	-	-
Human services.....	3,788,356	-	-	-	-	40,687	-
Culture and recreation.....	185,983	-	-	-	-	34,617	-
Debt service:							
Principal.....	-	-	55,000	-	-	-	-
Interest.....	-	-	16,717	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>5,252,774</b>	<b>6,673,004</b>	<b>1,713,874</b>	<b>1,628,298</b>	<b>675,356</b>	<b>495,860</b>	<b>178,941</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(53,719)</b>	<b>(94,070)</b>	<b>(167)</b>	<b>(228,466)</b>	<b>(14,580)</b>	<b>(12,365)</b>	<b>278,904</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from bonds and notes.....	-	-	-	-	-	-	-
Capital lease financing.....	-	-	-	-	-	-	-
Transfers in.....	94,610	35,937	-	-	-	-	-
Transfers out.....	(94,610)	-	-	-	-	-	(466,804)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>35,937</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(466,804)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(53,719)</b>	<b>(58,133)</b>	<b>(167)</b>	<b>(228,466)</b>	<b>(14,580)</b>	<b>(12,365)</b>	<b>(187,900)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,808,734</b>	<b>1,046,109</b>	<b>166,515</b>	<b>(195,421)</b>	<b>-</b>	<b>491,481</b>	<b>619,010</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 1,755,015</b>	<b>\$ 987,976</b>	<b>\$ 166,348</b>	<b>\$ (423,887)</b>	<b>\$ (14,580)</b>	<b>\$ 479,116</b>	<b>\$ 431,110</b>

(Continued)

Special Revenue Funds			Capital Project Funds			
City Revolving Accounts	School Revolving Accounts	Subtotal	Police Station Equipment	Salem Ferry	Telephone System	Subtotal
\$ 68,366	\$ -	\$ 130,960	\$ -	\$ -	\$ -	\$ -
271,353	-	15,354,404	-	-	-	-
534,911	1,128,626	2,194,799	-	-	-	-
-	58,322	865,897	-	-	-	-
47,873	3,946	60,981	-	-	-	-
922,503	1,190,894	18,607,041	-	-	-	-
252,274	-	958,858	-	119,706	98,167	217,873
-	299	594,311	553,424	-	-	553,424
-	1,164,680	9,756,178	-	-	-	-
79,722	-	1,011,342	-	-	-	-
131,521	-	1,804,554	-	-	-	-
-	-	3,829,043	-	-	-	-
136,784	-	357,384	-	-	-	-
-	-	55,000	-	-	-	-
-	-	16,717	-	-	-	-
600,301	1,164,979	18,383,387	553,424	119,706	98,167	771,297
322,202	25,915	223,654	(553,424)	(119,706)	(98,167)	(771,297)
-	-	-	658,864	775,000	-	1,433,864
-	-	-	-	-	98,167	98,167
-	-	130,547	-	-	-	-
-	-	(561,414)	-	-	-	-
-	-	(430,867)	658,864	775,000	98,167	1,532,031
322,202	25,915	(207,213)	105,440	655,294	-	760,734
1,216,284	43,657	5,196,369	(30,154)	(617,208)	-	(647,362)
\$ 1,538,486	\$ 69,572	\$ 4,989,156	\$ 75,286	\$ 38,086	\$ -	\$ 113,372

(Continued)

**NONMAJOR GOVERNMENTAL FUNDS**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2007

	Permanent Funds				Total Nonmajor Governmental Funds
	Cemetery Funds	Human Service Funds	Other	Subtotal	
<b>REVENUES:</b>					
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ 130,960
Intergovernmental.....	-	-	551	551	15,354,955
Departmental and other.....	-	-	-	-	2,194,799
Contributions.....	15,700	-	34,291	49,991	915,888
Investment income.....	386,838	192,630	81,501	660,969	721,950
<b>TOTAL REVENUES.....</b>	<b>402,538</b>	<b>192,630</b>	<b>116,343</b>	<b>711,511</b>	<b>19,318,552</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	-	-	-	-	1,176,731
Public safety.....	-	-	2,000	2,000	1,149,735
Education.....	-	-	-	-	9,756,178
Public works.....	58,233	-	33,799	92,032	1,103,374
Community development.....	-	-	-	-	1,804,554
Human services.....	-	52,678	-	52,678	3,881,721
Culture and recreation.....	-	-	-	-	357,384
Debt service:					
Principal.....	-	-	-	-	55,000
Interest.....	-	-	-	-	16,717
<b>TOTAL EXPENDITURES.....</b>	<b>58,233</b>	<b>52,678</b>	<b>35,799</b>	<b>146,710</b>	<b>19,301,394</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>344,305</b>	<b>139,952</b>	<b>80,544</b>	<b>564,801</b>	<b>17,158</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from bonds and notes.....	-	-	-	-	1,433,864
Capital lease financing.....	-	-	-	-	98,167
Transfers in.....	-	-	-	-	130,547
Transfers out.....	(5,000)	-	-	(5,000)	(566,414)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(5,000)</b>	<b>-</b>	<b>-</b>	<b>(5,000)</b>	<b>1,096,164</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>339,305</b>	<b>139,952</b>	<b>80,544</b>	<b>559,801</b>	<b>1,113,322</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>2,384,598</b>	<b>1,327,030</b>	<b>914,228</b>	<b>4,625,856</b>	<b>9,174,863</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 2,723,903</b>	<b>\$ 1,466,982</b>	<b>\$ 994,772</b>	<b>\$ 5,185,657</b>	<b>\$ 10,288,185</b>

(Concluded)

# ***Private Purpose Trust Funds***

*Trust Fund Commissioners* – This fund is used to account for trusts held by the City to benefit individuals and administered by the City's Board of Trust Fund Commissioners..

*Scholarship Funds* – This fund is used to account for scholarships held by the City to benefit individuals.

