

CITY OF RITTMAN, OHIO

Comprehensive Annual Financial Report

Year Ended December 31, 2004

Prepared by: Department of Finance



**Auditor of State
Betty Montgomery**

City Council
City of Rittman
30 N. Main St.
Rittman, OH 44270

We have reviewed the Independent Auditor's Report of the City of Rittman, Wayne County, prepared by Lennon & Company, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Rittman is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 10 2005

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City of Rittman, Ohio
Comprehensive Annual Financial Report
Year Ended December 31, 2004

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INTRODUCTORY SECTION



CITY OFFICES
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Rittman, Ohio 44270
330/925-2045
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James Bell, CMFA
Finance Director

July 29, 2005

Members of Rittman City Council and
Citizens of Rittman, Ohio

The Comprehensive Annual Financial Report (CAFR) of the City of Rittman (the "City") for the fiscal year ended December 31, 2004 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections:

1. The introductory section includes this transmittal letter, a list of city officials, our organizational chart, and a copy of the GFOA Certificate of Achievement.
2. The financial section begins with the Independent Auditor's Report, and includes Management's Discussion and Analysis, the basic financial statements and notes, and the combining and individual fund statements and schedules that provide more detailed information relative to the basic financial statements.
3. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Reporting Entity

For financial reporting purposes, the City includes in this report all funds, agencies, boards, and commissions that are controlled by, or dependent on, the City's legislative branch. "Controlled by" or "dependent on" the City is determined on the basis of budget adoption, taxing authority, outstanding debts secured by revenues or general taxing authority of the City, and/or the City's obligation to fund any deficits that may occur.

The City of Rittman

The City of Rittman is located in the north central part of the State of Ohio, within the boundaries of Wayne and Medina Counties. The City of Rittman is a home rule municipal corporation under the laws of the State of Ohio and, as such, operates under its own charter. The current charter was adopted in 1960 and has undergone three amendments since that time. The government consists of a Mayor and six-member Council. The Mayor and all members of City Council are elected to four-year terms. All of these officials are elected on an at-large basis.

The City provides the full range of municipal services addressed in its charter. These services include police, fire, public health, recreation and parks, transportation programs, water and sewer programs, planning and zoning, and general administrative services.

2004 Initiatives

The 2003 Street Improvements Project, which would have included the milling and paving of approximately five (5) streets throughout the City, was again postponed from 2004 to 2005 due to the fact that no bids could be secured for the project. The \$140,000 project will be partially funded from the Ohio Public Works Commission and funds from the permissive tax fund. Residents of the affected streets will be responsible for 50% of the cost of the project.

Phase I of the Landis Ditch Storm Sewer Improvement Project was completed in 2004. The project involved the replacement of storm sewer pipe from the Landis Ditch area on North Main Street to Beech Street with the installation of a 24 inch storm sewer pipe to eliminate localized flooding in that area. Funds for the project were made available through the Community Development Block Grant Program of which the City participates in through the Wayne County Commissioners.

Development Activities

The City of Rittman anticipates seeing another banner year in 2005 and in the future with its strong residential growth. Development activity for the completion of the Oak Hill Cluster Home Development is underway. Construction on the seventeen (17) units at the south side of Metzger Avenue has already begun. In addition, two condominium developments on the north end of Rufener Street, with a total of 83 units, is currently underway.

The development of a fourteen (14) acre tract (approximately) of property at the intersection of DeCoursey and Krabill Roads by AmBilt Corporation, which will entail approximately 43 new residential lots, should be underway shortly. It has recently been annexed and the Rittman City Planning Commission approved the plans for development.

The strong commitment by City Council and City Administration of increasing recreational activities and the infrastructure improvements of the City, coupled with the anticipated commercial and residential growth, place the City of Rittman in a strong position for continuing positive growth.

Economic Condition and Outlook

The City's two largest employers are Morton International, Inc., which produces table salt, and Caraustar Mill Group, Inc. Morton Salt has not suffered any significant loss of employees during the recent recession. Caraustar manufactures cardboard containers for the distribution of other company's products. It appears that employment at Caraustar has stabilized although the recent economic downturn continues to be a factor in their productivity.

In addition, the merger of Savings Bank & Trust with National City Bank at the end of 2004 provided a nationwide presence of banking opportunities to the citizens of Rittman. A wide variety of different financial products are now offered to the community that only a bank as large as National City can provide. Unilock Ohio, Inc. of Rittman, which opened in June of 1999 at Sheets Road and State Route 57, was approved in 2004 for a \$500,000 enterprise zone tax abatement for new machinery and equipment at their facility. The company manufactures concrete pavers and landscape brick for commercial and residential purposes. Unilock anticipates an increase of approximately ten (10) new employees as a result of this new investment.

Ongoing efforts to attract and retain jobs is taking place with the assistance of the Wayne Economic Development Council. Significant commercial interest is starting to take place in the City and this commercial and residential growth and expansion would lead us to believe the City is in a solid position due to its excellent infrastructure. Because of its adequate natural resource of water and the capacity through the wastewater treatment plant, the City is in a sound position to handle these development activities. Ongoing efforts to improve City's storm sewer system and streets continue as well as related water distribution line extensions and replacements.

Future Projects

Financing of the City's Water Plant Improvement Project in the amount of \$1,500,000 took place in 2004 and the construction began in 2005. It is anticipated that the project will be completed in January 2006 and will not result in any additional water rate increases as the City has paid off the original construction of the water plant, which took place in 1978. The funds being borrowed for this new project will result in debt service payments which are not significantly higher than was previously being paid by the City.

In addition, City Council has placed a large emphasis on the completion of Phase I of the Landis Ditch Dredging Project. This phase begins at River Styx and will end at East Sunset Drive. Further projects include the completion of Phase II and Phase III of that project as it will assist in minimizing localized flooding, specifically in the area of the shopping center which includes the IGA grocery store.

Overall, it is the City Administration's belief that with over \$8,000,000 in residential and commercial investment in the City in 2004, the future growth of the City of Rittman is bright.

Financial Information

Basis of Accounting. The City's accounting system is organized on a "fund" basis. Each fund is a distinct self-balancing accounting entity. During the year, the accounting records are maintained on a cash basis for all fund types. To prepare this report, adjusting entries are prepared for the various funds to convert the cash basis records to modified accrual for all governmental funds, and accrual for the proprietary funds. The modified accrual basis of accounting requires revenue to be recognized when measurable and available within the business cycle (within two months after year end), and expenditures are recognized when the fund liability is incurred. Accounting records for the proprietary funds are converted to the accrual basis, whereby revenues are recognized in the period in which they are earned and expenses are recorded at the time liabilities are incurred. The basis of accounting and the various funds utilized by the City are fully described in Note 1 to the basic financial statements.

Internal Accounting. In developing the City's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

Budgetary Control. The annual tax budget for the City is prepared and filed with the Wayne and Medina County Auditors no later than July 20 of each year. After a public hearing, the County Budget Commission certifies to the City the revenues the City expects to receive during the upcoming calendar year. These amounts are added to the available balances at year-end to calculate the total amounts available for appropriation by fund. In September and October, City Council holds workshops with the City Manager and Finance Director to determine the City's budget requirements for the upcoming year. These amounts are then appropriated by Council ordinance. Additional funding can be procured by a request to Council and the passage of a supplemental appropriation ordinance.

The City maintains budgetary control on a non-GAAP basis by fund, and within each department. Budgetary control is also maintained at major object levels which include personal services, contractual services, supplies and materials, capital outlay, debt service, and other uses (including transfers by fund). For management purposes, the major object level is further defined, with budgeted amounts not to exceed the aggregate appropriated by Council.

Budgetary control is maintained by an encumbrance of the purchase commitment amounts prior to the release of purchase orders to vendors. Upon approval by the department head, the purchase requisitions are submitted to the finance department for the preparation of a purchase order, certification of the availability of funds, and encumbrance against the available appropriation. At the end of the year, outstanding encumbrances are carried forward to the new year if the purchased item has not been received or the project has not been completed.

New Financial Reporting

This is the third year that the City has prepared its financial statements in accordance with GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". It should be noted that the City was not required to implement this reporting model until 2004. However, in an effort to fulfill our ongoing commitment of full disclosure to our citizens, it was only appropriate to use this reporting model as soon as all necessary information became available. GASB Statement No. 34 creates new basic financial statements for reporting on the City's financial activities as follows:

Government-wide financial statements – These statements are prepared on the accrual basis of accounting, which is similar to the basis of accounting followed by most businesses. The government-wide statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

Fund financial statements – These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary funds use the accrual basis of accounting.

Statements of budgetary comparisons – These statements present comparisons of actual information to the legally adopted budget. The budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As part of this new reporting model, management is also required to include a discussion and analysis of the City. This discussion follows the independent auditor's report, providing an assessment of the City's finances for 2004 and an objective outlook for the future. Because that discussion focuses on major funds, the financial highlights provided in this letter focus on certain nonmajor funds of the City.

Cash Management

The City's investment policy was vastly revised in 1996, with further modifications planned for 2006. The Finance Director may invest, on behalf of and in the name of the City, in obligations of the United States Government and certain federal agencies, certificates of deposit, savings accounts, NOW accounts, repurchase agreements, state and local government securities, and STAR Ohio, a statewide investment pool. The Association of Public Treasurers of the United States & Canada recognized the City's investment policy with a national certification.

During the fiscal year ended December 31, 2004, the City's cash resources were divided into investments approximately as follows: STAR Ohio 17%, time and demand deposits 71%, agencies 10%, and special assessment bonds 2%. The return on investment for 2004 was 1.99%. The average days to maturity as of December 31, 2004 was 211 days with an average yield to maturity of 2.01%.

Risk Management

The primary technique used for risk management is the purchase of insurance policies from commercial insurers. The types of insurance carried include: general liability, public officials liability, police professional liability, employee medical insurance, and State of Ohio Workers' Compensation. Deductibles vary on these policies depending on past experience with the type of liability covered. Should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the City.

Independent Audit

The City is not legally required to obtain an independent annual audit. The minimum requirement is for the State of Ohio to perform an audit, directly or indirectly through an independent auditing firm, at least every two years. The City, consistent with the professional manner in which it has conducted its financial affairs, has chosen to fund annual audits. The City has engaged Lennon & Company, Inc. to audit the City's financial records. The auditor's unqualified opinion is included herein.

Certification of Achievement

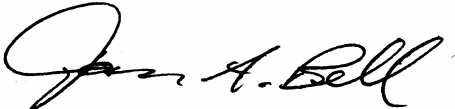
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rittman, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2003. The City has received this award since 1996, the first year that the City prepared and submitted a CAFR. The Certificate of Achievement is a prestigious national award, recognizing conformance to the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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 Comprehensive Annual Financial Report conforms to Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the dedicated services of the administration staff. The staff of the Wayne County Auditor's Office was helpful as always. A special thanks to Cindy Mann, Deputy Treasurer, who's dedicated and efficient work was invaluable to the completion of this report. I would also like to express my appreciation to Robert Kellogg, City Manager, for providing economic and future project information and to City Council for their support and commitment to responsible fiscal reporting.

Respectfully Submitted,



James A. Bell, CPFA
Finance Director/Treasurer

City of Rittman, Ohio

For the year ended December 31, 2004

CITY OFFICIALS

Mayor

Bonnie Kindig

Council Members

Ralph L. Johnson, President
Richard Lapehn
Steve Johnson

George Kelley
Faye Telford
Glen Russell

City Manager

Robert L. Kellogg

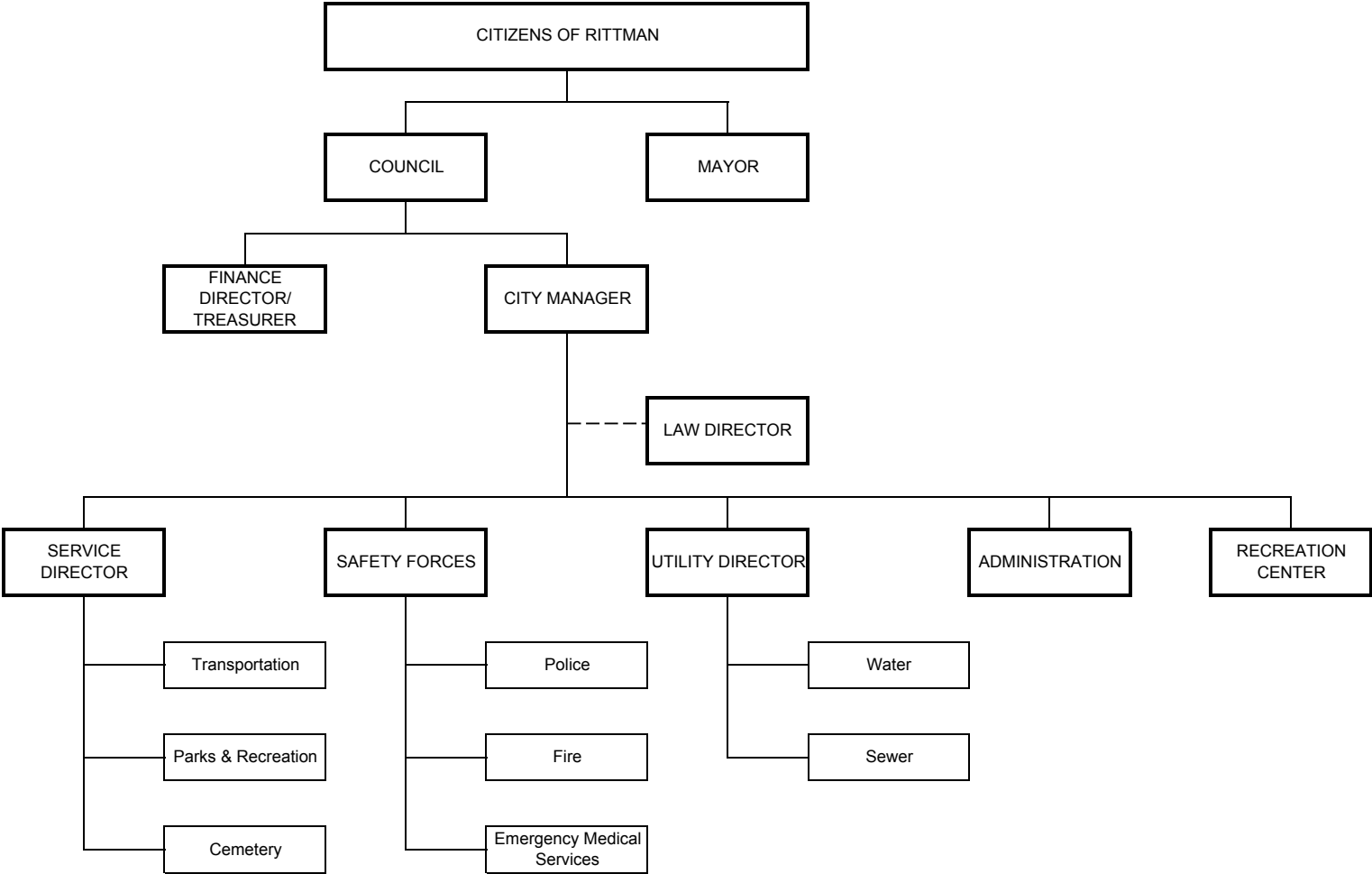
Finance Director/Treasurer

James A. Bell

Director of Law

G. Kevin Bower

City of Rittman, Ohio
Organizational Chart
December 31, 2004



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Rittman,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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.



