

City of Rittman, Ohio



**Comprehensive Annual Financial Report
For the Year Ended
December 31, 2001**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of the City Council
City of Rittman
30 North Main Street
Rittman, Ohio 44270

We have reviewed the Independent Auditor's Report of the City of Rittman, Wayne County, prepared by Lennon & Company, for the audit period January 1, 2001 to December 31, 2001. 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 black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 19, 2002

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CITY OF RITTMAN, OHIO

Comprehensive Annual Financial Report

Year Ended December 31, 2001

Prepared by: Department of Finance

CITY OF RITTMAN, OHIO
Comprehensive Annual Financial Report
Year Ended December 31, 2001

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INTRODUCTORY SECTION



James Bell, CMFA
Finance Director



CITY OFFICES
30 North Main Street
Rittman, Ohio 44270
330/925-2045
e-mail: rittman@bright.net

May 31, 2002

Members of Rittman City Council and
Citizens of Rittman, Ohio

The Comprehensive Annual Financial Report (CAFR) of the City of Rittman for the fiscal year ended December 31, 2001 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 various funds and account groups of the government. 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: introductory, financial, and statistical. The introductory section includes this transmittal letter, a list of principal officials, our organizational chart, and a copy of the GFOA Certificate of Achievement. The financial section includes the general purpose financial statements, the combining and individual fund and account group financial statements and schedules, and the independent auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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 council are elected to four-year terms. All of these officials are elected on an at-large basis.

For financial reporting purposes, the City includes in this report all funds, account groups, 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 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.

2001 Initiatives

The main focus of 2001 was the opening and operation of the 31,000 square foot Rittman Recreation Center located at 200 Saurer Street adjacent to the high school. The \$3.5 million facility includes an indoor fitness center, running track, basketball/volleyball court, community meeting room, and an indoor swimming pool. The center opened in November 2001 and a full range of recreational programs is available at the site. Currently, more than 1,400 individuals are members of the facility, which provides program activities for youngsters, adults and seniors of the community.

Development Activities

After a strong year of expansion with the City's improvements and the opening of the Rittman Recreation Center, coupled with the strong residential growth of the City, further development activities continue to look very strong. Plans are currently under way to extend water and sanitary sewer to the intersection of the forty-seven acre tract annexed to the City at Route 57 and Easter Road. The City anticipates significant developmental activity in that area in the future.

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 Salt, which produces table salt, and Rittman Paperboard, a subsidiary of Caraustar Industries. Caraustar manufactures cardboard containers for the distribution of other company's products. It appears that employment at Caraustar has stabilized and it is anticipated that forty additional jobs will be added in 2002. Unilock of Rittman, which opened in June of 1999 in their new 24,000 square foot plant at Sheets Road and State Route 57, is in full production and is estimated to employ approximately 50 employees. The company manufactures concrete pavers and landscape brick for commercial and residential purposes.

Residential construction in Rittman has increased significantly over the past few years with three new developments currently under construction making available around 150 new building lots for single family housing.

This impressive activity in commercial and residential growth and expansion leads 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 storm sewers and streets continue as well as related water distribution line extensions and replacements.

Future Projects

The 2002 Street Improvement Project will include milling and paving approximately ten streets throughout the City. The City also has a sludge press construction project underway at the waste water treatment plant. Once completed, the sludge press will allow for another alternative available to the City for the disposal of the sludge. Currently, all sludge taken from the City's wastewater treatment plant is applied on various fields throughout the area.

Efforts will be made by the City later this year to secure funds from the Ohio Public works Commission for funding of the City's iron and manganese removal at the water plant.

Financial Information

Basis of Accounting. The City's accounting system is organized on a "fund" basis. Each fund or account group 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 and account groups utilized by the City of Rittman are fully described in Note 1 to the General Purpose 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 Commissions certify 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 fund by 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.

General Government Functions. The following information, extracted from table one of the statistical section, compares revenues and expenditures for all governmental fund types and similar trust funds for 2000 and 2001.

GENERAL GOVERNMENT REVENUES (\$000 omitted)

REVENUES	<u>2000</u>	<u>2001</u>	<u>% Change</u> <u>2000-2001</u>
<i>Taxes</i>	\$ 1,498	\$ 1,643	9.7 %
<i>Intergovernmental revenues</i>	1,022	992	(2.9)
<i>Charges for services</i>	472	539	14.2
<i>Special assessments</i>	24	20	(16.7)
<i>Fines, licenses and permits</i>	68	133	95.6
<i>Investment income</i>	416	267	(35.8)
<i>Miscellaneous</i>	<u>9</u>	<u>41</u>	<u>355.6</u>
 <i>Total</i>	 <u>\$ 3,509</u>	 <u>\$ 3,635</u>	 <u>3.6 %</u>

GENERAL GOVERNMENT EXPENDITURES (\$000 omitted)