**PRIVATE PURPOSE TRUST FUNDS**  
**COMBINING STATEMENT OF PRIVATE PURPOSE TRUST FUNDS NET ASSETS**

JUNE 30, 2007

		Private Purpose Trust Funds		
		Trust Fund Commissioners	Scholarship Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents.....	\$	166,775	\$ 77,503	\$ 244,278
Investments.....		1,356,908	-	1,356,908
<b>TOTAL ASSETS.....</b>		<b>1,523,683</b>	<b>77,503</b>	<b>1,601,186</b>
<b>NET ASSETS</b>				
Held in trust for other purposes.....	\$	1,523,683	\$ 77,503	\$ 1,601,186

**PRIVATE PURPOSE TRUST FUNDS**  
**COMBINING STATEMENT OF CHANGES IN PRIVATE PURPOSE TRUST FUNDS NET ASSETS**

FISCAL YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Funds		
	Trust Fund Commissioners	Scholarship Funds	Total
<b>ADDITIONS:</b>			
Contributions:			
Private donations.....	\$ 1,082	\$ 11,350	\$ 12,432
Net investment income (loss):			
Interest.....	205,818	2,822	208,640
<b>TOTAL ADDITIONS.....</b>	<b>206,900</b>	<b>14,172</b>	<b>221,072</b>
<b>DEDUCTIONS:</b>			
Educational scholarships.....	16,006	7,167	23,173
Housing subsidies.....	28,265	-	28,265
<b>TOTAL DEDUCTIONS.....</b>	<b>44,271</b>	<b>7,167</b>	<b>51,438</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>162,629</b>	<b>7,005</b>	<b>169,634</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>1,361,054</b>	<b>70,498</b>	<b>1,431,552</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 1,523,683</b>	<b>\$ 77,503</b>	<b>\$ 1,601,186</b>



# ***Agency Fund***

This fund is used primarily to account for payroll withholdings, police and fire details, and unclaimed property.

**AGENCY FUND**  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FISCAL YEAR ENDED JUNE 30, 2007

	Beginning of Year		Additions		Deletions		End of Year
<b>ASSETS</b>							
CURRENT:							
Cash and cash equivalents.....	\$ 476,628	\$	4,124,434	\$	(4,196,514)	\$	404,548
Receivables, net of allowance for uncollectibles:							
Departmental and other.....	6,041		21,851		(6,041)		21,851
TOTAL ASSETS.....	\$ 482,669	\$	4,146,285	\$	(4,202,555)	\$	426,399
<b>LIABILITIES</b>							
Warrants payable.....	\$ 28,099	\$	1,146,529	\$	(1,138,219)	\$	36,409
Payroll withholdings.....	121,322		1,299,328		(1,322,322)		98,328
Special detail.....	15,180		1,432,604		(1,378,802)		68,982
Other liabilities.....	318,068		239,932		(335,320)		222,680
TOTAL LIABILITIES.....	\$ 482,669	\$	4,118,393	\$	(4,174,663)	\$	426,399

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# ***Statistical Section***



## **Winter Island**

During the 1930's, the United States Coast Guard created a Search & Rescue Base here on Winter Island Park. The Frigate USS Essex was built and launched in 1799 from this location. It served General George Washington in the U.S. Navy. The three bunkers located in historic Fort Pickering once stored ammunition as early as the Civil War. Winter Island had Salem's first tavern and first shipyard. A fort was erected as early as 1643. In 1867, the War department "turned over" to the city "for public use" the part of the island not occupied by the fort, until it should be wanted for defense. On December 28, 1928, Salem's Park Department took formal possession of the island. The fort was renamed Fort Pickering, after Colonel Timothy Pickering, Secretary of State and War in Washington's Cabinet.

Winter Island is located at 50 Winter Island Road in Salem, Massachusetts. It offers RV and Tent Camping May 1 to Nov 1, a public boat ramp that is open year round, a public beach with lifeguards, seasonal dinghy rack spaces, and a camp and gift store. Picnic areas can be rented May 1 through Nov 1. Winter Island offers a walking tour where you can see the historic Fort Pickering Lighthouse and is a stop along the Salem Trolley Tour. A function hall is available for year round rentals and is a great place for weddings and more! Go to [www.salem.com](http://www.salem.com) Recreation Department for more information.

# ***Statistical Section***

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

## ***Financial Trends***

- These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

## ***Revenue Capacity***

- These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

## ***Debt Capacity***

- These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

## ***Demographic and Economic Information***

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

## ***Operating Information***

- These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

# **Net Assets By Component**

## **Last Six Fiscal Years**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt.....	\$ 82,253,876	\$ 83,045,604	\$ 79,729,492	\$ 112,740,510	\$ 109,183,737	\$ 136,205,337
Restricted.....	5,755,817	5,237,908	8,759,761	9,734,998	8,649,700	8,868,048
Unrestricted.....	4,546,625	9,656,396	6,519,783	(3,667,364)	(371,947)	(1,304,475)
Total governmental activities net assets.....	\$ <u>92,556,318</u>	\$ <u>97,939,908</u>	\$ <u>95,009,036</u>	\$ <u>118,808,144</u>	\$ <u>117,461,490</u>	\$ <u>143,768,910</u>
Business-type activities						
Invested in capital assets, net of related debt.....	8,782,331	8,319,902	8,147,378	9,212,891	9,018,231	9,321,266
Unrestricted.....	<u>7,754,552</u>	<u>6,649,222</u>	<u>7,538,395</u>	<u>4,492,692</u>	<u>4,722,252</u>	<u>5,609,406</u>
Total business-type activities net assets.....	\$ <u>16,536,883</u>	\$ <u>14,969,124</u>	\$ <u>15,685,773</u>	\$ <u>13,705,583</u>	\$ <u>13,740,483</u>	\$ <u>14,930,672</u>
Primary government						
Invested in capital assets, net of related debt.....	91,036,207	91,365,506	87,876,870	121,953,401	118,201,968	145,526,603
Restricted.....	5,755,817	5,237,908	8,759,761	9,734,998	8,649,700	8,868,048
Unrestricted.....	<u>12,301,177</u>	<u>16,305,618</u>	<u>14,058,178</u>	<u>825,328</u>	<u>4,350,305</u>	<u>4,304,931</u>
Total primary government net assets.....	\$ <u>109,093,201</u>	\$ <u>112,909,032</u>	\$ <u>110,694,809</u>	\$ <u>132,513,727</u>	\$ <u>131,201,973</u>	\$ <u>158,699,582</u>

Note: As allowed by GASB#34 , the City reported retroactive general infrastructure, acquired prior to fiscal 2002, beginning in fiscal 2006. Fiscal years 2002-2004 have not been restated to reflect this change.