Nancy L. Zielle

President

Jeffrey R. Emer

Executive Director



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Rittman
Rittman, Ohio 44270

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 Rittman, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

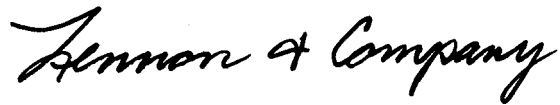
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rittman, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the general fund and major special revenue funds, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3-12 is not a required part of the basic financial statements but is 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



LENNON & COMPANY
Certified Public Accountant
July 29, 2005

City of Rittman, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

The discussion and analysis of the City of Rittman's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the transmittal letter, basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2004 are as follows:

- The total net assets of the City increased \$754,123. Net assets of governmental activities increased \$512,614, which represents a 7.4% increase over fiscal year 2003. Net assets of business-type activities increased \$241,509 or 2.7% from fiscal year 2003.
- General revenues, for governmental activities, accounted for \$2,346,330 or 45.6% of total governmental activities revenue. Program specific revenues accounted for \$1,964,937 or 54.4% of total governmental activities revenue.
- Governmental activities net capital assets increased \$227,150, primarily due to the City completing special assessment projects on certain infrastructure assets.
- The City had \$3,798,653 in expenses related to governmental activities; \$1,964,937 of these expenses was offset by program specific charges for services, grants, contributions, or interest. General revenues (primarily taxes) of \$2,346,330 were sufficient to offset these program expenses.
- The general fund, the City's largest major governmental fund, had revenues of \$2,575,528 in 2004, or 66.8% of total governmental funds. Expenditures of the general fund were \$2,489,077, or 66.1% of total governmental funds. The general fund balance increased \$86,451 or 11.1% in 2004.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide summary information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor governmental funds presented in total in one column. In the case of the City, there are five major governmental funds and two major business-type funds.

City of Rittman, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

Reporting the City as a Whole

Statement of Net Assets and Statement of Activities

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and answers the question, "How did we do financially during 2004"? These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions and other factors.

In the statement of net assets and the statement of activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the City's programs and services are reported here including general government, safety services, public health and welfare, and transportation. These services are funded primarily by taxes and intergovernmental revenues including federal and state grants and other shared revenues.
- **Business-Type Activities** – These services are provided on a fee-for-usage basis to recover all or a significant portion of the expenses of the goods or services provided. The City's business-type activities include water and sewer services.

Reporting the City's Most Significant Funds

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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. Fund financial reports provide detailed information about the activities within the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, emergency medical service and fire department levy special revenue funds, the debt retirement debt service fund, and the capital improvements capital project fund. An analysis of the City's major governmental funds begins on page 9.

City of Rittman, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

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 financial statements focus on near-term inflows and outflows 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 the 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 maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 16-22 of this report.

Proprietary Funds

Proprietary funds (water and sewer) have historically operated as *enterprise funds* and are used to report the same functions presented as business-type activities in the government-wide financial statements. Since they use the same basis of accounting as business-type activities, these fund statements will essentially match the information provided in statements for the City as a whole. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Notes to the 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. These notes to the basic financial statements can be found on pages 27-51 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules, which can be found on pages 54-79 of this report.

City of Rittman, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

Government-Wide Financial Analysis

The statement of net assets provides the perspective of the City as a whole.

Table 1 below provides a summary of the City's net assets for 2004 compared to 2003:

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<u>Assets</u>						
Current and other assets	\$ 3,291,512	\$ 3,105,344	\$ 2,748,652	\$ 1,227,107	\$ 6,040,164	\$ 4,332,451
Capital assets	<u>7,080,339</u>	<u>6,853,189</u>	<u>11,301,432</u>	<u>11,221,157</u>	<u>18,381,771</u>	<u>18,074,346</u>
Total assets	<u>10,371,851</u>	<u>9,958,533</u>	<u>14,050,084</u>	<u>12,448,264</u>	<u>24,421,935</u>	<u>22,406,797</u>
<u>Liabilities</u>						
Other liabilities	819,583	856,027	106,926	96,789	926,509	952,816
Long-term liabilities outstanding	<u>2,239,919</u>	<u>2,302,771</u>	<u>4,618,663</u>	<u>3,268,489</u>	<u>6,858,582</u>	<u>5,571,260</u>
Total liabilities	<u>3,059,502</u>	<u>3,158,798</u>	<u>4,725,589</u>	<u>3,365,278</u>	<u>7,785,091</u>	<u>6,524,076</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	5,004,792	4,701,230	8,280,010	8,002,963	13,284,802	12,704,193
Restricted	1,241,451	1,055,032	-	-	1,241,451	1,055,032
Unrestricted	<u>1,066,106</u>	<u>1,043,473</u>	<u>1,044,485</u>	<u>1,080,023</u>	<u>2,110,591</u>	<u>2,123,496</u>
Total net assets	<u>\$ 7,312,349</u>	<u>\$ 6,799,735</u>	<u>\$ 9,324,495</u>	<u>\$ 9,082,986</u>	<u>\$ 16,636,844</u>	<u>\$ 15,882,721</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2004, the City's assets exceeded liabilities by \$16,636,844. This amounts to \$7,312,349 in governmental activities and \$9,324,495 in business-type activities. Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 75.3% of total governmental and business-type assets. Capital assets include land, land improvements, buildings, equipment, infrastructure, and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2004, were \$13,284,802. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. As of December 31, 2004, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Rittman, Ohio

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 For the Fiscal Year Ended December 31, 2004
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A portion of the City's net assets, \$1,241,451 or 7.5%, represent resources that are subject to external restrictions on how they may be used. Of the total restricted net assets, \$1,060,926 is restricted for capital projects, debt service, and safety services programs. The remaining balance of government-wide unrestricted net assets of \$2,110,591 may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2 below shows the changes in net assets for governmental and business-type activities for fiscal year 2004 compared to 2003:

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	Total
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,019,508	\$ 914,904	\$ 1,476,904	\$ 1,392,649	\$ 2,496,412	\$ 2,307,553
Operating grants, contributions, and interest	411,082	419,672	-	-	411,082	419,672
Capital grants and contributions	534,347	139,567	190,293	50,028	724,640	189,595
General revenues:						
Property taxes	734,986	492,732	-	-	734,986	492,732
Income taxes	967,959	1,165,271	350,163	368,936	1,318,122	1,534,207
Grants and entitlements	447,667	456,931	-	-	447,667	456,931
Investment earnings	90,961	53,537	200	130	91,161	53,667
Other	104,757	117,026	-	-	104,757	117,026
Total revenues	<u>4,311,267</u>	<u>3,759,640</u>	<u>2,017,560</u>	<u>1,811,743</u>	<u>6,328,827</u>	<u>5,571,383</u>
Program Expenses						
<i>Governmental Activities:</i>						
General government	588,195	624,180	-	-	588,195	624,180
Safety services	1,637,711	1,488,553	-	-	1,637,711	1,488,553
Public health and welfare	94,725	99,535	-	-	94,725	99,535
Transportation	605,120	784,880	-	-	605,120	784,880
Basic utility service	222,819	214,908	-	-	222,819	214,908
Leisure time activities	541,194	537,916	-	-	541,194	537,916
Interest and fiscal charges	108,889	108,561	-	-	108,889	108,561
<i>Business-Type Activities:</i>						
Water	-	-	757,763	655,159	757,763	655,159
Sewer	-	-	1,018,288	1,095,191	1,018,288	1,095,191
Total program expenses	<u>3,798,653</u>	<u>3,858,533</u>	<u>1,776,051</u>	<u>1,750,350</u>	<u>5,574,704</u>	<u>5,608,883</u>
Change in net assets	<u>\$ 512,614</u>	<u>\$ (98,893)</u>	<u>\$ 241,509</u>	<u>\$ 61,393</u>	<u>\$ 754,123</u>	<u>\$ (37,500)</u>

City of Rittman, Ohio

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Governmental Activities

Governmental activities net assets increased \$512,614 or 7.5% in 2004 over 2003. This increase was due mainly from the completion of special assessment projects and the resulting addition of contributed and constructed infrastructure capital assets.

Safety services, which primarily supports the operations of the City's police, fire and emergency medical services, accounts for \$1,637,711 of expenses, or 43.1% of total governmental expenses of the City. These expenses were funded by \$352,258 in charges to users of services and operating and capital grants. General government expenses, which primarily include legislative, executive and financial management, totaled \$588,195 or 15.5% of total governmental expenses. General government expenses were covered by \$257,353 of direct charges to users.

General revenues totaled \$2,346,330, and amounted to 54.4% of total revenues. These revenues primarily consist of property and income tax revenue of \$1,702,945, or 72.6% of total general revenues. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with a majority of the revenue being local government and local government revenue assistance. For 2004, these revenues totaled \$447,667, or 19.1% of the total general revenues.

Business-Type Activities

The water and sewer funds represent the City's business-type activities. These programs had program revenues of \$1,667,197 and expenses of \$1,776,051 for fiscal year 2004. Business-type activities received capital contributions in the amount of \$190,293, an increase of \$140,265 compared to 2003. These contributions were made by local contractors in the form of water and sewer lines as a result of new and expanding housing developments in the City. Business-type activities reported an increase in net assets of \$241,509, or 2.7% as compared to 2003. For this year, the increase in net assets was attributed to operating activities as well as the contributions mentioned above.

Program Expenses

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government-wide activities, the total cost of services and the net cost of services for 2004 compared to 2003. That is, it identifies the cost of these services supported by general revenues.

City of Rittman, Ohio

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Table 3
Program Expenses

	<u>2004</u>		<u>2003</u>		<u>Net Change</u>	
	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>
<i>Governmental Activities:</i>						
General government	\$ 588,195	\$ (330,842)	\$ 624,180	\$ (389,138)	\$ 1,212,375	\$ (719,980)
Safety services	1,637,711	(1,285,453)	1,488,553	(1,316,809)	3,126,264	(2,602,262)
Public health and welfare	94,725	(52,762)	99,535	(54,399)	194,260	(107,161)
Transportation	605,120	171,353	784,880	(295,627)	1,390,000	(124,274)
Basic utility services	222,819	35,200	214,908	96,759	437,727	131,959
Leisure time activities	541,194	(262,323)	537,916	(316,615)	1,079,110	(578,938)
Interest and fiscal charges	108,889	(108,889)	108,561	(108,561)	217,450	(217,450)
<i>Business-Type Activities:</i>						
Water	757,763	(225,041)	655,159	(151,371)	1,412,922	(376,412)
Sewer	1,018,288	116,187	1,095,191	(156,302)	2,113,479	(40,115)
Total expenses	<u>\$ 5,574,704</u>	<u>\$ (1,942,570)</u>	<u>\$ 5,608,883</u>	<u>\$ (2,692,063)</u>	<u>\$ 11,183,587</u>	<u>\$ (4,634,633)</u>

The dependence upon general revenues for governmental activities is apparent, with 48.3% of expenses supported through taxes and other general revenues.

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. The general fund is the operating fund of the City. At the end of the fiscal year, the fund balance of the general fund was \$864,313, an 11.1% increase from the prior year. The primary reason for the increase of the general fund balance in 2004 was attributed to an increase in the amount resources received as intergovernmental revenue assistance, investment income and other revenue types. The fund balance of the debt retirement debt service fund decreased \$99,570, or 65.4% in 2004. In prior years, this fund received transfers which were necessary to cover debt service payments, however, this year the City used accumulated resources in the fund and did not receive any transfers. The increased fund balance of \$174,302, or 151.5%, in the capital improvements capital projects fund is primarily the result of income tax revenue exceeding the expenditure requirements of the current year's projects. The fund balance of the fire department levy special revenue fund decreased \$36,853, or 17.6% in 2004. This decrease was caused from the need of additional equipment and the payment of a fire truck lease in excess of current year tax and intergovernmental revenues. Finally, the emergency medical service special revenue fund's balance increased by \$108,386 or 55.7% over the 2003 fund balance. The increase was attributed to an increase in property taxes.

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Budgeting Highlights - General Fund

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations that are restricted by the amounts of anticipated revenues certified by the County Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

There were no significant changes from the original budgeted revenues as compared to the final budgeted amounts. Actual revenues exceeded the original amount by \$168,461. This difference was caused by the conservative budgeting nature of the original budgeting process.

Final budgeted expenditures exceeded the original budgeted expenditures by \$103,121. The majority of this change was reported in safety services which was due from the City entering into a new labor contract. Actual expenditures for the year were \$89,271 less than the final budgeted amounts. There were no individually significant events that led to this difference.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the City had \$18,381,771 (net of accumulated depreciation) invested in land, land improvements, buildings, equipment, infrastructure, and construction in progress. Of this total, \$7,080,339 was reported in governmental activities and \$11,301,432 was reported in business-type activities. Table 4 below reports fiscal year 2004 balances compared to 2003:

Table 4
Capital Assets, at Fiscal Year End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 129,063	\$ 129,063	\$ 72,606	\$ 72,606	\$ 201,669	\$ 201,669
Land improvements	30,965	55,595	9,699	11,389	40,664	66,984
Buildings	4,633,197	4,771,061	4,351,480	4,508,909	8,984,677	9,279,970
Equipment	857,899	972,934	223,106	256,413	1,081,005	1,229,347
Infrastructure	1,429,215	924,536	6,475,302	6,281,112	7,904,517	7,205,648
Construction in progress	-	-	169,239	90,728	169,239	90,728
Total	<u>\$ 7,080,339</u>	<u>\$ 6,853,189</u>	<u>\$ 11,301,432</u>	<u>\$ 11,221,157</u>	<u>\$ 18,381,771</u>	<u>\$ 18,074,346</u>

City of Rittman, Ohio

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The most significant change during 2004 to the total amount of capital assets was an increase of \$504,679 and \$194,190 to infrastructure for governmental activities and business-type activities, respectively. For both governmental and business-type activities this increase was due to the completion of street improvements projects and other related developmental activities. See Note 5 to the basic financial statements for detail on the governmental and business-type activities capital assets.

Debt Administration

At December 31, 2004 the City had total long-term debt outstanding of \$6,514,569. Of this total, \$464,625 is due within one year and \$6,049,944 is due in more than one year. In 2004 the City refunded the recreation center and safety building bonds to take advantage of lower interest rates. Also in 2004 the City issued water improvement bonds to fund filtration system additions to the City's water treatment plant. Table 5 below summarizes the bonds and loans outstanding:

Table 5
Outstanding Debt, at Fical Year End

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenue bonds	\$ -	\$ -	\$ 1,137,600	\$ 1,154,600	\$ 1,137,600	\$ 1,154,600
OWDA loans	-	-	1,868,635	2,041,249	1,868,635	2,041,249
General obligation bonds	1,850,000	1,776,000	1,550,000	-	3,400,000	1,776,000
OPWC loans	24,250	33,950	-	-	24,250	33,950
Special assessment bonds	<u>68,897</u>	<u>81,409</u>	<u>15,187</u>	<u>22,345</u>	<u>84,084</u>	<u>103,754</u>
Total	<u>\$ 1,943,147</u>	<u>\$ 1,891,359</u>	<u>\$ 4,571,422</u>	<u>\$ 3,218,194</u>	<u>\$ 6,514,569</u>	<u>\$ 5,109,553</u>

All governmental long-term debt will be repaid by the debt retirement debt service fund. The revenues bonds and OWDA loans will be repaid by the sewer enterprise fund and the business-type special assessment and general obligation bonds will be repaid from the water enterprise fund.

At December 31, 2004 the City's overall legal debt margin was \$6,886,070, with an unvoted debt margin of \$2,099,885. The City's credit rating remained unchanged in 2004 as compared to 2003. See Note 7 to the basic financial statements for details on the City's long-term obligations.