**Changes in Net Assets**

**Last Six Fiscal Years**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Expenses</b>						
<b>Governmental activities:</b>						
General government.....	\$ 8,640,622	\$ 8,514,423	\$ 9,454,148	\$ 9,373,119	\$ 9,867,573	\$ 9,432,631
Public safety.....	20,770,322	20,884,198	22,235,461	22,058,002	23,481,525	23,511,430
Education.....	59,420,837	59,386,206	61,775,760	67,483,676	67,258,196	72,450,806
Public works.....	5,397,486	6,464,257	6,517,047	8,421,997	7,991,774	8,550,491
Community development.....	5,856,034	4,954,608	5,767,362	2,066,749	1,891,386	1,804,554
Health and human services.....	1,416,802	1,388,761	1,410,712	4,856,306	5,016,513	5,045,584
Culture and recreation.....	3,694,420	4,022,880	4,186,622	3,689,992	3,718,183	2,647,456
Interest.....	3,046,692	3,366,107	3,136,763	2,689,312	2,889,116	2,604,390
Total government activities expenses.....	<u>108,243,215</u>	<u>108,981,440</u>	<u>114,483,875</u>	<u>120,639,153</u>	<u>122,114,266</u>	<u>126,047,342</u>
<b>Business-type activities:</b>						
Water services.....	10,967,114	10,196,489	9,619,356	3,186,840	3,197,864	3,381,221
Sewer services.....	(A)	(A)	(A)	6,616,318	5,686,595	5,604,546
Golf course.....	387,935	333,512	320,632	292,187	279,981	357,072
Parking.....	719,042	679,171	665,458	664,686	800,506	805,980
Total business type activities expenses.....	<u>12,074,091</u>	<u>11,209,172</u>	<u>10,605,446</u>	<u>10,760,031</u>	<u>9,964,946</u>	<u>10,148,819</u>
Total primary government expenses.....	<u>\$ 120,317,306</u>	<u>\$ 120,190,612</u>	<u>\$ 125,089,321</u>	<u>\$ 131,399,184</u>	<u>\$ 132,079,212</u>	<u>\$ 136,196,161</u>
<b>Program Revenues</b>						
<b>Governmental activities:</b>						
Education charges for services.....	\$ 1,216,334	\$ 1,097,764	\$ 1,141,196	\$ 1,023,839	\$ 831,579	\$ 1,659,544
Public Safety charges for services.....	1,323,642	1,804,781	1,865,270	1,923,845	2,003,791	2,217,287
Other charges for services.....	1,489,223	1,197,196	2,055,497	1,481,467	1,825,898	2,561,814
Operating grants and contributions.....	40,717,414	39,127,290	35,305,349	34,087,248	37,934,300	37,957,703
Capital grant and contributions.....	17,467,468	7,019,891	2,129,821	2,090,467	3,312,346	30,118,572
Total government activities program revenues.....	<u>62,214,081</u>	<u>50,246,922</u>	<u>42,497,133</u>	<u>40,606,866</u>	<u>45,907,914</u>	<u>74,514,920</u>
<b>Business-type activities:</b>						
Charges for services - Water.....	9,794,892	10,415,528	11,708,715	3,853,505	4,319,560	4,822,041
Charges for services - Sewer.....	(A)	(A)	(A)	5,512,922	6,233,883	6,694,172
Charges for services - Golf.....	615,878	549,091	543,467	502,770	525,404	546,841
Charges for services - Parking.....	1,270,928	1,364,076	1,536,390	1,453,088	1,549,833	1,713,649
Total business-type activities program revenues.....	<u>11,681,698</u>	<u>12,328,695</u>	<u>13,788,572</u>	<u>11,322,285</u>	<u>12,628,680</u>	<u>13,776,703</u>
Total primary government program revenues.....	<u>\$ 73,895,779</u>	<u>\$ 62,575,617</u>	<u>\$ 56,285,705</u>	<u>\$ 51,929,151</u>	<u>\$ 58,536,594</u>	<u>\$ 88,291,623</u>
<b>Net (Expense)/Revenue</b>						
Governmental activities.....	\$ (46,029,134)	\$ (58,734,518)	\$ (71,986,742)	\$ (78,692,287)	\$ (76,206,352)	\$ (51,532,422)
Business-type activities.....	<u>(392,393)</u>	<u>1,119,523</u>	<u>3,183,126</u>	<u>562,254</u>	<u>2,663,734</u>	<u>3,627,884</u>
Total primary government net expense.....	<u>\$ (46,421,527)</u>	<u>\$ (57,614,995)</u>	<u>\$ (68,803,616)</u>	<u>\$ (78,130,033)</u>	<u>\$ (73,542,618)</u>	<u>\$ (47,904,538)</u>
<b>General Revenues and other Changes in Net Assets</b>						
<b>Governmental activities:</b>						
Real estate and personal property taxes						
net of tax refunds payable.....	\$ 49,486,747	\$ 52,118,338	\$ 54,855,784	\$ 55,915,767	\$ 58,379,505	\$ 60,991,003
Tax liens.....	(B)	(B)	(B)	690,557	635,624	182,650
Motor vehicle excise taxes.....	3,626,065	3,793,044	3,478,999	3,489,584	3,452,569	3,357,765
Hotel/motel tax.....	(B)	(B)	(B)	219,628	263,962	282,324
Penalties and interest on taxes.....	330,035	391,429	322,003	288,874	350,651	266,246
Payments in lieu of taxes.....	(B)	(B)	(B)	1,073,539	1,088,754	1,235,083
Grants and contributions not restricted to						
specific programs.....	3,931,117	3,774,422	6,932,546	8,097,351	7,661,752	8,971,625
Unrestricted investment income.....	125,481	816,614	568,503	521,585	183,980	965,694
Miscellaneous.....	504,968	536,979	431,558	77,454	214,067	248,905
Transfers.....	2,274,567	2,687,282	2,466,477	2,542,444	2,628,834	2,437,695
Total governmental activities	<u>60,278,980</u>	<u>64,118,108</u>	<u>69,055,870</u>	<u>72,916,783</u>	<u>74,859,698</u>	<u>78,938,990</u>
<b>Business-type activities:</b>						
Transfers.....	<u>(2,274,567)</u>	<u>(2,687,282)</u>	<u>(2,466,477)</u>	<u>(2,542,444)</u>	<u>(2,628,834)</u>	<u>(2,437,695)</u>
Total primary government.....	<u>\$ 58,004,413</u>	<u>\$ 61,430,826</u>	<u>\$ 66,589,393</u>	<u>\$ 70,374,339</u>	<u>\$ 72,230,864</u>	<u>\$ 76,501,295</u>
<b>Changes in Net Assets</b>						
Governmental activities.....	\$ 14,249,846	\$ 5,383,590	\$ (2,930,872)	\$ (5,775,504)	\$ (1,346,654)	\$ 27,406,568
Business-type activities.....	<u>(2,666,960)</u>	<u>(1,567,759)</u>	<u>716,649</u>	<u>(1,980,190)</u>	<u>34,900</u>	<u>1,190,189</u>
Total primary government.....	<u>\$ 11,582,886</u>	<u>\$ 3,815,831</u>	<u>\$ (2,214,223)</u>	<u>\$ (7,755,694)</u>	<u>\$ (1,311,754)</u>	<u>\$ 28,596,757</u>

(A) In fiscal years 2002 - 2004 the City reported a joint water/sewer enterprise func

(B) In fiscal years 2002 - 2004 the City included in real estate and personal property taxes, net of tax refunds payable

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved.....	\$ 250,549	\$ 978,075	\$ 966,088	\$ 1,432,723	\$ 1,442,182	\$ 1,382,756	\$ 1,153,872	\$ 68,524	\$ 197,581	\$ 69,631
Unreserved.....	5,327,627	4,738,658	5,764,170	5,901,496	4,633,278	3,980,693	3,398,534	335,643	1,162,714	(1,151,199)
Total general fund.....	<u>\$ 5,578,176</u>	<u>\$ 5,716,733</u>	<u>\$ 6,730,258</u>	<u>\$ 7,334,219</u>	<u>\$ 6,075,460</u>	<u>\$ 5,363,449</u>	<u>\$ 4,552,406</u>	<u>\$ 404,167</u>	<u>\$ 1,360,295</u>	<u>\$ (1,081,568)</u>
All Other Governmental Funds										
Reserved.....	\$ -	\$ -	\$ -	\$ -	\$ 1,430,279	\$ 1,481,549	\$ 1,844,725	\$ 1,591,750	\$ 1,606,904	\$ 1,629,202
Unreserved, reported in:										
Special revenue funds.....	2,477,573	4,477,410	5,738,091	6,910,085	8,289,823	8,920,508	6,618,566	7,763,007	5,474,128	5,477,136
Capital projects funds.....	(390,925)	(3,404,797)	(14,076,153)	(17,882,945)	(26,709,082)	(14,050,593)	(24,963,657)	(10,513,270)	(1,859,435)	(197,270)
Permanent funds.....	-	-	-	-	3,137,655	2,801,999	2,555,014	2,897,589	3,018,952	3,556,455
Total all other governmental funds...	<u>\$ 2,086,648</u>	<u>\$ 1,072,613</u>	<u>\$ (8,338,062)</u>	<u>\$ (10,972,860)</u>	<u>\$ (13,851,325)</u>	<u>\$ (846,537)</u>	<u>\$ (13,945,352)</u>	<u>\$ 1,739,076</u>	<u>\$ 8,240,549</u>	<u>\$ 10,465,523</u>

Notes:

Fiscal years 1998 through 2001 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

In fiscal year 1999, the unreserved fund balance of 1998 was restated.