City of Rittman, Ohio

Management's Discussion and Analysis
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Current Issues Affecting Financial Condition

Although the economic downturn has impacted the City's fund balances, the services that the City provides our citizens remained constant and efficient. In preparation for future negative impacts from the economic recession, the administration and City Council have entered into a new labor agreement with the American Federation of State, County and Municipal Employees (AFSCME) collective bargaining unit. The contract provides modest pay increases and a future component to help curtail the ever-increasing healthcare costs for the City without increasing the employees' contribution for coverage. Efficient uses of the City's workforce and cost containment measures have resulted in no layoffs of City employees during the recent economic downturn. Two full-time salaried employees have retired early for medical reasons in 2004 and there are no immediate plans to replace those positions. This will save the City about \$100,000 annually.

Despite rising costs, such as fuel and health care, and moderate job growth the City remains optimistic in maintaining current City services. The City is experiencing growth in certain residential areas and is anticipating approximately sixty new homes and eight-three condominium units.

The City of Rittman refinanced the 1993 Safety Building bonds and the 2000 Recreation Center Bonds in 2004. The City will save \$137,000 from the refinancing of the two bond issues. The debt structure for these new issues will not extend the maturity for this debt.

Last year, the City completed construction of a building to house a new sludge press at a cost of \$531,507. This new sludge press will enhance operations and reduce costs at the wastewater treatment plant. The City will save \$50,000 annually by reducing current hauling expenses.

To help offset rising operating expenses, City Council approved a 6% increase in sewer rates at the beginning of 2004. This was only the second sewer rate increase since January 1, 1988.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact James A. Bell, City of Rittman Finance Director, 30 North Main Street, Rittman, Ohio 44270, (330) 925-2063, or visit our web site at www.rittman.com.

City of Rittman, Ohio

Statement of Net Assets

December 31, 2004

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 1,574,770	\$ 2,333,918	\$ 3,908,688
Cash and cash equivalents with fiscal agents	2,841	13,935	16,776
Receivables:			
Income tax	351,345	117,115	468,460
Property and other taxes	607,802	-	607,802
Accounts	165,505	201,687	367,192
Special assessments	78,923	5,144	84,067
Accrued interest	7,476	-	7,476
Due from other governments	421,865	-	421,865
Materials and supplies inventory	8,172	16,755	24,927
Prepaid items	27,922	14,971	42,893
Deferred charges	44,891	45,127	90,018
Nondepreciable capital assets	129,063	241,845	370,908
Depreciable capital assets, net	6,951,276	11,059,587	18,010,863
Total assets	<u>10,371,851</u>	<u>14,050,084</u>	<u>24,421,935</u>
<u>Liabilities:</u>			
Accounts payable	13,080	25,714	38,794
Accrued wages and benefits	74,571	15,968	90,539
Due to other governments	134,081	26,307	160,388
Deferred revenue	565,919	-	565,919
Income tax refunds payable	22,160	7,387	29,547
Matured bonds payable	2,000	10,200	12,200
Matured interest payable	841	3,713	4,554
Accrued interest payable	6,931	17,637	24,568
Long-term liabilities:			
Due within one year	446,347	290,415	736,762
Due in more than one year	1,793,572	4,328,248	6,121,820
Total liabilities	<u>3,059,502</u>	<u>4,725,589</u>	<u>7,785,091</u>
<u>Net assets:</u>			
Invested in capital assets, net of related debt	5,004,792	8,280,010	13,284,802
Restricted for:			
Capital projects	364,894	-	364,894
Debt service	169,650	-	169,650
Safety services	526,382	-	526,382
Other purposes	180,525	-	180,525
Unrestricted	1,066,106	1,044,485	2,110,591
Total net assets	<u>\$ 7,312,349</u>	<u>\$ 9,324,495</u>	<u>\$ 16,636,844</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio

Statement of Activities

For the Year Ended December 31, 2004

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General government	\$ 588,195	\$ 257,353	\$ -	\$ -
Safety services	1,637,711	224,948	46,310	81,000
Public health and welfare	94,725	39,109	2,854	-
Transportation	605,120	-	323,126	453,347
Basic utility services	222,819	234,519	23,500	-
Leisure time activities	541,194	263,579	15,292	-
Interest and fiscal charges	108,889	-	-	-
Total governmental activities	<u>3,798,653</u>	<u>1,019,508</u>	<u>411,082</u>	<u>534,347</u>
<u>Business-Type Activities:</u>				
Water	757,763	425,019	-	107,703
Sewer	1,018,288	1,051,885	-	82,590
Total business-type activities	<u>1,776,051</u>	<u>1,476,904</u>	<u>-</u>	<u>190,293</u>
Total primary government	<u>\$ 5,574,704</u>	<u>\$ 2,496,412</u>	<u>\$ 411,082</u>	<u>\$ 724,640</u>

General revenues:
 Property taxes levied for:
 General purposes
 Safety services
 Income tax levied for:
 General purposes
 Capital improvements
 Water utility services
 Grants and entitlements not restricted to specific programs
 Investment earnings
 Other
 Total general revenues

Change in net assets
 Net assets, beginning of year
 Net assets, end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (330,842)	\$ -	\$ (330,842)
(1,285,453)	-	(1,285,453)
(52,762)	-	(52,762)
171,353	-	171,353
35,200	-	35,200
(262,323)	-	(262,323)
(108,889)	-	(108,889)
<u>(1,833,716)</u>	<u>-</u>	<u>(1,833,716)</u>
-	(225,041)	(225,041)
-	116,187	116,187
<u>-</u>	<u>(108,854)</u>	<u>(108,854)</u>
<u>\$ (1,833,716)</u>	<u>(108,854)</u>	<u>(1,942,570)</u>
363,873	-	363,873
371,113	-	371,113
645,307	-	645,307
322,652	-	322,652
-	350,163	350,163
447,667	-	447,667
90,961	200	91,161
104,757	-	104,757
<u>2,346,330</u>	<u>350,363</u>	<u>2,696,693</u>
512,614	241,509	754,123
<u>6,799,735</u>	<u>9,082,986</u>	<u>15,882,721</u>
<u>\$ 7,312,349</u>	<u>\$ 9,324,495</u>	<u>\$ 16,636,844</u>

City of Rittman, Ohio

Balance Sheet

Governmental Funds

December 31, 2004

	General	Emergency Medical Service	Fire Department Levy	Debt Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets:							
Equity in pooled cash and cash equivalents	\$ 732,474	\$ 306,083	\$ 169,870	\$ 52,767	\$ 254,685	\$ 58,891	\$1,574,770
Cash and cash equivalents:							
With fiscal agent	-	-	-	2,841	-	-	2,841
Receivables:							
Income tax	234,230	-	-	-	117,115	-	351,345
Property and other taxes	302,712	190,675	87,756	-	-	26,659	607,802
Accounts	123,481	42,024	-	-	-	-	165,505
Special assessments	-	-	-	78,923	-	-	78,923
Accrued interest	6,896	-	-	-	481	99	7,476
Due from other governments	236,992	10,541	4,355	-	-	169,977	421,865
Materials and supplies inventory	2,432	-	-	-	-	5,740	8,172
Prepaid items	24,978	2,193	-	-	-	751	27,922
Total assets	<u>\$1,664,195</u>	<u>\$ 551,516</u>	<u>\$ 261,981</u>	<u>\$ 134,531</u>	<u>\$372,281</u>	<u>\$ 262,117</u>	<u>\$3,246,621</u>
Liabilities:							
Accounts payable	\$ 12,170	\$ 910	\$ -	\$ -	\$ -	\$ -	\$ 13,080
Accrued wages and benefits	50,895	14,591	-	-	-	9,085	74,571
Due to other governments	106,517	8,779	-	-	-	18,785	134,081
Deferred revenue	615,527	223,408	89,469	78,923	75,546	152,156	1,235,029
Income tax refunds payable	14,773	-	-	-	7,387	-	22,160
Matured bonds payable	-	-	-	2,000	-	-	2,000
Matured interest payable	-	-	-	841	-	-	841
Total liabilities	<u>799,882</u>	<u>247,688</u>	<u>89,469</u>	<u>81,764</u>	<u>82,933</u>	<u>180,026</u>	<u>1,481,762</u>
Fund balances:							
Reserved for encumbrances	17,984	1,487	-	-	86,714	-	106,185
Unreserved:							
Designated:							
Cemetery improvements	90,270	-	-	-	-	-	90,270
Recreation center	348,064	-	-	-	-	-	348,064
Unreserved, undesignated,							
Reported in:							
General fund	407,995	-	-	-	-	-	407,995
Special revenue funds	-	302,341	172,512	-	-	82,091	556,944
Debt service fund	-	-	-	52,767	-	-	52,767
Capital projects fund	-	-	-	-	202,634	-	202,634
Total fund balances	<u>864,313</u>	<u>303,828</u>	<u>172,512</u>	<u>52,767</u>	<u>289,348</u>	<u>82,091</u>	<u>1,764,859</u>
Total liabilities and fund balances	<u>\$1,664,195</u>	<u>\$ 551,516</u>	<u>\$ 261,981</u>	<u>\$ 134,531</u>	<u>\$372,281</u>	<u>\$ 262,117</u>	<u>\$3,246,621</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio

**Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2004**

Total governmental fund balances		\$ 1,764,859
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.		7,080,339
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property and other taxes	\$ 23,382	
Income taxes	226,638	
Intergovernmental	292,180	
Special assessments	78,923	
Charges for services	47,987	
Deferred charges	44,891	
Total		714,001
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(6,931)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (1,850,000)	
Special assessment bonds	(68,897)	
OPWC loan	(24,250)	
Capital lease payable	(132,400)	
Compensated absences	(164,372)	
Total		<u>(2,239,919)</u>
Net assets of governmental activities		<u>\$ 7,312,349</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2004

	General	Emergency Medical Service	Fire Department Levy	Debt Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:							
Income tax	\$ 679,696	\$ -	\$ -	\$ -	\$ 339,848	\$ -	\$1,019,544
Property and other taxes	358,283	225,017	109,495	-	-	31,031	723,826
Charges for services	844,225	131,265	-	-	-	-	975,490
Fines, licenses, and permits	30,822	-	-	-	-	1,892	32,714
Intergovernmental	556,983	35,630	91,298	-	14,792	281,953	980,656
Special assessments	-	-	-	16,799	-	-	16,799
Investment income	90,959	-	-	-	2	725	91,686
Contributions and donations	500	-	-	-	-	2,854	3,354
Other	14,060	-	-	-	-	-	14,060
Total revenue	2,575,528	391,912	200,793	16,799	354,642	318,455	3,858,129
Expenditures:							
Current:							
General government	551,752	380	1,866	87	28,129	557	582,771
Safety services	1,041,453	276,670	100,414	-	6,498	39,400	1,464,435
Public health and welfare	84,873	-	-	-	-	5,027	89,900
Transportation	209,701	-	-	-	-	319,613	529,314
Basic utility services	222,819	-	-	-	-	-	222,819
Leisure time activities	378,479	-	-	-	15,113	-	393,592
Capital outlay	-	6,476	-	-	160,700	-	167,176
Debt service:							
Principal retirement	-	-	128,200	22,212	-	-	150,412
Interest and fiscal charges	-	-	7,166	107,903	-	-	115,069
Bond issuance costs	-	-	-	51,867	-	-	51,867
Total expenditures	2,489,077	283,526	237,646	182,069	210,440	364,597	3,767,355
Excess of revenues over (under) expenditures	86,451	108,386	(36,853)	(165,270)	144,202	(46,142)	90,774
Other financing sources (uses):							
Issuance of refunding bonds	-	-	-	1,850,000	-	-	1,850,000
Sale of capital assets	-	-	-	-	30,100	-	30,100
Payment to refunded bond escrow agent	-	-	-	(1,784,300)	-	-	(1,784,300)
Total other financing sources (uses)	-	-	-	65,700	30,100	-	95,800
Net change in fund balance	86,451	108,386	(36,853)	(99,570)	174,302	(46,142)	186,574
Fund balances at beginning of year	777,862	195,442	209,365	152,337	115,046	128,233	1,578,285
Fund balances at end of year	\$ 864,313	\$ 303,828	\$ 172,512	\$ 52,767	\$ 289,348	\$ 82,091	\$1,764,859

See accompanying notes to the basic financial statements.

City of Rittman, Ohio

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004**

Net change in fund balances - Total governmental funds \$ 186,574

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities,
the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$	620,523	
Depreciation expense		(380,189)	
Excess of capital outlay over depreciation expense			240,334

Governmental funds only report the disposal of capital assets to the extent proceeds are received
from the sale. In the statement of activities, a gain or loss is reported for each disposal. (13,184)

Revenues in the statement of activities that do not provide current financial resources are not
reported as revenues in the funds. These activities consist of:

Property and other taxes	\$	10,568	
Income taxes		(51,584)	
Intergovernmental		7,437	
Special assessments		(16,799)	
Charges for services		20,069	
Net change in deferred revenues during the year			(30,309)

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

Increase in compensated absences	\$	(13,560)	
Amortization of deferred charges		(6,976)	
Decrease in accrued interest		21,456	
Total additional expenditures			920

Governmental funds report the effect of issuance costs and similar items when debt is first issued,
whereas these amounts are deferred and amortized in the statement of activities. 51,867

Repayment of bond and loan principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets. 22,212

Refunding of bond principal is a financing use in the governmental funds, but the refunding
reduces long-term liabilities in the statement of net assets. 1,776,000

Payment of capital lease principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets. 128,200

Bond proceeds are reported as financing sources in governmental funds and thus contribute
to the change in fund balance. In the government-wide statements, however, issuing debt
increases long-term liabilities in the statement of net assets and does not affect the
statement of activities. (1,850,000)

Change in net assets of governmental activities \$ 512,614

See accompanying notes to the basic financial statements.

City of Rittman, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Income tax	\$ 650,000	\$ 650,000	\$ 678,185	\$ 28,185
Property and other taxes	300,000	350,000	354,534	4,534
Charges for services	739,555	739,555	779,546	39,991
Fines, licenses, and permits	81,000	81,000	87,144	6,144
Intergovernmental	524,163	524,163	559,699	35,536
Investment income	90,000	90,000	88,830	(1,170)
Contributions and donations	-	-	500	500
Other	9,500	9,500	14,241	4,741
Total revenue	<u>2,394,218</u>	<u>2,444,218</u>	<u>2,562,679</u>	<u>118,461</u>
<u>Expenditures:</u>				
Current:				
General government	602,962	616,118	574,672	41,446
Safety services	996,460	1,071,843	1,052,549	19,294
Public health and welfare	96,865	96,865	83,959	12,906
Transportation	232,480	216,684	208,828	7,856
Basic utility services	220,000	222,300	221,847	453
Leisure time activities	364,030	392,108	384,792	7,316
Total expenditures	<u>2,512,797</u>	<u>2,615,918</u>	<u>2,526,647</u>	<u>89,271</u>
Excess of revenues over (under) expenditures	<u>(118,579)</u>	<u>(171,700)</u>	<u>36,032</u>	<u>207,732</u>
<u>Other financing sources (uses):</u>				
Transfers - in	50,000	50,000	48,536	(1,464)
Transfers - out	<u>(100,000)</u>	<u>(75,000)</u>	<u>(48,536)</u>	<u>26,464</u>
Total other financing sources (uses)	<u>(50,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>
Net change in fund balance	(168,579)	(196,700)	36,032	232,732
Fund balance at beginning of year	652,661	652,661	652,661	-
Prior year encumbrances appropriated	<u>21,934</u>	<u>21,934</u>	<u>21,934</u>	<u>-</u>
Fund balance at end of year	<u>\$ 506,016</u>	<u>\$ 477,895</u>	<u>\$ 710,627</u>	<u>\$ 232,732</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Emergency Medical Service Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property and other taxes	\$ 188,000	\$ 188,000	\$ 222,619	\$ 34,619
Charges for services	78,563	78,563	123,203	44,640
Intergovernmental	27,700	27,700	35,630	7,930
Total revenue	<u>294,263</u>	<u>294,263</u>	<u>381,452</u>	<u>87,189</u>
<u>Expenditures:</u>				
Current:				
General government	3,700	4,050	4,049	1
Safety services	263,795	294,851	281,411	13,440
Total expenditures	<u>267,495</u>	<u>298,901</u>	<u>285,460</u>	<u>13,441</u>
Excess of revenues over (under) expenditures	<u>26,768</u>	<u>(4,638)</u>	<u>95,992</u>	<u>100,630</u>
Net change in fund balance	26,768	(4,638)	95,992	100,630
Fund balance at beginning of year	204,142	204,142	204,142	-
Prior year encumbrances appropriated	<u>4,156</u>	<u>4,156</u>	<u>4,156</u>	<u>-</u>
Fund balance at end of year	<u>\$ 235,066</u>	<u>\$ 203,660</u>	<u>\$ 304,290</u>	<u>\$ 100,630</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Department Levy Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property and other taxes	\$ 91,400	\$ 91,400	\$ 108,303	\$ 16,903
Intergovernmental	91,000	91,000	91,298	298
Total revenue	<u>182,400</u>	<u>182,400</u>	<u>199,601</u>	<u>17,201</u>
<u>Expenditures:</u>				
Current:				
General government	2,000	2,000	1,866	134
Safety services	<u>235,366</u>	<u>235,866</u>	<u>235,780</u>	<u>86</u>
Total expenditures	<u>237,366</u>	<u>237,866</u>	<u>237,646</u>	<u>220</u>
Net change in fund balance	(54,966)	(55,466)	(38,045)	17,421
Fund balance at beginning of year	<u>207,915</u>	<u>207,915</u>	<u>207,915</u>	-
Fund balance at end of year	<u>\$ 152,949</u>	<u>\$ 152,449</u>	<u>\$ 169,870</u>	<u>\$ 17,421</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2004

	Business-Type Activities		
	Water	Sewer	Total
<u>Assets:</u>			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 2,190,981	\$ 142,937	\$ 2,333,918
Cash and cash equivalents:			
With fiscal agent	13,935	-	13,935
Receivables:			
Income tax	117,115	-	117,115
Accounts	57,026	144,661	201,687
Special assessments	5,144	-	5,144
Materials and supplies inventory	13,922	2,833	16,755
Prepaid items	8,527	6,444	14,971
Deferred charges	45,127	-	45,127
Total current assets	<u>2,451,777</u>	<u>296,875</u>	<u>2,748,652</u>
Non-current assets:			
Capital assets:			
Land	31,686	40,920	72,606
Construction in progress	169,239	-	169,239
Depreciable capital assets, net	<u>3,505,141</u>	<u>7,554,446</u>	<u>11,059,587</u>
Total non-current assets	<u>3,706,066</u>	<u>7,595,366</u>	<u>11,301,432</u>
Total assets	<u>6,157,843</u>	<u>7,892,241</u>	<u>14,050,084</u>
<u>Liabilities:</u>			
Current liabilities:			
Accounts payable	9,961	15,753	25,714
Accrued wages and benefits	7,635	8,333	15,968
Compensated absences payable	14,427	14,290	28,717
Due to other governments	12,681	13,626	26,307
Income tax refunds payable	7,387	-	7,387
Matured bonds payable	10,200	-	10,200
Matured interest payable	3,713	-	3,713
Accrued interest payable	5,178	12,459	17,637
OWDA loans payable	-	181,353	181,353
Mortgage revenue bonds payable	-	17,900	17,900
General obligation bonds payable	55,000	-	55,000
Special assessment bonds payable	7,445	-	7,445
Total current liabilities	<u>133,627</u>	<u>263,714</u>	<u>397,341</u>
Long-term liabilities:			
Compensated absences payable	10,449	8,075	18,524
OWDA loans payable, net of current portion	-	1,687,282	1,687,282
Mortgage revenue bonds payable, net of current portion	-	1,119,700	1,119,700
General obligation bonds payable, net of current portion	1,495,000	-	1,495,000
Special assessment bonds payable, net of current portion	7,742	-	7,742
Total long-term liabilities	<u>1,513,191</u>	<u>2,815,057</u>	<u>4,328,248</u>
Total liabilities	<u>1,646,818</u>	<u>3,078,771</u>	<u>4,725,589</u>
<u>Net assets:</u>			
Invested in capital assets, net of related debt	3,690,879	4,589,131	8,280,010
Unrestricted	820,146	224,339	1,044,485
Total net assets	<u>\$ 4,511,025</u>	<u>\$ 4,813,470</u>	<u>\$ 9,324,495</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended December 31, 2004

	Business-Type Activities		
	Water	Sewer	Total
<u>Operating revenues:</u>			
Charges for services	\$ 413,754	\$ 1,051,501	\$ 1,465,255
Other	11,265	384	11,649
Total operating revenue	<u>425,019</u>	<u>1,051,885</u>	<u>1,476,904</u>
<u>Operating expenses:</u>			
Personal services	277,556	308,325	585,881
Contractual services	181,233	194,799	376,032
Supplies and materials	57,664	36,137	93,801
Other operating costs	92,654	105,000	197,654
Depreciation	118,700	214,946	333,646
Total operating expenses	<u>727,807</u>	<u>859,207</u>	<u>1,587,014</u>
Operating income (loss)	<u>(302,788)</u>	<u>192,678</u>	<u>(110,110)</u>
<u>Non-operating revenues (expenses):</u>			
Municipal income tax	350,163	-	350,163
Interest	200	-	200
Interest and fiscal charges	(29,956)	(159,081)	(189,037)
Total non-operating revenues (expenses):	<u>320,407</u>	<u>(159,081)</u>	<u>161,326</u>
Income (loss) before contributions	<u>17,619</u>	<u>33,597</u>	<u>51,216</u>
Capital contributions	107,703	82,590	190,293
Change in net assets	125,322	116,187	241,509
Net assets at beginning of year	<u>4,385,703</u>	<u>4,697,283</u>	<u>9,082,986</u>
Net assets at end of year	<u>\$ 4,511,025</u>	<u>\$ 4,813,470</u>	<u>\$ 9,324,495</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004

	Business-Type Activities		
	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 439,948	\$ 1,033,308	\$ 1,473,256
Cash payments for employee services and benefits	(276,361)	(306,106)	(582,467)
Cash payments to suppliers for goods and services	(335,137)	(314,985)	(650,122)
Net cash provided by (used for) operating activities	(171,550)	412,217	240,667
Cash flows from noncapital financing activities:			
Income taxes received	339,093	-	339,093
Net cash provided by noncapital financing activities	339,093	-	339,093
Cash flows from capital and related financing activities:			
Proceeds from sale of bonds	1,550,000	-	1,550,000
Interest paid on debt	(21,313)	(159,105)	(180,418)
Principal payment on bonds	(7,158)	(189,614)	(196,772)
Payment for bond issuance	(48,940)	-	(48,940)
Acquisition of capital assets	(108,647)	(114,981)	(223,628)
Net cash provided by (used for) for capital and related financing activities	1,363,942	(463,700)	900,242
Cash flows from investing activities:			
Investment income	200	-	200
Net cash provided by investing activities	200	-	200
Net increase (decrease) in cash and cash equivalents	1,531,685	(51,483)	1,480,202
Cash and cash equivalents at beginning of year	673,231	194,420	867,651
Cash and cash equivalents at end of year	\$ 2,204,916	\$ 142,937	\$ 2,347,853
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (302,788)	\$ 192,678	\$ (110,110)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	118,700	214,946	333,646
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(4,083)	(18,577)	(22,660)
Materials and supplies inventory	6,496	11,959	18,455
Prepaid items	(2,146)	1,565	(581)
Special assessment receivable	19,012	-	19,012
Increase (decrease) in liabilities:			
Accounts payable	(7,887)	7,412	(475)
Accrued wages and benefits	1,709	1,904	3,613
Compensated absences	(2,011)	(1,043)	(3,054)
Due to other governments	1,448	1,373	2,821
Net cash provided by (used for) operating activities	\$ (171,550)	\$ 412,217	\$ 240,667
Non-cash capital and related financing activities:			
Capital contributions received from contractors	\$ 107,703	\$ 82,590	\$ 190,293

See accompanying notes to the financial statements.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Rittman (the “City”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board Statements (FASB) and Interpretations issued on or before November 30, 1989, to its business-type activities and enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to follow FASB guidance for business-type activities and enterprise funds issued after November 30, 1989. The more significant of the City's accounting policies are described below.

A. City Government and Reporting Entity

The City is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own charter. The current Charter, which provides for a Mayor-Council-Manager form of government, was adopted in 1960.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are fairly presented and complete. The primary government consists of all funds, departments, boards and commissions that are not legally separate from the City. The City provides municipal services such as police, fire fighting and prevention, street lighting and maintenance, emergency medical service, solid waste collection and recycling, parks and recreation, and a staff to provide the necessary support to these services. The City also operates certain enterprise operations such as a sewage treatment plant and a water treatment plant. The operations of all of these services are included in the reporting entity.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. The City has no blended or discretely presented component units.

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and proprietary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

Notes to the Financial Statements

General Fund: The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the laws and regulations of the City and/or the general laws of Ohio.

Emergency Medical Service Fund: This special revenue fund is used to account for property taxes levied and other revenues for the operation of emergency medical services.

Fire Department Levy Fund: This special revenue fund is used to account for property taxes levied for the maintenance and acquisition of fire equipment.

Debt Retirement Fund: This debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term and special assessment debt principal and interest.

Capital Improvements Fund: This capital projects fund is used to account for financial resources that are used for the acquisition, construction, or improvement of the City's capital facilities.

Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of changes in net assets, financial position and cash flows. The City's only proprietary funds are classified as enterprise funds. Enterprise activities are financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

Sewer Fund: The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Water Fund: The water fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting and proprietary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, “available” means expected to be received within sixty days of year-end.

Notes to the Financial Statements

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Property Tax Note 9). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

City of Rittman, Ohio

E. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reported in the basic financial statements:

Tax Budget: A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. All City funds are legally required to be budgeted. The purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources: The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the Official Certificate of Estimated Resources, which states the projected revenue of each fund.

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the Finance Director determines that revenue to be collected will be greater than or less than the prior estimates and the budget commission find the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended certificate issued for 2003.

Annual Budget: The City Manager with the assistance of the Finance Director submits to Council an annual budget in November. The annual budget contains an estimate of the revenues and expenditures of each fund and department of the City for the next fiscal year. As part of the process, Council holds public meetings throughout its review. The annual budget serves as the basis for appropriations (the appropriated budget) in each fund.

Appropriations: An appropriation ordinance (the appropriated budget), to control the level of expenditures for all funds, must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations. During the year, several supplemental appropriation measures were passed.

The Appropriated Budget: For all funds, except agency funds, Council appropriations (the legal level) are made for personal services, supplies and materials, contractual and other services, and capital outlay within each department, also debt principal/interest payments, and transfers-out. Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council.

Notes to the Financial Statements

The appropriations set by Council must remain fixed unless amended by Council ordinance. The Finance Director may make more detailed appropriation allocations as long as the allocations are within Council's appropriated amount.

Lapsing of Appropriations: At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over for the subsequent year's expenditures and is not reappropriated.

F. Deposits and Investments

Cash received by the City is deposited in a central bank account. Monies for all funds, except cash held by a trustee or fiscal agent, are maintained in the account or temporarily used to purchase investments. Individual fund integrity is maintained through City records. Each fund's interest in the pool of cash and investments is presented as "Equity in pooled cash" on the combined balance sheet. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market price.

Investments with original maturities of three months or less and investments of the cash management pool are presented on the financial statements as cash equivalents.

The City utilizes financial institutions to service bonded debt as principal and interest payments come due. These accounts' balances are presented in the accounts "Cash with fiscal and escrow agents".

G. Inventory of Supplies

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of governmental funds are stated at cost, while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure/expense in the governmental and proprietary funds when used under the consumption method.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure or expense is reported in the year in which services are consumed.

I. Capital Assets and Depreciation

Governmental capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset Class</u>	<i>Governmental and Business-Type Activities</i> <u>Estimated Useful Life</u>
<i>Buildings</i>	<i>20 to 40 years</i>
<i>Land improvements</i>	<i>5 to 50 years</i>
<i>Equipment</i>	<i>5 to 30 years</i>
<i>Infrastructure</i>	<i>30 to 75 years</i>

J. Deferred Charges Bond issuance costs are recorded as expenditures when incurred on the governmental fund statements. Bond issuance costs are recorded as deferred charges and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method, on the government-wide and proprietary fund financial statements.

K. Compensated Absences Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. The entire compensated absences liability is reported on the government-wide financial statements.

L. Accrued Liabilities and Long-term Obligations All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are also reported on the proprietary fund financial statements.

Notes to the Financial Statements

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually-required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

M. Capital Contributions Contributions of capital in the proprietary fund financial statements arise from donations by developers, grants restricted for capital construction, and special assessments. These assets are recorded at their fair market value on the date contributed and are not subject to repayment.

N. Fund Balance Reserves Reserved or designated fund balances indicate that a portion of fund equity is not available for current appropriation or use. The unreserved or undesignated portions of fund equity reflected in the governmental funds are available for use within the specified purposes of the funds.

The City reports amounts representing encumbrances outstanding as reservations of fund balance in the governmental funds. The City reports amounts set-aside for designation of cemetery improvements and recreation center operations.

O. Interfund Transactions During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. These amounts are eliminated in the governmental activities columns of the statement of net assets.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

P. Net Assets Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include amounts to provide transportation, general government, and public health and welfare services. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer treatment and water services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The statement of revenues, expenditures, and changes in fund balances - budget (Non-GAAP basis) and actual presented for the general fund and emergency medical service and fire department levy special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are recorded as the equivalent of an expenditure (budget basis) in order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation as opposed to a reservation of fund (GAAP basis).

Notes to the Financial Statements

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the general fund and the emergency medical service and fire department levy special revenue funds are as follows:

	<i>Net Change in Fund Balance</i>		
	<u>General</u>	<u>Emergency Medical Service</u>	<u>Fire Department Levy</u>
<i>GAAP Basis</i>	\$ 86,451	\$ 108,386	\$ (36,853)
<i>Revenue accruals</i>	19,656	(10,460)	(1,192)
<i>Expenditure accruals</i>	(48,228)	(141)	-
<i>Encumbrances (Budget Basis) outstanding at year end</i>	<u>(21,847)</u>	<u>(1,793)</u>	<u>-</u>
<i>Budget Basis</i>	<u>\$ 36,032</u>	<u>\$ 95,992</u>	<u>\$ (38,045)</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

The City's policy is to invest public funds in a manner which will provide the highest return with the maximum security while meeting daily cash flow needs and conforming to state statutes and the City Charter governing the investment of public funds. The Charter of the City of Rittman specifies that the Finance Director has responsibility for selecting depositories and investing idle funds and the authority to choose the types of deposits and investments made. The Charter allows the Finance Director to invest in government securities, direct obligations of the U.S. Treasury and federal agencies, certificates of deposit, savings accounts, NOW accounts, repurchase agreements, state and local government securities, and the State Treasurer's investment pool. The City's practice is to limit deposits and investments to insured and/or collateralized demand deposit accounts, the State Treasurer's investment pool, certificates of deposit, U.S. Treasury bills, or obligations of other U.S. Agencies for which the principal and interest is guaranteed by the U.S. Government. The City also invests in special assessment bonds issued in the name of the City. The Charter allows for ten percent of funds to be invested for a maximum maturity of three years from the date of purchase. The City does not enter into reverse repurchase agreements.