**Changes in Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues:</b>										
Real estate and personal property taxes, net of tax refunds.....	\$ 45,004,696	\$ 45,299,037	\$ 45,824,415	\$ 48,802,188	\$ 50,152,793	\$ 52,448,384	\$ 55,603,719	\$ 55,866,348	\$ 58,601,934	\$ 60,638,180
Motor vehicle and excise taxes.....	2,658,569	2,658,847	2,686,784	3,178,682	3,156,366	3,875,265	3,387,266	3,531,673	3,577,544	3,215,438
Intergovernmental.....	27,339,805	29,619,516	32,053,323	37,284,876	39,949,863	37,949,147	37,305,545	40,601,143	40,386,321	38,496,892
Departmental and other.....	5,659,080	7,383,713	8,793,381	8,473,063	8,122,563	8,628,161	9,324,193	7,539,138	8,496,446	9,017,710
Investment income.....	540,904	392,136	736,266	1,024,892	127,462	816,821	568,503	828,933	927,302	925,771
Commonwealth school construction grants.....	-	-	-	-	-	-	- (B)	12,739,570	16,559,515	35,025,316
On-behalf pension payments by Commonwealth.....	-	-	- (C)	4,505,009	4,301,287	4,275,669	5,345,441	5,890,261	6,376,140	7,044,987
<b>Total Revenue.....</b>	<b>81,203,054</b>	<b>85,353,249</b>	<b>90,094,169</b>	<b>103,268,710</b>	<b>105,810,334</b>	<b>107,993,447</b>	<b>111,534,667</b>	<b>126,997,066</b>	<b>134,925,202</b>	<b>154,364,294</b>
<b>Expenditures:</b>										
General government.....	4,709,129	4,281,803	4,287,021	5,801,716	4,866,231	4,463,397	4,627,702	4,863,297	5,112,025	4,588,962
Public safety.....	12,471,452	14,328,164	14,074,132	14,589,271	15,738,798	15,368,476	14,999,915	14,417,276	14,547,596	14,999,951
Education.....	34,208,249	37,518,451	40,101,425	45,852,552	47,250,529	48,449,552	47,729,470	46,260,838	47,647,867	47,607,207
Public works.....	4,804,094	4,490,661	5,044,735	6,004,568	4,652,745	5,232,421	5,209,599	6,663,143	5,427,108	6,781,814
Community development.....	2,813,361	1,700,155	3,118,010	2,462,534	1,936,213	2,348,162	2,085,553	2,066,749	1,891,386	1,804,554
Health and human services.....	886,308	2,053,609	920,083	927,024	960,817	901,407	855,553 (A)	4,348,098	4,475,413	4,730,161
Culture and recreation.....	2,570,079	2,824,761	2,963,811	3,338,502	2,728,470	2,981,769	2,756,066	2,278,899	2,339,600	1,865,609
Pension.....	3,365,633	3,474,477	3,813,000	4,610,788	4,204,226	4,340,575	6,565,806	11,926,982	13,388,893	14,375,924
Massachusetts teachers' retirement.....	-	-	- (C)	4,505,009	4,301,287	4,275,669	5,345,441	5,890,261	6,376,140	7,044,987
Employee benefits.....	4,864,929	5,374,227	5,499,340	5,550,602	9,853,473	10,529,297	10,580,395	10,433,140	9,964,302	10,889,249
State and district assessments.....	1,887,916	1,970,865	3,495,301	2,183,362	3,770,566	3,911,644	4,212,549	4,028,333	5,047,971	5,589,986
Capital outlay.....	1,909,687	3,198,871	10,684,440	17,106,792	12,975,601	18,550,903	15,793,932	1,422,955	7,581,652	37,600,586
Debt service.....										
Principal.....	3,050,000	2,980,702	2,835,050	3,220,000	2,605,000	2,795,000	3,890,000	4,105,000	4,385,000	4,310,000
Interest.....	2,111,236	2,010,471	2,482,071	2,482,795	3,111,786	2,854,502	3,259,021	2,919,668	2,958,101	2,513,575
<b>Total Expenditures.....</b>	<b>79,652,073</b>	<b>86,607,217</b>	<b>99,318,419</b>	<b>118,635,515</b>	<b>118,955,742</b>	<b>127,002,774</b>	<b>127,911,002</b>	<b>121,624,639</b>	<b>131,143,054</b>	<b>164,702,565</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>1,550,981</b>	<b>(1,253,968)</b>	<b>(9,224,250)</b>	<b>(15,366,805)</b>	<b>(13,145,408)</b>	<b>(19,009,327)</b>	<b>(16,376,335)</b>	<b>5,372,427</b>	<b>3,782,148</b>	<b>(10,338,271)</b>
<b>Other Financing Sources (Uses)</b>										
Issuance of debt.....	-	400,000	-	13,300,000	-	28,670,000	-	2,465,000	-	8,319,497
Premium from issuance of bonds.....	-	-	-	-	-	-	-	232,856	-	85,169
Capital lease financing.....	-	-	-	-	-	-	-	807,283	1,046,619	378,169
Transfers in.....	2,207,493	2,131,143	2,187,421	1,813,102	9,045,003	9,051,161	10,693,915	3,597,240	5,320,517	3,558,845
Transfers out.....	(1,690,956)	(1,733,369)	(1,360,322)	(1,435,512)	(6,770,436)	(6,719,057)	(8,227,438)	(1,054,796)	(2,691,683)	(1,121,150)
<b>Total other financing sources (uses).....</b>	<b>516,537</b>	<b>797,774</b>	<b>827,099</b>	<b>13,677,590</b>	<b>2,274,567</b>	<b>31,302,104</b>	<b>2,466,477</b>	<b>6,047,583</b>	<b>3,675,453</b>	<b>11,220,530</b>
<b>Net change in fund balance.....</b>	<b>\$ 2,067,518</b>	<b>\$ (456,194)</b>	<b>\$ (8,397,151)</b>	<b>\$ (1,689,215)</b>	<b>\$ (10,870,841)</b>	<b>\$ 12,292,777</b>	<b>\$ (13,909,858)</b>	<b>\$ 11,420,010</b>	<b>\$ 7,457,601</b>	<b>\$ 882,259</b>
Debt service as a percentage of noncapital expenditures.....	6.51%	6.04%	5.09%	4.54%	4.86%	4.56%	4.87%	6.06%	5.69%	3.59%

(A) In fiscal year 2005 certain grants were reclassified to Human Services to better reflect the purpose.

(B) Prior to fiscal year 2005 any receipts from the Commonwealth for school construction projects were included in intergovernmental revenue.

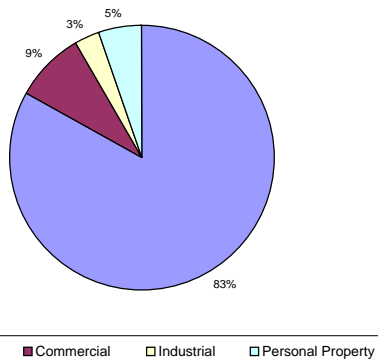
(C) The Commonwealth is legally obligated to fund the Salem teachers retirement. Therefore the revenue and expenditure has been recorded in accordance with GASB 24.

# Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates

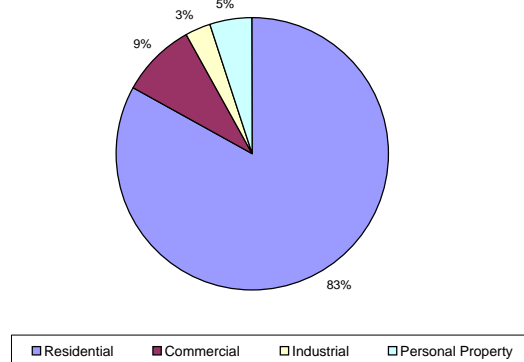
## Last Ten Fiscal Years

Fiscal Year	Assessed and Actual Values and Tax Rates							
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Town Value
1998	(1) \$ 1,462,850,200	\$ 15.22	\$ 247,668,000	\$ 114,333,800	\$ 238,873,800	\$ 600,875,600	\$ 34.67	\$ 2,063,725,800
1999	1,552,242,000	15.17	254,271,400	112,399,300	240,804,300	607,475,000	33.96	2,159,717,000
2000	1,705,349,600	14.23	266,300,300	141,171,100	247,511,700	654,983,100	31.65	2,360,332,700
2001	(1) 1,963,462,114	13.42	315,485,948	168,301,665	254,604,294	738,391,907	29.63	2,701,854,021
2002	2,135,490,544	13.53	324,729,500	136,077,225	261,760,050	722,566,775	28.62	2,858,057,319
2003	2,575,202,432	12.87	341,154,055	135,580,725	254,704,340	731,439,120	26.05	3,306,641,552
2004	(1) 3,247,929,862	11.71	369,848,655	140,122,325	213,400,595	723,371,575	22.59	3,971,301,437
2005	3,536,283,952	11.38	383,694,522	142,371,000	234,191,813	760,257,335	21.83	4,296,541,287
2006	3,807,396,999	11.21	393,448,700	143,388,000	241,940,480	778,777,180	21.33	4,586,174,179
2007	(1) 4,137,021,751	10.77	435,740,235	150,255,420	255,302,680	841,298,335	20.48	4,978,320,086

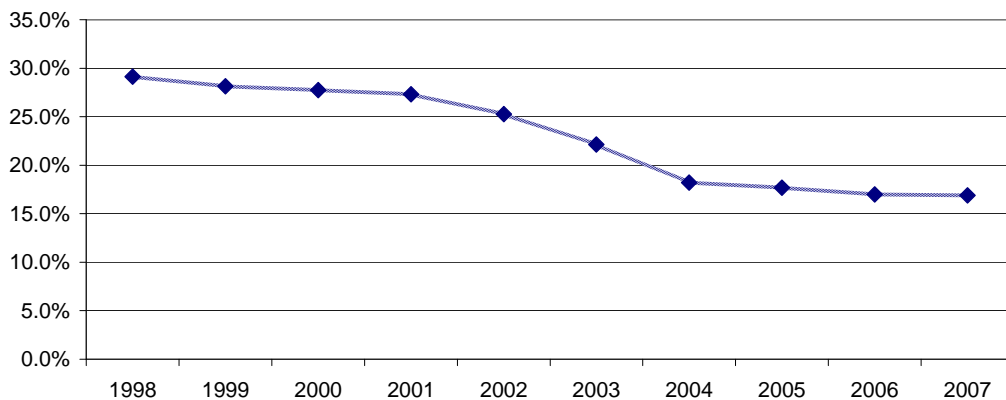
Total Assessed Value by Classification Fiscal Year Ended June 30, 2006



Total Assessed Value by Classification Fiscal Year Ended June 30, 2007



Commercial Value as % of Total Value



(1) Revaluation year.

Source: Assessor's Department, City of Salem

All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value.

The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

**Principal Taxpayers**  
**Current Year and Nine Years Ago**

Name	Nature of Business	2007			1998		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Dominion	Personal & Industrial Property	\$219,732,050	1	4.4%	-	-	-
Shetland Properties	Industrial & Commercial	\$28,895,600	2	0.6%	\$11,748,500	5	0.6%
New England Power Co.	Personal & Industrial Property	\$25,825,130	3	0.5%	\$254,268,600	1	12.8%
Highlander Plaza	Commercial Property	\$21,951,500	4	0.4%	\$11,567,900	6	0.6%
Massachusetts Electric	Utility	\$21,321,110	5	0.4%	\$15,798,400	2	0.8%
Salem Station LLC	Apartments	\$40,102,800	6	0.8%	-	-	-
Princeton Crossing Apts.	Apartments	\$31,682,200	7	0.6%	\$11,888,200	4	0.6%
Hawthorne Commons	Apartments	\$28,649,500	8	0.6%	-	-	-
Second Pickwick Trust	Commercial Property	\$12,622,800	9	0.3%	-	-	-
Archstone Vinnin Square	Apartments	\$23,156,000	10	0.5%	-	-	-
NYNEX	Utility	-	-	-	\$13,795,100	3	0.7%
Boston Gas/Mass. LNG	Utility	-	-	-	\$9,317,800	7	0.5%
Hawthorne Square Mall	Shopping Center	-	-	-	\$8,104,000	8	0.4%
Osram Sylvania	Electronics Manufacturer	-	-	-	\$7,238,400	9	0.4%
Applied Extrusion Tech	Electronics	-	-	-	\$6,281,300	10	0.3%
<b>Totals</b>		<u>\$453,938,690</u>		<u>9.1%</u>	<u>\$350,008,200</u>		<u>18%</u>

Source: Board of Assessors

**Property Tax Levies and Collections**

**Last Ten Years**

<b>Fiscal Year</b>		<b>Total Tax Levy</b>	<b>Less Abatements &amp; Exemptions</b>	<b>Net Tax Levy</b>	<b>First Year Current Tax Collections</b>	<b>Percent of Net Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collections to Net Tax Levy</b>
1998	(1) \$	43,096,937	\$ 735,267	\$ 42,361,670	\$ 41,210,163	97.3%	\$ 1,151,507	\$ 42,361,670	100%
1999		44,177,362	379,865	43,797,497	43,723,214	99.8%	73,228	43,796,442	100%
2000		44,997,340	549,334	44,448,006	43,623,904	98.1%	820,868	44,444,772	100%
2001	(1)	48,228,214	654,519	47,573,695	47,565,588	99.9%	6,113	47,571,701	100%
2002		49,789,935	484,373	49,305,562	49,199,288	99.8%	87,458	49,286,746	100%
2003		52,210,909	508,719	51,702,190	51,303,297	99.2%	386,573	51,689,870	100%
2004	(1)	54,374,223	564,486	53,809,737	53,259,047	99.0%	539,944	53,798,991	100%
2005		56,839,329	418,415	56,420,914	55,554,023	98.5%	865,641	56,419,664	100%
2006		59,292,238	414,204	58,878,034	58,010,805	98.5%	836,239	58,847,044	100%
2007	(1)	61,785,514	532,920	61,252,594	60,318,905	98.5%	-	60,318,905	98%