Protection of City cash and investments is provided by the various federal deposit insurance corporations as well as qualified pledged or pooled securities by the institutions holding the assets. Such collateral is held by the various institutions or their trustees including the Federal Home Loan Bank and the Federal Reserve Bank.

The City has invested funds in STAR Ohio during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004.

Interest earnings are distributed to the street maintenance and repair and state highway special revenue funds and the capital improvements capital projects fund based on daily cash balances and the remainder is reported in the general fund. The interest earned in the water bond escrow account is credited to the water enterprise fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$90,959, which includes \$82,561 assigned from other City funds.

Deposits: At year-end, the carrying amount of the City's deposits including cash on hand of \$1,050 was \$2,767,896 and the bank balances totaled \$2,849,194. Of the bank balances,

1. \$328,701 was covered by federal depository insurance.
2. \$2,520,493 was covered by pooled and/or pledged collateral, as allowed by the Ohio Revised Code, but not necessarily held in the City's name (uncollateralized, risk Category 3).

Investments: The City's investments are categorized to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent but not in the City's name.

Notes to the Financial Statements

	<u>Category</u>		<u>Carrying Amounts</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>		
<u>Categorized Investments</u>				
Special assessment bonds	\$ 84,083	\$ -	\$ 84,083	\$ 84,083
U.S. Agency securities	-	399,146	399,146	399,146
Total Categorized	<u>\$ 84,083</u>	<u>\$ 399,146</u>	<u>\$ 483,229</u>	<u>\$ 483,229</u>
<u>Noncategorized Investments</u>				
State Treasurer's pool			674,339	674,339
Total Investments			<u>\$ 1,157,568</u>	<u>\$ 1,157,568</u>

Investments with the State Treasurer's Pool are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

NOTE 4 - RECEIVABLES

Receivables at year end for governmental funds consisted primarily of municipal income taxes, property and other taxes, amounts due from other governments, accounts, special assessments, and accrued interest.

Due from other governments consists primarily of entitlements to be received from the state.

<u>Revenue description</u>	<u>Amount</u>
Cents per gallon and excise tax	\$ 105,031
Homestead and rollback	33,995
Local government	205,279
Motor vehicle tax	4,672
Permissive sales tax	58,765
Cops in schools grant	14,123
Total	<u>\$ 421,865</u>

City of Rittman, Ohio

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ending December 31, 2004 was as follows:

Governmental Activities: A summary of the governmental activities' capital assets as of December 31, 2004 follows:

<u>Governmental activities</u>	<u>Balance</u> <u>12/31/2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2004</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 129,063	\$ -	\$ -	\$ 129,063
<i>Capital assets, being depreciated:</i>				
Land improvements	151,386	-	-	151,386
Buildings	5,738,959	-	-	5,738,959
Infrastructure	988,020	555,589	-	1,543,609
Equipment	<u>2,582,642</u>	<u>64,934</u>	<u>(23,936)</u>	<u>2,623,640</u>
Total capital assets, being depreciated	<u>9,461,007</u>	<u>620,523</u>	<u>(23,936)</u>	<u>10,057,594</u>
<i>Less accumulated depreciation:</i>				
Land improvements	(95,791)	(24,630)	-	(120,421)
Buildings	(967,898)	(137,864)	-	(1,105,762)
Infrastructure	(63,484)	(50,910)	-	(114,394)
Equipment	<u>(1,609,708)</u>	<u>(166,785)</u>	<u>10,752</u>	<u>(1,765,741)</u>
Total accumulated depreciation	<u>(2,736,881)</u>	<u>(380,189)</u>	<u>10,752</u>	<u>(3,106,318)</u>
Total capital assets being depreciated, net	<u>6,724,126</u>	<u>240,334</u>	<u>(13,184)</u>	<u>6,951,276</u>
Governmental activities capital assets, net	<u>\$ 6,853,189</u>	<u>\$ 240,334</u>	<u>\$ (13,184)</u>	<u>\$ 7,080,339</u>

Depreciation Expense: Depreciation expense charged to governmental functions for the year ending December 31, 2004 is as follows:

<u>Depreciation Expense:</u>	
General government	\$ 5,740
Safety services	159,933
Public health	1,356
Leisure time activities	139,510
Transportation	<u>73,650</u>
Total depreciation expense	<u>\$ 380,189</u>

Notes to the Financial Statements

Business-type Activities: A summary of the business-type activities' capital assets as of December 31, 2004 follows:

<u>Business-type activities</u>	<u>Balance</u> <u>12/31/2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2004</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 72,606	\$ -	\$ -	\$ 72,606
Construction in progress	<u>90,728</u>	<u>78,511</u>	<u>-</u>	<u>169,239</u>
<i>Total capital assets, not being depreciated</i>	<u>163,334</u>	<u>78,511</u>	<u>-</u>	<u>241,845</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	16,033	-	-	16,033
Buildings	6,514,118	-	-	6,514,118
Infrastructure	8,289,347	334,867	-	8,624,214
Equipment	<u>1,456,969</u>	<u>543</u>	<u>-</u>	<u>1,457,512</u>
<i>Total capital assets, being depreciated</i>	<u>16,276,467</u>	<u>335,410</u>	<u>-</u>	<u>16,611,877</u>
<i>Less accumulated depreciation:</i>				
Land improvements	(4,644)	(1,690)	-	(6,334)
Buildings	(2,005,209)	(157,429)	-	(2,162,638)
Infrastructure	(2,008,235)	(140,677)	-	(2,148,912)
Equipment	<u>(1,200,556)</u>	<u>(33,850)</u>	<u>-</u>	<u>(1,234,406)</u>
<i>Total accumulated depreciation</i>	<u>(5,218,644)</u>	<u>(333,646)</u>	<u>-</u>	<u>(5,552,290)</u>
<i>Total capital assets being depreciated, net</i>	<u>11,057,823</u>	<u>1,764</u>	<u>-</u>	<u>11,059,587</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 11,221,157</u>	<u>\$ 80,275</u>	<u>\$ -</u>	<u>\$ 11,301,432</u>

NOTE 6 - COMPENSATED ABSENCES

City employees earn vacation leave at varying rates based upon length of service, from two to five weeks per year. Vacation is required to be taken within one year of the date it is earned, except for certain circumstances. In the event of a termination of employment, death, or retirement, employees (or their estates) are paid for unused vacation leave.

City employees earn sick leave at the rate of 9.2 hours for each month worked. Sick leave accrual is continuous, without limit. In the case of death or retirement, employees (or the employees' estates) are paid between 480 to 600 hours of accumulated, unused sick leave.

City of Rittman, Ohio

NOTE 7 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

Governmental Activities: A summary of the governmental activities' debt and other long-term obligations as of December 31, 2004 follows:

	<i>Balance</i> <i>January 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Amount</i> <i>Outstanding</i> <i>December 31</i>	<i>Amount</i> <i>Due in</i> <i>One Year</i>
<u>Governmental activities</u>					
<u>General obligation bonds</u>					
<i>1993 Safety Building</i>					
<i>Bonds 3.00 - 5.85%</i>	\$ 415,000	\$ -	\$ 415,000	\$ -	\$ -
<i>2000 Recreation Center</i>					
<i>Bonds 5.30%</i>	1,361,000	-	1,361,000	-	-
<i>2004 Refunding Recreation Center</i>					
<i>Bonds 2.00 - 4.35%</i>	-	1,410,000	-	1,410,000	70,000
<i>2005 Refunding Safety Building</i>					
<i>Bonds 2.00 - 2.75%</i>	-	440,000	-	440,000	110,000
<i>Total general obligation bonds</i>	<u>1,776,000</u>	<u>1,850,000</u>	<u>1,776,000</u>	<u>1,850,000</u>	<u>180,000</u>
<u>Loans</u>					
<i>2002 OPWC loan</i>	<u>33,950</u>	<u>-</u>	<u>9,700</u>	<u>24,250</u>	<u>9,700</u>
<u>Special assessment bonds</u>					
<i>1995 Ritter Drive 6.50%</i>	12,531	-	3,917	8,614	4,171
<i>1999 Metzger Avenue 6.00%</i>	1,996	-	969	1,027	1,027
<i>2002 Rufener Street 5.50%</i>	48,606	-	4,318	44,288	4,556
<i>2002 Street Improvement 5.00%</i>	18,276	-	3,308	14,968	3,473
<i>Total special assessment bonds</i>	<u>81,409</u>	<u>-</u>	<u>12,512</u>	<u>68,897</u>	<u>13,227</u>
<u>Other obligations</u>					
<i>Capital lease</i>	260,600	-	128,200	132,400	132,400
<i>Compensated absences</i>	150,812	122,091	108,531	164,372	111,020
<i>Total governmental activities</i>	<u>\$ 2,302,771</u>	<u>\$ 1,972,091</u>	<u>\$ 2,034,943</u>	<u>\$ 2,239,919</u>	<u>\$ 446,347</u>

Notes to the Financial Statements

Business-type Activities: A summary of the business-type activities' debt and other long-term obligations as of December 31, 2004 follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount</u> <u>Outstanding</u> <u>December 31</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>Business-type activities</u>					
<u>Revenue bonds</u>					
1993 Mortgage Revenue Bonds 5.25%	\$ 1,154,600	\$ -	\$ 17,000	\$ 1,137,600	\$ 17,900
<u>General obligation bonds</u>					
2004 Water Improvement Bonds 2.0 - 4.7%	-	1,550,000	-	1,550,000	55,000
<u>Special assesment bonds</u>					
2002 Sterling Avenue Waterline Bonds 4.00%	22,345	-	7,158	15,187	7,445
<u>Loans</u>					
1993 OWDa loan 5.00%	2,041,249	-	172,614	1,868,635	181,353
<u>Other obligations</u>					
Compensated absences	50,295	26,199	29,253	47,241	28,717
Total business-type activities	\$ 3,268,489	\$ 1,576,199	\$ 226,025	\$ 4,618,663	\$ 290,415

General obligation bonds: General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from voted and unvoted general property taxes. On July 12, 2004, the City issued \$1,410,000 and \$415,000 in general obligation bonds with interest rates varying between; 2.00%-4.35%, and 2.00%-2.75%, respectively. The bond issues were used to currently refund \$1,361,000 of outstanding recreation center bonds with an interest rate of 5.30%, and to refund \$415,000 of outstanding safety building bonds with an average interest rate of 4.84%. The refunding recreation center bonds will mature on December 1, 2020 and the safety building bonds will mature on December 1, 2008. These bonds will be paid from the debt retirement debt service fund.

The City currently refunded the recreation center and safety building bonds to reduce their total debt service payments over the next 15 and 3 years by \$100,414 and \$2,584, and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$104,984 and \$16,200, respectively.

The City also issued water improvement bonds (maturing on December 1, 2024) to finance the future construction cost of filtration system additions to the City's water treatment plant.

City of Rittman, Ohio

Special assessment bonds: Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefited from the project. Special assessment debt will be serviced by the debt retirement debt service fund from payments received from the property owners. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

Mortgage revenue bonds: Mortgage revenue bonds are to be repaid from income derived from the constructed and improved assets of the sewer fund. The sewer mortgage revenue bonds (maturing October 15, 2013) were issued for the purpose of constructing and improving the wastewater treatment facilities.

Loans: The Ohio Water Development Authority (OWDA) loans were used for the construction, maintenance and operation of a wastewater facility. The loans are paid from revenues of the wastewater system. The Ohio Public Works Commission (OPWC) loan was for the improvement of an intersection located in the City. This loan ends in 2007 and is an interest-free loan.

Compensated absences: Sick leave benefits will be paid from the fund from which the person is paid. Most sick leave is paid from the general fund and the water and sewer enterprise funds.

The annual requirements to amortize all bonded debt and loans as of December 31, 2004, including interest payments of \$2,830,130, are as follows:

	<i>General</i>		<i>Special</i>		<i>OPWC & OWDA Loans</i>		<i>Revenue Bonds</i>		<i>Total</i>
	<i>Obligation Bonds</i>		<i>Assessment Bonds</i>						
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	
2005	\$ 235,000	119,410	20,671	4,413	191,053	91,193	17,900	58,302	737,942
2006	230,000	114,710	20,637	3,359	200,234	82,012	18,800	57,385	727,137
2007	245,000	109,880	8,899	2,313	205,029	72,366	19,800	56,421	719,708
2008	250,000	103,878	9,369	1,843	210,313	62,232	20,800	55,406	713,841
2009	135,000	97,003	5,644	1,348	220,961	51,585	21,800	54,340	587,681
2010-2014	760,000	414,228	18,864	2,112	865,295	88,615	127,100	253,744	2,529,958
2015-2019	925,000	258,896	-	-	-	-	163,300	217,638	1,564,834
2020-2024	620,000	76,051	-	-	-	-	209,600	172,293	1,077,944
2025-2029	-	-	-	-	-	-	269,100	111,776	380,876
2030-2033	-	-	-	-	-	-	269,400	35,378	304,778
	<u>\$ 3,400,000</u>	<u>1,294,056</u>	<u>84,084</u>	<u>15,388</u>	<u>1,892,885</u>	<u>448,003</u>	<u>1,137,600</u>	<u>1,072,683</u>	<u>9,344,699</u>

Notes to the Financial Statements

NOTE 8 - CAPITAL LEASE - LESSEE DISCLOSURE

The City entered into a new capital lease during 2003 for the acquisition of a 2002 Sutphen Aerial Platform (fire truck). The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers all benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service payments in the basic financial statements for the governmental funds. These expenditures are reflected as function expenditures on a budgetary basis.

Governmental activities capital assets consisting of equipment have been capitalized in the amount of \$410,600. The capitalized amount consists of \$260,600 and \$150,000 equal to the present value of the future minimum lease payments and the down payment respectively, at the time of acquisition.

Following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2004:

<u>Year Ending December 31,</u>	<u>Amount</u>
2005	\$ 135,366
<i>Less: amount representing interest</i>	<u>(2,966)</u>
<i>Present value of net minimum lease payments</i>	<u>\$ 132,400</u>

NOTE 9 - PROPERTY TAX

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, on the assessed value as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was in 2002 for both Wayne and Medina Counties. Public utility property taxes were levied after October 1, on the assessed value as of the prior December 31, and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 100% of true value and on real property at 35% of assessed valuation. Tangible personal property taxes are levied on January 1 of the current year on the value listed as of December 31, of the prior year. Tangible personal property assessments are 25% of true value.

City of Rittman, Ohio

The full-tax rate for all City operations applied to taxable property for the year ended December 31, 2004 was \$7.5 and \$6.2 per \$1,000 of assessed valuation in Wayne and Medina Counties, respectively. For 2004, only 2.00% of the total valuations were attributed to property in Medina County.

The assessed values upon which the 2004 taxes were collected are as follows:

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
<u>Real Property</u>		
Residential and agricultural	\$ 67,081,670	70.08 %
Commercial and industrial	10,920,540	11.41
Public utilities	11,370	0.01
<u>Tangible Personal Property</u>		
General	15,243,491	15.92
Public utilities	<u>2,466,630</u>	<u>2.58</u>
Total	<u>\$ 95,723,701</u>	<u>100.00 %</u>

Real and public utility property taxes are payable annually or semi-annually. If paid annually, payment is due March 1. If paid semi-annually, the first payment is due March 1 with the remainder payable by July 15. Under certain circumstances, state statute permits earlier or later payment dates to be established. Due dates are normally extended an additional thirty days.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due May 10; if paid semi-annually, the first payment is due May 10, with the remainder payable by September 20.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility, and tangible personal property taxes which became measurable as of December 31, 2004. However, since these tax collections will not be received during the available period nor are they intended to finance 2004 operations, the receivable is offset by a credit to deferred revenue.

Notes to the Financial Statements

NOTE 10 - INCOME TAX

The City levies and collects an income tax of 1.5% on all income earned within the city as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and to file a final return annually. Income tax revenues are distributed between the general fund (50%), the water enterprise fund (25%), and the capital improvements capital projects fund (25%).

NOTE 11 - CONTINGENCIES

A few claims and lawsuits are pending against the City. It is management's opinion that the ultimate liability will be covered by insurance, and/or will not have a material effect on the financial statements.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, City management believes such disallowance, if any, will be immaterial.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

All full-time employees of the City, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The Traditional Pension Plan (TP), a cost sharing, multiple-employer defined benefit pension plan and the Member-Directed Plan (MD), which is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The third plan is the Combined Plan (CO), cost-sharing, multiple-employer defined benefit pension plan. Under the CO Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP benefit. Member contributions, the investment which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan. All full-time uniformed City police participate in the Ohio Police and Fire Pension Fund (OP&F), also a cost-sharing, multiple-employer defined benefit pension plan. All members of these pension plans except those of the Member-Directed Plan are provided basic retirement and disability benefits, annual cost of living adjustments, and

death benefits to plan members and beneficiaries. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. Authority to establish and amend benefits for OPERS and OP&F is provided by the Ohio State Legislature and are codified in the Ohio Revised Code, Chapters 145 and 742 respectively.

Each retirement system prepares a stand-alone financial report that includes financial information and required supplementary information for the plans. These reports can be obtained by writing to OPERS at 277 East Town Street, Columbus, Ohio 43215-4642 and OP&F at 140 East Town Street, Columbus, Ohio 43215-5164.

OPERS: The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan. The 2004 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. Members in the law enforcement classification, which consists generally of sheriffs and township police, contributed at a rate of 10.1%. Public safety division contributed at 9%. For 2004, the employer pension contribution rate for the City was 13.55% of covered payroll, with 9.55% to fund pension obligations. The 2004 employer contribution rate for both the law enforcement and public safety divisions was 16.70% of covered payroll, with 12.70% to fund pension obligations. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ending December 31, 2004, 2003, and 2002 were \$161,519, \$141,756 and \$139,476, respectively. The full amount has been contributed for 2003 and 2002. Approximately 74% had been contributed for 2004 with the remainder being reported as a liability within the respective funds.

OP&F: Plan members are required to contribute 10% of their covered salary to fund pension obligations, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The portion used to fund pension obligations were 11.75% and 16.25% respectively for police officers and firefighters. Contributions are authorized by state statute. The City's required contributions to OP&F for the years ending December 31, 2004, 2003, and 2002 were \$40,461, \$43,323 and \$44,192, respectively. The full amount has been contributed for 2003 and 2002. Approximately 71% has been contributed for 2004 with the remainder being reported as a liability within the respective funds.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans, the Traditional Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO), all of which are

Notes to the Financial Statements

described in Note 12. OPERS provide retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the TP and MD Plans; however, health care benefits are not statutorily guaranteed. Members of the MD Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB). A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2004 employer contribution rate for local government employers was 13.55% of covered payroll and 4.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2004 employer rate was 16.70% of covered payroll and 4.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The City's contribution actually made to fund post employment benefits was \$67,652.

OPEB are advanced-funded on an actuarially determined basis. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actual valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2003 (latest information available) was 8.00%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

At year-end 2004, the number of active contributing participants in the TP and CO Plans totaled 369,885. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003 (latest information available) was \$10.5 billion.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

The Ohio Police and Fire Pension Fund (OP&F) provides post retirement health care coverage, also referred to as OPEB, to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3-time basis.

The health care coverage provided by the OP&F is considered an OPEB as described in GASB Statement No.12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that the health care costs are paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go-basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the post-employment health care program in 2003 and in 2004. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund post-employment benefits were \$26,687. The OP&F total health care expense for the year ended December 31, 2003, the last actuarial valuation available, was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Notes to the Financial Statements

These risks are covered by commercial insurance policies purchased from independent third parties. The City purchases extended coverage insurance on all buildings and contents to \$19,191,403. Coverage is purchased on City vehicles for a combined single limit liability of \$1,000,000. The City purchases general liability insurance coverage with a \$1,000,000 limit per occurrence and \$2,000,000 aggregate. Other policies held by the City include law enforcement, public officials, boiler & machinery, inland marine, and commercial crime. An umbrella policy held by the City provides an additional \$5,000,000 of coverage over the policies listed above. There were no settled claims from these risks that have exceeded commercial insurance coverage for the past three years.

Workers Compensation coverage is provided by the State of Ohio and is based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

NOTE 15 - FUND DEFICITS

As of December 31, 2004, the police pension special revenue fund had a deficit of \$3,187. This deficit was the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficits in other funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 16 - COMPLIANCE

During the year the City had expenditures plus encumbrances in excess of appropriations which is a violation of the City's Charter. To prevent future violations, the City has implemented a corrective action plan, which includes more frequent monitoring of expenditures and obligations as compared to appropriations. The funds and related accounts are presented below:

<u>Fund</u>	<u>Department</u>	<u>Object</u>	<u>Amount</u>
Water	Office of superintendent	Contractual services	\$ 35,482

NOTE 17 - SUBSEQUENT EVENT

In March of 2005 the City entered into a contract for the construction of a filtration addition to the water treatment plant in the amount of \$1,719,000. Construction costs will be paid from proceeds of the 2004 water improvement bonds and water revenues.

Combining Statements

Combining Statements – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

Special revenue funds are used to account for types of resources for which specific uses are mandated by City ordinances or Federal and State statutes. The title of each special revenue fund is descriptive of the activities accounted for therein. The special revenue funds are:

STREET MAINTENANCE AND REPAIR – Required by the Ohio Revised Code to account for that portion of the state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

STATE HIGHWAY – Required by the Ohio Revised Code to account for that portion of the state gasoline tax and motor vehicle registration fees designated for maintenance of state highways within the City.

PERMISSIVE TAX – Required by the Ohio Revised Code to account for that portion of motor vehicle registration fees allocated to assist in maintaining those city streets designated as contributing to the effective and efficient flow of traffic through and within the county.

PERMISSIVE TAX II – To account for the City’s share of motor vehicle registration fees levied by the City for maintaining city streets.

POLICE PENSION – To accumulate property taxes levied for the partial payment of the current liability for police disability and pension.

LAW ENFORCEMENT AND EDUCATION – To account for funds from the municipal court designated to enforce drunk driving laws and related educational programs.

LAW ENFORCEMENT – To account for funds from the municipal court designated for law enforcement programs.

EDUCATION AND RECREATION ASSISTANCE – To account for monies received and expended for the Parks and Recreation Department programs and activities.

City of Rittman, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004

	Street Maintenance and Repair Fund	State Highway Fund	Premissive Tax Fund	Premissive Tax II Fund	Police Pension Fund	Law Enforcement and Education Fund	Law Enforcement Fund
Assets:							
Equity in pooled cash and cash equivalents	\$ 20,632	\$ 5,228	\$ -	\$ 24,659	\$ 6,301	\$ 298	\$ 355
Receivables:							
Property and other taxes	-	-	-	-	26,659	-	-
Accrued interest	69	30	-	-	-	-	-
Due from other governments	101,473	8,230	50,081	8,684	1,509	-	-
Materials and supplies inventory	4,185	1,555	-	-	-	-	-
Prepaid items	751	-	-	-	-	-	-
Total assets	<u>\$ 127,110</u>	<u>\$ 15,043</u>	<u>\$ 50,081</u>	<u>\$ 33,343</u>	<u>\$ 34,469</u>	<u>\$ 298</u>	<u>\$ 355</u>
Liabilities:							
Accrued wages and benefits	\$ 9,028	\$ 57	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	8,472	13	-	-	10,300	-	-
Deferred revenue	63,567	5,157	50,081	5,995	27,356	-	-
Total liabilities	<u>81,067</u>	<u>5,227</u>	<u>50,081</u>	<u>5,995</u>	<u>37,656</u>	<u>-</u>	<u>-</u>
Fund balances:							
Unreserved:							
Unreserved, undesignated,							
Reported in:							
Special revenue funds	46,043	9,816	-	27,348	(3,187)	298	355
Total fund balances	<u>46,043</u>	<u>9,816</u>	<u>-</u>	<u>27,348</u>	<u>(3,187)</u>	<u>298</u>	<u>355</u>
Total liabilities and fund balances	<u>\$ 127,110</u>	<u>\$ 15,043</u>	<u>\$ 50,081</u>	<u>\$ 33,343</u>	<u>\$ 34,469</u>	<u>\$ 298</u>	<u>\$ 355</u>

Education and Recreation Assistance Fund	Total Nonmajor Special Revenue Funds
\$ 1,418	\$ 58,891
-	26,659
-	99
-	169,977
-	5,740
-	751
<u>\$ 1,418</u>	<u>\$ 262,117</u>
\$ -	\$ 9,085
-	18,785
-	152,156
<u>-</u>	<u>180,026</u>
<u>1,418</u>	<u>82,091</u>
<u>1,418</u>	<u>82,091</u>
<u>\$ 1,418</u>	<u>\$ 262,117</u>

City of Rittman, Ohio

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2004

	Street Maintenance and Repair Fund	State Highway Fund	Premissive Tax Fund	Premissive Tax II Fund	Police Pension Fund	Enforcement and Education Fund	Law Enforcement Fund
Revenues:							
Property and other taxes	\$ -	\$ -	\$ -	\$ -	\$ 31,031	\$ -	\$ -
Fines, licenses, and permits	-	-	-	-	-	732	1,160
Intergovernmental	241,727	19,599	-	17,583	3,044	-	-
Investment income	495	230	-	-	-	-	-
Contributions and donations	-	-	-	-	-	-	-
Total revenue	<u>242,222</u>	<u>19,829</u>	<u>-</u>	<u>17,583</u>	<u>34,075</u>	<u>732</u>	<u>1,160</u>
Expenditures:							
Current:							
General government	-	-	-	-	557	-	-
Safety services	-	-	-	-	31,900	3,750	3,750
Public health and welfare	-	-	-	-	-	-	-
Transportation	282,604	37,009	-	-	-	-	-
Total expenditures	<u>282,604</u>	<u>37,009</u>	<u>-</u>	<u>-</u>	<u>32,457</u>	<u>3,750</u>	<u>3,750</u>
Net change in fund balance	(40,382)	(17,180)	-	17,583	1,618	(3,018)	(2,590)
Fund balances at beginning of year	<u>86,425</u>	<u>26,996</u>	<u>-</u>	<u>9,765</u>	<u>(4,805)</u>	<u>3,316</u>	<u>2,945</u>
Fund balances at end of year	<u>\$ 46,043</u>	<u>\$ 9,816</u>	<u>\$ -</u>	<u>\$ 27,348</u>	<u>\$ (3,187)</u>	<u>\$ 298</u>	<u>\$ 355</u>

Education and Recreation Assistance Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ 31,031
-	1,892
-	281,953
-	725
<u>2,854</u>	<u>2,854</u>
<u>2,854</u>	<u>318,455</u>
-	557
-	39,400
5,027	5,027
-	<u>319,613</u>
<u>5,027</u>	<u>364,597</u>
(2,173)	(46,142)
<u>3,591</u>	<u>128,233</u>
<u>\$ 1,418</u>	<u>\$ 82,091</u>

Individual Fund Schedules of Revenues, Expenditures and
Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Income tax	\$ 650,000	\$ 650,000	\$ 678,185	\$ 28,185
Property and other taxes	300,000	350,000	354,534	4,534
Charges for services	739,555	739,555	779,546	39,991
Fines, licenses, and permits	81,000	81,000	87,144	6,144
Intergovernmental	524,163	524,163	559,699	35,536
Investment income	90,000	90,000	88,830	(1,170)
Contributions and donations	-	-	500	500
Other	9,500	9,500	14,241	4,741
Total revenue	2,394,218	2,444,218	2,562,679	118,461
<u>Expenditures:</u>				
Current:				
General government				
Office of city council				
Personal services	34,197	34,197	33,447	750
Contractual services	8,000	8,000	4,469	3,531
Total office of city council	42,197	42,197	37,916	4,281
Department of mayor and administration				
Personal services	216,950	211,950	207,959	3,991
Contractual services	91,500	108,279	93,686	14,593
Supplies and materials	12,500	13,230	10,871	2,359
Total department of mayor and administration	320,950	333,459	312,516	20,943
Department of finance and tax				
Personal services	149,965	134,443	133,094	1,349
Contractual services	300	300	145	155
Other operating costs	10,000	10,000	5,742	4,258
Total department of finance and tax	160,265	144,743	138,981	5,762
Division of lands and buildings				
Personal services	13,500	13,500	12,992	508
Contractual services	3,000	2,500	1,834	666
Supplies and materials	4,000	4,019	3,773	246
Total division of lands and buildings	20,500	20,019	18,599	1,420

(continued)

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Department of law				
Personal services	24,050	24,050	24,033	17
Contractual services	10,000	10,000	1,274	8,726
Total department of law	34,050	34,050	25,307	8,743
Miscellaneous				
Personal services	8,000	17,450	17,372	78
Contractual services	17,000	24,200	23,981	219
Total miscellaneous	25,000	41,650	41,353	297
Total general government	602,962	616,118	574,672	41,446
Safety services				
Division of police				
Personal services	772,050	815,205	811,328	3,877
Contractual services	60,760	81,319	74,691	6,628
Supplies and materials	25,850	28,216	28,045	171
Total division of police	858,660	924,740	914,064	10,676
Division of fire				
Personal services	76,100	84,700	82,734	1,966
Contractual services	20,600	21,269	20,095	1,174
Supplies and materials	13,100	13,804	12,412	1,392
Total division of fire	109,800	119,773	115,241	4,532
Division of communications				
Personal services	2,500	2,500	2,497	3
Division of street lighting				
Contractual services	23,500	22,830	20,140	2,690
Supplies and materials	2,000	2,000	607	1,393
Total division of street lighting	25,500	24,830	20,747	4,083
Total safety services	996,460	1,071,843	1,052,549	19,294

(continued)

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Public health and welfare				
Cemetery board				
Personal services	46,740	46,740	45,045	1,695
Contractual services	1,200	1,200	714	486
Supplies and materials	2,300	2,300	1,484	816
Capital outlay	11,000	11,000	3,015	7,985
Total cemetery board	61,240	61,240	50,258	10,982
Board of health				
Contractual services	23,500	23,500	22,981	519
Division of pest and animal control				
Personal services	2,125	2,125	1,389	736
Contractual services	4,000	4,000	3,749	251
Supplies and materials	6,000	6,000	5,582	418
Total division of pest and animal control	12,125	12,125	10,720	1,405
Total public health and welfare	96,865	96,865	83,959	12,906
Transportation				
Division of street maintenance				
Personal services	147,280	129,534	127,399	2,135
Contractual services	42,400	38,570	35,531	3,039
Supplies and materials	25,300	23,780	21,261	2,519
Total division of street maintenance	214,980	191,884	184,191	7,693
Division of vehicle maintenance				
Contractual services	500	1,000	1,000	-
Supplies and materials	17,000	23,800	23,637	163
Total division of vehicle maintenance	17,500	24,800	24,637	163
Total transportation	232,480	216,684	208,828	7,856
Basic utility services				
Division of waste management				
Contractual services	220,000	222,300	221,847	453