(1) Revaluation Year

Source: Massachusetts Department of Revenue; Board of Assessors

# Ratios of Outstanding Debt and General Bonded Debt

Last Ten Fiscal Years

Fiscal Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1998	38,351	\$ 878,708,191	\$ 2,063,725,800	\$ 36,345,000	\$ 0	\$ 948	4.14%	1.76%
1999	38,341	896,407,212	2,159,717,000	33,460,698	494,359	886	3.79%	1.57%
2000	40,564	967,735,348	2,360,332,700	30,716,400	2,517,607	819	3.43%	1.41%
2001	41,130	1,000,863,178	2,701,854,021	40,700,000	1,929,115	1,036	4.26%	1.58%
2002	42,179	1,046,917,485	2,858,057,319	37,625,000	1,103,986	918	3.70%	1.36%
2003	42,067	1,065,020,304	3,307,181,452	63,730,000	441,217	1,525	6.03%	1.94%
2004	41,912	1,082,318,054	3,971,301,437	59,840,000	307,360	1,435	5.56%	1.51%
2005	41,976	1,105,650,179	4,296,541,287	58,770,000	723,214	1,417	5.38%	1.38%
2006	40,407	1,085,609,084	4,586,174,179	54,385,000	1,172,651	1,375	5.12%	1.21%
2007	40,407	1,107,321,266	4,978,320,086	50,040,000	779,906	1,258	4.59%	1.02%

Fiscal Year	Business-type Activities		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1998	\$ 2,225,000	\$ 0	\$ 38,570,000	\$ 1,006	4.39%	1.87%
1999	1,880,000	0	35,835,057	935	4.00%	1.66%
2000	1,600,000	0	34,834,007	859	3.60%	1.48%
2001	1,345,000	0	43,974,115	1,069	4.39%	1.63%
2002	650,000	0	39,378,986	934	3.76%	1.38%
2003	515,000	0	64,686,217	1,538	6.07%	1.96%
2004	380,000	0	60,527,360	1,444	5.59%	1.52%
2005	1,450,000	0	60,943,214	1,452	5.51%	1.42%
2006	1,345,000	0	56,902,651	1,408	5.24%	1.24%
2007	3,570,656	0	54,390,562	1,346	4.91%	1.09%

Source: Audited Financial Statements, U. S. Census

## Direct and Overlapping Governmental Activities Debt

As of June 30, 2007

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
North Shore Regional Vocational School District.....	\$ 2,000,205	27.68%	\$ <u>553,577</u>
City direct debt.....			<u>58,394,497</u>
Total direct and overlapping debt.....			\$ <u><u>58,948,074</u></u>

Source: Treasurer and North Shore Regional Vocational School District

**Computation of Legal Debt Margin**

**Last Ten Fiscal Years**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Equalized Valuation.....	\$ 2,083,065,400	\$ 2,174,217,600	\$ 2,174,217,600	\$ 2,472,012,500	\$ 2,472,012,500	\$ 3,148,016,400	\$ 3,148,016,400	\$ 4,184,128,700	\$ 4,223,735,800	\$ 4,923,330,400
Debt Limit -5% of Equalized Valuation.....	\$ 104,153,270	\$ 108,710,880	\$ 108,710,880	\$ 123,600,625	\$ 123,600,625	\$ 157,400,820	\$ 157,400,820	\$ 209,206,435	\$ 211,186,790	\$ 246,166,520
Less:										
Outstanding debt applicable to limit.....	4,940,000	3,785,000	3,475,000	5,080,000	5,625,000	4,646,000	4,167,000	6,695,447	6,064,000	5,435,000
Authorized and unissued debt.....	100,000	72,050,000	63,950,000	82,537,000	83,033,130	69,000,988	70,336,913	39,296,218	48,682,895	54,169,239
Legal debt margin.....	\$ 99,113,270	\$ 32,875,880	\$ 41,285,880	\$ 35,983,625	\$ 34,942,495	\$ 83,753,832	\$ 82,896,907	\$ 163,214,770	\$ 156,439,895	\$ 186,562,281
Total debt applicable to the limit as a percentage of debt limit.....	4.84%	69.76%	62.02%	70.89%	71.73%	46.79%	47.33%	21.98%	25.92%	24.21%

Source: Audited Financial Statements; Statement of Indebtedness

## Demographic and Economic Statistics

### Last Ten Fiscal Years

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1998	38,351	\$ 878,708,191	\$ 22,912	33.5	5,128	3.5%
1999	38,341	896,407,212	23,380	33.5	5,059	3.3%
2000	40,564	967,735,348	23,857	36.4	5,007	2.5%
2001	41,130	1,000,863,178	24,334	36.4	5,107	3.9%
2002	42,179	1,046,917,485	24,821	36.4	5,064	5.6%
2003	42,067	1,065,020,304	25,317	36.4	5,016	6.2%
2004	41,912	1,082,318,054	25,824	36.4	4,727	5.3%
2005	41,976	1,105,650,179	26,340	36.4	4,676	4.9%
2006	40,407	1,085,609,084	26,867	36.4	4,714	4.1%
2007	40,407	1,107,321,266	27,404	36.4	4,573	4.5%

Note: Per Capita Personal Income and Median Age based on 1990 and 2000 U.S Censuses

Source: Massachusetts Department of Revenue, Division of Local Services; U.S. Census Bureau



**Principal Employers (excluding City)**

**Current Year and Nine Years Ago**

Employer	Nature of Business	2007			1998		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
North Shore Medical Center	Healthcare	2,850	1	12.0%	2,500	1	11.7%
Salem State College	Higher Education	1,290	2	5.4%	750	2	3.5%
Commonwealth of Massachusetts Offices	State Government	568	3	2.4%	-	-	-
Market Basket	Food Market	300	4	1.3%	-	-	-
Peabody Essex Museum	Cultural/Tourism	271	5	1.1%	-	-	-
Grosvenor Park Nursing Center	Health Care	214	6	0.9%	-	-	-
Salem Five Savings Bank	Banking	210	7	0.9%	-	-	-
Hawthorne Hotel	Lodging	200	8	0.8%	-	-	-
Home Depot	Retail	182	9	0.8%	-	-	-
PerkinElmer Optoelectronics	Manufacturer	165	10	0.7%	-	-	-
Sears Boston Credit Central	Public Utility	-	-	-	600	3	2.8%
New England Power Company	Public Utility	-	-	-	476	4	2.2%
North Shore Children's Hospital	Children's Health Care	-	-	-	400	5	1.9%
EG & G Inc.	Diabetic Supplies	-	-	-	281	6	1.3%
Atwood & Morrill Co. Inc.	Valve Manufacturing	-	-	-	189	7	0.9%
Crosby's Market Place	Food Market	-	-	-	176	8	0.8%
Van Waters & Rogers	Chemical Distribution	-	-	-	162	9	0.8%
Harbor Sweets	Candy & Confection Wholesale	-	-	-	101	10	0.5%
		<u>6,250</u>		<u>26.3%</u>	<u>5,635</u>		<u>26.5%</u>

Source: The City Planning Department

**City of Salem, Massachusetts**  
**Full-time Equivalent City Employees by Function**  
**Last Eight Fiscal Years**

	Fiscal Year							
	2000	2001	2002	2003	2004	2005	2006	2007
Function								
General government.....	82	59	62	68	62	64	40	34
Public safety.....	198	183	183	185	180	190	181	190
Education.....	755	755	755	755	756	756	752	752
Public works.....	67	50	59	47	45	55	35	38
Engineering.....	-	-	-	-	-	-	-	1
Health and human services.....	23	20	22	22	21	21	21	20
Culture and recreation.....	36	36	35	34	31	31	34	23
Total .....	<u>1,161</u>	<u>1,103</u>	<u>1,116</u>	<u>1,111</u>	<u>1,095</u>	<u>1,117</u>	<u>1,063</u>	<u>1,058</u>

Source: Various City Departments

Information not available on years prior to FY2000.

## Operating Indicators by Function/Program

### Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Marriage recordings.....	274	317	292	328	362	327	330	327	375	322
Birth recordings.....	1,708	1,726	1,777	1,680	1,708	1,804	1,839	1,761	2,044	2,043
Death recordings.....	765	765	764	865	848	823	935	847	737	755
Police										
Physical arrests.....	1,157	1,131	975	1,039	1,057	984	965	685	2,792	2,793
Motor vehicle violations.....	3,472	2,791	3,066	3,967	4,872	5,489	5,238	4,334	6,477	8,672
Police personnel and officers.....	95	94	94	103	105	94	85	85	81	93
Fire										
Inspections.....	2,805	3,417	3,226	3,004	2,950	1,972	3,231	2,789	1,187	1,562
Emergency responses.....	3,517	3,433	3,717	3,917	3,993	3,911	4,281	4,572	6,235	6,719
Fire personnel and officers.....	88	89	90	92	96	85	78	78	75	76
Education										
Number of students.....	5,128	5,059	5,007	5,107	5,064	5,016	4,727	4,676	4,744	4,573
Number of graduates.....	213	187	213	220	237	218	257	246	255	269
Number of teachers.....	352	369	370	369	397	406	415	409	477	484
Water										
Service connections.....	9,600	9,627	9,720	9,812	9,842	9,898	10,516	10,568	11,000	11,811
Consumption in gallons.....	1,764	1,853	1,985	2,107	2,064	2,090	2,111	2,136	2,000	2,056
Daily consumption (MG).....	4.83	5.10	5.44	5.77	5.66	5.73	5.78	6.43	6.84	6.74
Sewer										
Service connections.....	9,600	9,627	9,720	9,812	9,842	9,898	10,516	10,568	11,000	11,811
Health and human services										
Number of persons using COA transportation....	40,535	54,620	44,326	45,523	47,220	44,804	44,500	45,976	37,497	39,052
Libraries										
Volumes in circulation.....	119,300	127,923	126,526	130,510	128,626	124,435	125,516	128,569	141,595	143,052
Total volumes borrowed.....	370,542	379,511	379,534	395,311	453,548	470,192	464,453	490,116	508,728	500,907

Source: Various City Departments; Massachusetts Department of Education

## Capital Asset Statistics by Function/Program

### Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government										
Number of buildings.....	2	2	2	2	2	2	2	2	2	2
Police										
Number of stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of stations.....	4	4	4	4	4	4	4	4	4	4
Education										
Number of elementary schools.....	7	7	7	7	7	7	7	7	7	7
Number of middle schools.....	1	1	1	1	1	1	1	1	1	1
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Water mains (miles).....	103	103	103	103	103	108	108	108	108	108
Health and human services										
Number of personnel.....	18	20	19	18	18	17	17	17	17	17
Culture and recreation										
Parks and playgrounds.....	34	35	35	35	35	35	35	35	35	35
Park and playground (acreage).....	218	219	230	230	230	230	230	230	230	230
Conservation land (acreage).....	114	114	114	114	114	114	128	128	128	128
Railroad right of way (acreage).....	89	89	89	89	89	89	89	89	89	89
Public beaches.....	7	7	7	7	7	7	7	7	7	7
Ball fields.....	13	13	13	13	13	13	13	13	13	13
Tennis courts.....	10	10	10	10	10	10	10	10	10	10

Source: Various City Departments, Manual of the City Government

## Free Cash & Stabilization Fund Balances

### Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Free Cash</u>	<u>Stabilization Fund</u>
FY2007.....	\$ 691,149	\$ 487,980
FY2006.....	\$ 538,372	\$ 277,759
FY2005.....	\$ 2,732,090	\$ 1,021,351
FY2004.....	\$ 1,867,737	\$ 1,297,417
FY2003.....	\$ 3,212,194	\$ 2,278,823
FY2002.....	\$ 4,010,382	\$ 2,248,337
FY2001.....	\$ 4,965,894	\$ 1,713,814
FY2000.....	\$ 4,425,158	\$ 1,149,864
FY1999.....	\$ 4,313,929	\$ 1,087,575
FY1998.....	\$ 2,756,091	\$ 639,004

Source: City Records