(continued)

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Leisure time activities				
Division of parks				
Personal services	59,560	59,560	58,176	1,384
Contractual services	6,200	7,250	6,327	923
Supplies and materials	5,500	4,500	3,861	639
Total division of parks	71,260	71,310	68,364	2,946
Recreation center				
Personal services	168,220	176,720	175,558	1,162
Contractual services	92,950	105,149	102,636	2,513
Supplies and materials	31,300	38,329	37,859	470
Other operating costs	100	100	-	100
Total recreation center	292,570	320,298	316,053	4,245
Other leisure time activities				
Other operating costs	200	500	375	125
Total leisure time activities	364,030	392,108	384,792	7,316
Total expenditures	2,512,797	2,615,918	2,526,647	89,271
Excess of revenues over (under) expenditures	(118,579)	(171,700)	36,032	207,732
<u>Other financing sources (uses):</u>				
Transfers - in	50,000	50,000	48,536	(1,464)
Transfers - out	(100,000)	(75,000)	(48,536)	26,464
Total other financing sources (uses)	(50,000)	(25,000)	-	25,000
Net change in fund balance	(168,579)	(196,700)	36,032	232,732
Fund balance at beginning of year	652,661	652,661	652,661	-
Prior year encumbrances appropriated	21,934	21,934	21,934	-
Fund balance at end of year	\$ 506,016	\$ 477,895	\$ 710,627	\$ 232,732

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Emergency Medical Service Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property and other taxes	\$ 188,000	\$ 188,000	\$ 222,619	\$ 34,619
Charges for services	78,563	78,563	123,203	44,640
Intergovernmental	27,700	27,700	35,630	7,930
Total revenue	<u>294,263</u>	<u>294,263</u>	<u>381,452</u>	<u>87,189</u>
<u>Expenditures:</u>				
Current:				
General government				
Miscellaneous				
Other operating costs	<u>3,700</u>	<u>4,050</u>	<u>4,049</u>	<u>1</u>
Safety services				
Division of emergency services				
Personal services	188,245	216,800	213,538	3,262
Contractual services	28,750	28,310	19,845	8,465
Supplies and materials	16,400	20,676	19,578	1,098
Other operating costs	15,200	15,300	15,000	300
Capital outlay	15,200	13,765	13,450	315
Total safety services	<u>263,795</u>	<u>294,851</u>	<u>281,411</u>	<u>13,440</u>
Total expenditures	<u>267,495</u>	<u>298,901</u>	<u>285,460</u>	<u>13,441</u>
Net change in fund balance	26,768	(4,638)	95,992	100,630
Fund balance at beginning of year	204,142	204,142	204,142	-
Prior year encumbrances appropriated	<u>4,156</u>	<u>4,156</u>	<u>4,156</u>	<u>-</u>
Fund balance at end of year	<u>\$ 235,066</u>	<u>\$ 203,660</u>	<u>\$ 304,290</u>	<u>\$ 100,630</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Department Levy Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property and other taxes	\$ 91,400	\$ 91,400	\$ 108,303	\$ 16,903
Intergovernmental	91,000	91,000	91,298	298
Total revenue	<u>182,400</u>	<u>182,400</u>	<u>199,601</u>	<u>17,201</u>
<u>Expenditures:</u>				
Current:				
General government				
Miscellaneous				
Other operating costs	<u>2,000</u>	<u>2,000</u>	<u>1,866</u>	<u>134</u>
Safety services				
Division of fire				
Capital outlay	<u>235,366</u>	<u>235,866</u>	<u>235,780</u>	<u>86</u>
Total expenditures	<u>237,366</u>	<u>237,866</u>	<u>237,646</u>	<u>220</u>
Net change in fund balance	(54,966)	(55,466)	(38,045)	17,421
Fund balance at beginning of year	<u>207,915</u>	<u>207,915</u>	<u>207,915</u>	<u>-</u>
Fund balance at end of year	<u>\$ 152,949</u>	<u>\$ 152,449</u>	<u>\$ 169,870</u>	<u>\$ 17,421</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Debt Retirement Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Special assessments	\$ 15,000	\$ 16,798	\$ 16,799	\$ 1
<u>Expenditures:</u>				
Current:				
Miscellaneous				
Other operating costs	200	200	87	113
Debt service:				
Principal retirement	22,213	22,213	22,212	1
Interest and fiscal charges	66,431	107,904	107,903	1
Bond issuance costs	-	51,867	51,867	-
Total expenditures	88,844	182,184	182,069	115
Excess of revenues over (under) expenditures	(73,844)	(165,386)	(165,270)	116
<u>Other financing sources (uses):</u>				
Proceeds of refunding bonds	20,000	1,850,000	1,850,000	-
Payment to refunded bond escrow agent	(122,691)	(1,784,300)	(1,784,300)	-
Transfers - in	231,523	231,523	-	(231,523)
Total other financing sources (uses)	128,832	297,223	65,700	(231,523)
Net change in fund balance	54,988	131,837	(99,570)	(231,407)
Fund balance at beginning of year	152,337	152,337	152,337	-
Fund balance at end of year	\$ 207,325	\$ 284,174	\$ 52,767	\$ (231,407)

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Capital Improvements Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income tax	\$ 325,000	\$ 325,000	\$ 339,093	\$ 14,093
Charges for services	10,000	10,000	-	(10,000)
Intergovernmental	-	76,202	14,792	(61,410)
Investment income	7,000	7,000	-	(7,000)
Total revenue	<u>342,000</u>	<u>418,202</u>	<u>353,885</u>	<u>(64,317)</u>
Expenditures:				
Current:				
General government				
Miscellaneous				
Other operating costs	37,000	37,000	34,872	2,128
Capital outlay	12,000	30,600	25,456	5,144
Total miscellaneous	<u>49,000</u>	<u>67,600</u>	<u>60,328</u>	<u>7,272</u>
Safety services				
Division of police				
Capital outlay	26,000	26,400	26,378	22
Transportation				
Division of street construction				
Contractual services	-	20,000	19,100	900
Capital outlay	125,000	195,110	163,277	31,833
Total division of street construction	<u>125,000</u>	<u>215,110</u>	<u>182,377</u>	<u>32,733</u>
Leisure time activities				
Division of parks				
Capital outlay	7,000	36,300	36,086	214
Total expenditures	<u>207,000</u>	<u>345,410</u>	<u>305,169</u>	<u>40,241</u>
Excess of revenues over (under) expenditures	<u>135,000</u>	<u>72,792</u>	<u>48,716</u>	<u>(24,076)</u>
Other financing sources (uses):				
Proceeds of OPWC loans	71,500	71,500	-	(71,500)
Sale of capital assets	-	-	30,100	30,100
Transfers - out	(231,523)	(231,523)	-	231,523
Total other financing sources (uses)	<u>(160,023)</u>	<u>(160,023)</u>	<u>30,100</u>	<u>190,123</u>
Net change in fund balance	(25,023)	(87,231)	78,816	166,047
Fund balance at beginning of year	89,155	89,155	89,155	-
Fund balance at end of year	<u>\$ 64,132</u>	<u>\$ 1,924</u>	<u>\$ 167,971</u>	<u>\$ 166,047</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Maintenance and Repair Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Intergovernmental	\$ 208,000	\$ 208,000	\$ 233,695	\$ 25,695
Investment income	15,000	1,500	543	(957)
Total revenue	<u>223,000</u>	<u>209,500</u>	<u>234,238</u>	<u>24,738</u>
<u>Expenditures:</u>				
Current:				
Transportation				
Division of street maintenance				
Personal services	257,925	258,175	244,935	13,240
Contractual services	26,500	11,500	7,691	3,809
Supplies and materials	31,400	31,400	30,773	627
Total expenditures	<u>315,825</u>	<u>301,075</u>	<u>283,399</u>	<u>17,676</u>
Excess of revenues over (under) expenditures	<u>(92,825)</u>	<u>(91,575)</u>	<u>(49,161)</u>	<u>42,414</u>
<u>Other financing sources (uses):</u>				
Transfers - in	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Net change in fund balance	(67,825)	(66,575)	(49,161)	17,414
Fund balance at beginning of year	<u>69,793</u>	<u>69,793</u>	<u>69,793</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,968</u>	<u>\$ 3,218</u>	<u>\$ 20,632</u>	<u>\$ 17,414</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
State Highway Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$ 21,000	\$ 21,000	\$ 18,948	\$ (2,052)
Investment income	700	700	256	(444)
Total revenue	<u>21,700</u>	<u>21,700</u>	<u>19,204</u>	<u>(2,496)</u>
<u>Expenditures:</u>				
Current:				
Transportation				
Division of street maintenance				
Personal services	7,000	7,000	5,837	1,163
Supplies and materials	24,200	24,443	23,875	568
Capital outlay	8,000	8,152	8,152	-
Total expenditures	<u>39,200</u>	<u>39,595</u>	<u>37,864</u>	<u>1,731</u>
Net change in fund balance	(17,500)	(17,895)	(18,660)	(765)
Fund balance at beginning of year	23,645	23,645	23,645	-
Prior year encumbrances appropriated	243	243	243	-
Fund balance at end of year	<u>\$ 6,388</u>	<u>\$ 5,993</u>	<u>\$ 5,228</u>	<u>\$ (765)</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Permissive Tax Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
<u>Expenditures:</u>				
Current:				
Transportation				
Division of street repair and maintenance				
Capital outlay	25,000	25,000	-	25,000
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Permissive Tax II Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$ 17,000	\$ 17,000	\$ 17,485	\$ 485
<u>Expenditures:</u>				
Current:				
Transportation				
Division of street repair and maintenance				
Capital outlay	17,000	17,000	-	17,000
Net change in fund balance	-	-	17,485	17,485
Fund balance at beginning of year	7,174	7,174	7,174	-
Fund balance at end of year	\$ 7,174	\$ 7,174	\$ 24,659	\$ 17,485

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Pension Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property and other taxes	\$ 25,600	\$ 25,600	\$ 30,669	\$ 5,069
Intergovernmental	3,200	3,200	3,044	(156)
Total revenue	<u>28,800</u>	<u>28,800</u>	<u>33,713</u>	<u>4,913</u>
<u>Expenditures:</u>				
Current:				
Miscellaneous				
Other operating costs	<u>500</u>	<u>560</u>	<u>557</u>	<u>3</u>
Safety services				
Division of police				
Personal services	<u>28,100</u>	<u>28,100</u>	<u>28,100</u>	<u>-</u>
Total expenditures	<u>28,600</u>	<u>28,660</u>	<u>28,657</u>	<u>3</u>
Net change in fund balance	200	140	5,056	4,916
Fund balance at beginning of year	<u>1,245</u>	<u>1,245</u>	<u>1,245</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,445</u>	<u>\$ 1,385</u>	<u>\$ 6,301</u>	<u>\$ 4,916</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement and Education Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Fines, licenses, and permits	\$ 1,000	\$ 1,000	\$ 732	\$ (268)
<u>Expenditures:</u>				
Current:				
Safety services				
Division of police				
Supplies and materials	300	300	-	300
Capital outlay	700	3,750	3,750	-
Total expenditures	1,000	4,050	3,750	300
Net change in fund balance	-	(3,050)	(3,018)	32
Fund balance at beginning of year	3,316	3,316	3,316	-
Fund balance at end of year	\$ 3,316	\$ 266	\$ 298	\$ 32

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Fines, licenses, and permits	<u>\$ 1,300</u>	<u>\$ 1,300</u>	<u>\$ 1,160</u>	<u>\$ (140)</u>
<u>Expenditures:</u>				
Current:				
Safety services				
Division of police				
Supplies and materials	500	-	-	-
Capital outlay	<u>1,500</u>	<u>3,750</u>	<u>3,750</u>	<u>-</u>
Total expenditures	<u>2,000</u>	<u>3,750</u>	<u>3,750</u>	<u>-</u>
Net change in fund balance	(700)	(2,450)	(2,590)	(140)
Fund balance at beginning of year	<u>2,945</u>	<u>2,945</u>	<u>2,945</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,245</u>	<u>\$ 495</u>	<u>\$ 355</u>	<u>\$ (140)</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Education and Recreation Assistance Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Contributions and donations	\$ 6,000	\$ 6,000	\$ 2,854	\$ (3,146)
<u>Expenditures:</u>				
Current:				
Public health and welfare				
Board of health				
Contractual services	6,500	7,100	5,027	2,073
Supplies and materials	500	-	-	-
Total expenditures	7,000	7,100	5,027	2,073
Net change in fund balance	(1,000)	(1,100)	(2,173)	(1,073)
Fund balance at beginning of year	3,491	3,491	3,491	-
Prior year encumbrances appropriated	100	100	100	-
Fund balance at end of year	\$ 2,591	\$ 2,491	\$ 1,418	\$ (1,073)

Individual Fund Schedules of Revenues, Expenses and Changes in
Fund Equity – Budget (Non-GAAP Basis) and Actual

City of Rittman, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Water Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Municipal income tax	\$ 325,000	\$ 325,000	\$ 339,093	\$ 14,093
Charges for services	674,050	504,050	428,683	(75,367)
Investment income	200	200	166	(34)
Other	1,500	1,500	11,265	9,765
Total revenue	1,000,750	830,750	779,207	(51,543)
<u>Expenses:</u>				
Basic utility services				
Division of water supply				
Personal services	45,000	45,000	44,433	567
Contractual services	12,000	42,670	40,895	1,775
Supplies and materials	23,500	32,817	27,487	5,330
Capital outlay	5,000	-	-	-
Total division of water supply	85,500	120,487	112,815	7,672
Division of water distribution				
Personal services	65,500	69,300	69,261	39
Contractual services	5,000	5,000	4,026	974
Supplies and materials	16,000	16,000	8,966	7,034
Capital outlay	1,015,000	951,943	38,263	913,680
Total division of water distribution	1,101,500	1,042,243	120,516	921,727
Office of superintendent				
Personal services	160,866	165,616	162,767	2,849
Contractual services	113,000	285,197	281,108	4,089
Supplies and materials	21,550	26,595	24,655	1,940
Other operating costs	94,300	94,300	92,654	1,646
Capital outlay	2,500	2,500	-	2,500
Total office of superintendent	392,216	574,208	561,184	13,024
Debt service:				
Principal retirement	-	7,159	7,158	1
Interest and fiscal charges	-	23,289	21,313	1,976
Bond issuance costs	-	48,940	48,940	-
Total expenses	1,579,216	1,767,386	822,986	944,400
Excess of revenues over (under) expenses	(578,466)	(936,636)	(43,779)	892,857

(continued)

City of Rittman, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Water Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final budget Positive (Negative)
	Original	Final		
<u>Other financing sources (uses):</u>				
Proceeds of bonds	-	1,550,000	1,550,000	-
Proceeds of OPWC loans	250,000	100,000	-	(100,000)
Transfers - in	-	12,444	12,444	-
Transfers - out	-	(12,444)	(12,444)	-
Total other financing sources (uses)	250,000	1,650,000	1,550,000	(100,000)
Net change in fund equity	(328,466)	713,364	1,506,221	792,857
Fund equity at beginning of year	524,768	524,768	524,768	-
Prior year encumbrances appropriated	137,937	137,937	137,937	-
Fund equity at end of year	<u>\$ 334,239</u>	<u>\$ 1,376,069</u>	<u>\$ 2,168,926</u>	<u>\$ 792,857</u>

City of Rittman, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Sewer Fund
For the Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Charges for services	\$ 977,500	\$ 1,035,500	\$ 1,032,924	\$ (2,576)
Other	500	500	384	(116)
Total revenue	978,000	1,036,000	1,033,308	(2,692)
<u>Expenses:</u>				
Basic utility services				
Office of superintendent				
Personal services	159,316	170,518	166,822	3,696
Contractual services	149,800	158,467	153,333	5,134
Supplies and materials	38,000	8,300	7,822	478
Other operating costs	105,000	105,000	105,000	-
Total office of superintendent	452,116	442,285	432,977	9,308
Division of sewer maintenance				
Personal services	64,000	65,000	63,693	1,307
Contractual services	10,000	7,000	1,925	5,075
Supplies and materials	9,000	8,000	2,614	5,386
Capital outlay	26,000	117,000	114,981	2,019
Total division of sewer maintenance	109,000	197,000	183,213	13,787
Division of wastewater treatment				
Personal services	75,700	75,700	75,681	19
Contractual services	49,700	46,418	34,990	11,428
Supplies and materials	32,000	23,000	20,424	2,576
Total division of wastewater treatment	157,400	145,118	131,095	14,023
Total basic utility services	718,516	784,403	747,285	37,118
Debt service:				
Principal retirement	189,614	189,615	189,614	1
Interest and fiscal charges	159,105	159,106	159,105	1
Total expenses	1,067,235	1,133,124	1,096,004	37,120
Excess of revenues over (under) expenses	(89,235)	(97,124)	(62,696)	34,428

(continued)

City of Rittman, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Sewer Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final budget Positive (Negative)
	Original	Final		
<u>Other financing sources (uses):</u>				
Transfers - in	362,174	451,097	451,096	(1)
Transfers - out	<u>(379,798)</u>	<u>(468,721)</u>	<u>(451,096)</u>	<u>17,625</u>
Total other financing sources (uses)	<u>(17,624)</u>	<u>(17,624)</u>	<u>-</u>	<u>17,624</u>
Net change in fund equity	<u>(106,859)</u>	<u>(114,748)</u>	<u>(62,696)</u>	<u>52,052</u>
Fund equity at beginning of year	187,994	187,994	187,994	-
Prior year encumbrances appropriated	6,427	6,427	6,427	-
Fund equity at end of year	<u>\$ 87,562</u>	<u>\$ 79,673</u>	<u>\$ 131,725</u>	<u>\$ 52,052</u>



STATISTICAL SECTION

CITY OF RITTMAN, OHIO
General Governmental Revenues by
Source and Expenditures by Function (1)
Last Ten Years (\$000 omitted)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>REVENUES</u>										
Taxes	\$ 1,403	1,364	1,459	1,403	1,529	1,498	1,643	1,775	1,563	1,743
Charges for services	424	456	431	435	503	472	539	877	873	975
Fines, licenses and permits	69	66	60	63	73	68	133	78	85	33
Intergovernmental revenues	666	851	709	873	1,002	1,022	992	983	811	981
Special assessments	64	63	25	20	25	24	20	22	15	17
Investment income	299	276	311	307	247	416	267	141	55	92
Contributions and donations	-	-	-	-	-	-	-	-	6	3
Other	3	8	9	44	87	9	41	208	67	14
Total	<u>\$ 2,928</u>	<u>3,084</u>	<u>3,004</u>	<u>3,145</u>	<u>3,466</u>	<u>3,509</u>	<u>3,635</u>	<u>4,084</u>	<u>3,475</u>	<u>3,858</u>
<u>EXPENDITURES</u>										
General government	\$ 401	418	470	472	539	624	569	608	615	583
Safety services	730	915	970	1,039	1,121	1,170	1,258	1,315	1,307	1,464
Public health and welfare	179	70	72	68	72	71	81	83	97	90
Transportation	387	390	617	390	456	441	497	709	713	529
Basic utility services	206	198	197	197	198	524	201	208	215	223
Community environment	5	-	-	3	-	-	-	-	-	-
Leisure time activities	67	72	99	95	93	195	223	374	398	394
Capital outlay	328	414	88	745	646	880	3,040	304	444	167
Debt service:										
Principal retirement	75	71	73	71	75	81	128	136	140	150
Interest and fiscal charges	56	53	51	48	46	82	117	126	110	115
Bond issuance costs	-	-	-	-	-	-	-	-	-	52
Total	<u>\$ 2,434</u>	<u>2,601</u>	<u>2,637</u>	<u>3,128</u>	<u>3,246</u>	<u>4,068</u>	<u>6,114</u>	<u>3,863</u>	<u>4,039</u>	<u>3,767</u>

Note: Financial information provided excludes other financing sources and uses.

(1) Includes general, special revenue, debt service and capital projects funds for fiscal years 2002- 2004. Fiscal years 1994-2001 includes general, special revenue, debt service, capital projects and expendable trust funds.

CITY OF RITTMAN, OHIO
Schedules of Property Tax, Tangible Tax, Special Assessments,
Levied/Billed and Collections, and Economic Indicators
Last Ten Years (\$000 omitted)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>PROPERTY TAX</u>										
Net tax levy	\$ 322	328	312	339	362	382	413	490	495	496
Taxes collected	\$ 288	287	315	324	355	375	406	459	462	464
Percentage collected	89%	88%	101%	96%	98%	98%	98%	94%	93%	94%
<u>TANGIBLE TAX</u>										
Billed	\$ 130	140	161	125	147	133	132	147	133	240
Collected	\$ 126	134	155	125	147	133	132	145	114	239
Percentage collected	97%	96%	96%	100%	100%	100%	100%	99%	86%	100%
Delinquent	\$ 3	5	5	-	-	-	-	-	-	-
<u>SPECIAL ASSESSMENTS</u>										
Billed	\$ 48	35	29	22	25	24	21	21	21	26
Collected	\$ 33	30	30	21	25	24	20	21	17	24
Percentage collected	68%	85%	104%	96%	100%	100%	95%	100%	81%	92%
Delinquent	\$ 2	1	-	1	1	-	2	-	-	-
<u>COMMUNITY ECONOMIC INDICATORS</u>										
Commercial										
Number of building permits issued	2	-	4	7	11	17	10	10	15	12
Value of building permits issued	\$ 534	-	1,961	2,043	280	4,114	591	938	1,002	2,468
Residential										
Number of building permits issued	8	9	7	14	118	67	148	191	180	147
Value of building permits issued	\$ 642	704	610	1,161	1,312	2,242	4,469	6,405	4,002	5,211
<u>Unemployment rates</u>										
Wayne County	3.5	4.3	4.2	3.2	3.5	3.1	3.9	4.7	4.4	4.7
State of Ohio	4.8	4.9	4.6	4.3	4.3	3.9	4.8	5.7	6.0	5.2
United States	5.2	5.4	4.4	4.3	4.2	4.0	5.8	5.8	5.7	5.7
Registered voters, November election (City of Rittman)										
	2,835	3,022	3,087	3,867	3,073	3,265	2,939	3,089	3,837	3,742
Financial Institution Deposits	\$ 935,634	856,765	1,785,711	1,833,954	1,598,818	916,326	1,027,953	1,188,627	1,177,332	522,783

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Source: Wayne and Medina County Auditors
Wayne County Board of Elections
Ohio Bureau of Employment Services
Federal Reserve Board and City of Rittman Zoning Department

CITY OF RITTMAN, OHIO
Schedules of Assessed Valuation, Estimated True Value and
Property Tax Rates all Direct and Overlapping Governments
Last Ten Years (\$000 omitted)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>ASSESSED VALUATION</u>										
Real property	\$ 45,035	46,619	58,945	58,253	66,668	66,685	66,703	68,614	77,429	78,014
Public utility property	3,645	3,363	3,253	3,335	2,968	2,956	3,021	2,099	2,360	2,467
Tangible personal property	16,060	17,357	18,670	19,632	20,340	20,345	18,441	17,822	17,571	15,243
Total	<u>\$ 64,740</u>	<u>67,339</u>	<u>80,868</u>	<u>81,220</u>	<u>89,976</u>	<u>89,986</u>	<u>88,165</u>	<u>88,535</u>	<u>97,359</u>	<u>95,724</u>

<u>ESTIMATED VALUATION</u>										
Total	<u>\$ 184,971</u>	<u>192,396</u>	<u>231,051</u>	<u>232,058</u>	<u>257,073</u>	<u>257,104</u>	<u>251,901</u>	<u>252,956</u>	<u>278,169</u>	<u>273,496</u>

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS (MILLS PER \$1,000 VALUATION)

Wayne County	8.35	8.35	8.35	8.35	8.35	8.75	8.75	8.75	8.75	9.65
Medina County	7.28	7.27	7.25	7.25	7.22	7.20	7.19	7.06	8.24	8.23
School	46.20	54.80	54.80	54.80	54.80	54.80	54.80	54.80	43.00	42.50
Vocational school	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Milton Township	6.60	6.60	6.60	6.60	6.60	6.60	6.60	6.60	6.90	6.90
Chippewa Township	6.70	6.70	6.70	6.70	4.00	6.70	6.70	6.70	7.50	7.50
Mental Health	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City of Rittman	7.10	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.10	7.10
Wayne County Library	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	<u>88.33</u>	<u>97.32</u>	<u>97.30</u>	<u>97.30</u>	<u>94.57</u>	<u>97.65</u>	<u>97.64</u>	<u>97.51</u>	<u>87.59</u>	<u>87.98</u>

Source: Wayne County Auditor, Medina County Auditor

Note: The property tax rates represent their collection year.

CITY OF RITTMAN, OHIO

**Schedules of Computation of Legal Debt Margin,
Overlapping Debt Analysis, and Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
December 31, 2004**

<u>LEGAL DEBT MARGIN</u>	<u>Unvoted</u>	<u>Overall</u>
Total assessed valuation	\$ 95,723,701	95,723,701
Debt limitation - 5.5% of assessed valuation	<u>5,264,804</u>	
Debt limitation - 10.5% of assessed valuation		<u>10,050,989</u>
Debt applicable to limitation:		
Gross indebtedness	6,538,727	6,538,727
Exempt debt:		
Sewer revenue bonds	1,154,600	1,154,600
OWDA loans	2,041,249	2,041,249
OPWC loans	33,950	33,950
Special assessment bonds	91,242	91,242
Amount available in debt service fund	<u>52,767</u>	<u>52,767</u>
Total debt applicable to limitation	<u>3,164,919</u>	<u>3,164,919</u>
Legal debt margin	<u>\$ 2,099,885</u>	<u>6,886,070</u>

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DIRECT AND OVERLAPPING DEBT (\$000 omitted)

	<u>Assessed valuations</u>	<u>Net debt outstanding</u>	<u>Percentage applicable to City</u>	<u>Amount applicable to City</u>
City of Rittman	\$ 94,724	\$ 3,165	100%	\$ 3,165
Rittman Exempted Village School District	108,044	-	87.67%	-
Wayne County, Ohio	2,007,643	14,536	4.72%	686

RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Assessed value (\$000 omitted)	\$ 64,740	67,338	80,868	81,221	89,975	89,986	88,165	88,535	97,359	95,724
Population	6,143	6,143	6,143	6,143	6,143	6,314	6,314	6,314	6,314	6,241
Debt outstanding (\$000 omitted)	\$ 988	1,043	1,210	1,055	900	2,229	2,006	1,895	1,624	3,165
Ratio of debt to assessed value	1.53	1.55	1.50	1.30	1.00	2.48	2.28	2.14	1.67	3.31
Debt per capita (full \$)	\$ 161	170	197	172	147	353	318	300	257	507

Source: Wayne County Auditor, Census Bureau

CITY OF RITTMAN, OHIO

**Schedules of Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures and Revenue Bond Coverage
Last Ten Years (\$000 omitted)**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>GENERAL BONDED DEBT</u>										
Debt service	\$ 131	124	124	120	120	162	245	135	140	22
General governmental expenditures	\$ 2,434	2,600	2,637	3,128	3,246	4,068	6,114	3,863	4,039	3,791
Ratio of debt service to general governmental expenditures	5.38	4.77	4.70	3.84	3.70	3.98	4.01	3.49	3.47	0.58
<u>REVENUE BOND COVERAGE</u>										
Sewer:										
Direct revenue	\$ 935	909	870	915	882	909	921	965	913	1,052
Operating expense (1)	\$ 410	457	838	637	476	652	681	673	693	644
Net available	\$ 525	452	32	278	406	257	240	292	220	408
Principal	\$ 11	11	12	13	13	-	14	15	16	17
Interest	\$ 65	65	64	64	63	62	62	61	60	59
Total debt service	\$ 76	76	76	77	76	62	76	76	76	76
Coverage	6.91	5.95	0.42	3.61	5.34	4.15	3.16	3.84	2.89	5.37

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Note: All years presented are reported on a GAAP basis.

(1) excludes depreciation

CITY OF RITTMAN, OHIO

Schedules of Principal Taxpayers, Miscellaneous Statistics, and Demographic Statistics

PRINCIPAL PROPERTY TAXPAYERS

	<u>Taxable Valuation (1)</u>	<u>Percentage of Taxable Valuation</u>
Morton International, Inc.	\$ 7,388,520	7.72%
Caraustar Mill Group, Inc.	6,917,290	7.23%
Unilock Ohio, Inc.	1,031,980	1.08%
Laria Chevrolet Buick	988,770	1.03%
Ohio Edison	799,310	0.84%
Northern Health Facilities	638,770	0.67%
Oscar & Christine Gross	489,140	0.51%
Rittman Associates	452,300	0.47%
United Telephone	449,950	0.47%
Imperial Plastics, Inc.	446,290	0.47%
Total of above	<u>\$ 19,602,320</u>	<u>20.48%</u>
Total City	<u>\$ 95,723,701</u>	

PRINCIPAL INCOME TAXPAYERS - LARGEST EMPLOYERS

<u>Employer</u>	<u>Industry</u>	<u>Number of Employees</u>
Morton International, Inc.	Salt mines	278
Caraustar Mill Group, Inc.	Paper recycling	172
Rittman Local School District	Public education	227
Northern Health Facilities	Health care	209
City of Rittman	Municipal government	188
Imperial Plastics, Inc.	Plastics	95
Laria Chevrolet Buick	Automobile dealership	61
Unilock Ohio, Inc.	Excavation	53
Promotional Fixtures	Marketing	41
Swiss Woodcraft, Inc.	Cabinet manufacturer	27

∞ (1) Includes Real Estate, Tangible Personal Property and Public Utility Assessed Valuations

POPULATION and SCHOOL ENROLLMENT

<u>Year</u>	<u>Population</u>	<u>School Enrollment</u>
1995	6,143	1,364
1996	6,143	1,380
1997	6,143	1,373
1998	6,143	1,344
1999	6,143	1,307
2000	6,314	1,273
2001	6,314	1,209
2002	6,314	1,239
2003	6,314	1,216
2004	6,241	1,162

MISCELLANEOUS STATISTICS

Date of incorporation	1960
Number of parks	12
Miles of Streets	39.5
Number of street lights	475
Number of traffic lights	5
Fire Protection	
Number of stations	1
Number volunteers	30
Police Protection	
Number of stations	1
Number of full-time officers	12

Source: Wayne County Auditor
 U.S. Censuses 1990, 2000
 Ohio Department of Education
 City of Rittman

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Members of the City Council
City of Rittman
Rittman, Ohio 44270

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rittman, Ohio, (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 29, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.



LENNON & COMPANY
Certified Public Accountant
July 29, 2005





**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

CITY OF RITTMAN

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 22, 2005**