EXPENDITURES	<u>2000</u>	<u>2001</u>	<u>% Change</u> <u>2000-2001</u>
<i>Safety services</i>	\$ 1,170	\$ 1,258	7.5 %
<i>Public health and welfare</i>	71	81	14.1
<i>Leisure time activities</i>	524	223	(57.4)
<i>Basic utility services</i>	195	201	3.1
<i>Transportation</i>	441	497	12.7
<i>General government</i>	624	569	(8.8)
<i>Capital outlay</i>	880	3,040	245.5
<i>Debt service</i>			
<i>Principal retirement</i>	81	128	58.0
<i>Interest and fiscal charges</i>	<u>82</u>	<u>117</u>	<u>42.7</u>
 <i>Total</i>	 <u>\$ 4,068</u>	 <u>\$ 6,114</u>	 <u>50.29 %</u>

During 2001, the City earned approximately \$149,000 less in investment income than the previous year. This was largely due to the declining size of the City's investment portfolio as large payments were made to contractors during construction of the new recreation center. The City began the sale of recreation center memberships in 2001, causing a significant increase in charges for services.

Miscellaneous revenues were boosted by a large BWC refund and an initial sponsorship paid by the Coca Cola Company for exclusive beverage distribution at the recreation center. Finally, development fees paid by Rufener Street developers, along with an increase in the cable television franchise fee, contributed to the increase in revenues from fines, licenses and permits.

Significant increases in capital outlay expenditures were expected and experienced by the City in 2001. Costs related to the construction of the new recreation center were allocated mainly to this expenditure classification. In 2000, such costs were charged to leisure time activities. Also, the City charged Transportation accounts for a street improvement project during the year, whereas no such expenditures were recorded in 2000. Finally, the first principal and interest payments were made on the recreation center bonds in March 2001, attributing to the increase in debt service expenditures.

General Fund. The General Fund accounts for all financial transactions that are not required to be accounted for in any other fund. It is the City's largest fund and provides for major City services of safety forces, governmental administration, and parks and recreation. The General Fund's balance decreased by \$75,700 to \$375,777 in 2001. The decrease was largely due to recreation center expenditures that were charged to the General Fund.

Special Revenue Funds. Special Revenue Funds of the City are used to account for revenues derived from specific taxes or other legally restricted revenue sources. All Special Revenue Funds are subject to an annual budget. The Special Revenue Funds include Emergency Medical Services, Street Maintenance & Repair, State Highway, Permissive Tax, Permissive Tax II, Police Pension, Law Enforcement Education, Law Enforcement, COPS, State and Federal Grants, Education and Recreation Assistance, and Fire Department Levy. The General Fund covers any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

Capital Projects Funds. The Capital Improvements Fund is the only capital projects fund used by the City and includes all major capital improvement projects of the City other than those accounted for in the Proprietary Funds. The primary sources of financing are 25% of all the income tax collections for the City and operating transfers from the General Fund.

Debt Service Fund. The Debt Retirement 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 other than debt issued by an Enterprise Fund. Property taxes and other financing sources are the major sources of revenue for the Debt Retirement Fund.

Proprietary Funds. Enterprise Funds are used to account for the acquisition, operation, and maintenance of City facilities and services, which are intended to be financed from user charges. Enterprise funds of the City consist of the Water Fund and the Sewer Fund. The City's water system provides for the treatment and distribution of water throughout the City as well as areas outside the corporation limits. Sewage treatment is provided in the \$4,750,000 Wastewater Treatment Plant constructed in 1993. Financial statements for these funds are included in this report. (Please refer to the Notes in the Financial Section for the related segment information).

Fiduciary Funds. Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The City established the Cemetery Endowment Fund to accumulate funds for any capital expenditures necessary for the cemeteries owned by the City. The Recreation Trust Fund was established to account for the construction, improvement, and maintenance of the City's recreation facilities. This fund reports the estate tax collected in excess of \$10,000. The General Fund receives all Estate Tax revenue up to \$10,000. The General Fund portion of Estate Tax revenue was set lower due to the proposed phase out of Estate Tax revenue by the State of Ohio.

Cash Management

The City's investment policy was vastly revised in 1996. 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 Municipal Treasurers Association of the United States & Canada recognized the City's investment policy with a national certification.

During the fiscal year ended December 31, 2001, the City's cash resources were divided into investments approximately as follows: Star Ohio 6%, time deposits 80%, agencies 13%, and Special Assessment Bonds 1%. The return on investment for 2001 was 6.32%. The average days to maturity as of December 31, 2001 was 237 days with a yield to maturity of 4.75%.

Debt Administration

At December 31, 2001, the City's outstanding general obligation debt was \$2,006,000. The City also had special assessment bonds with governmental commitment of \$41,798 outstanding at year-end. General obligation bonds are retired with operating revenues of the Capital Improvements Fund (transferred to the Debt Retirement Fund annually). Special Assessment Bonds are retired with the assessments applied against specific benefited property owners. Given these facts, and with continued prudent management on the part of City Council and Administration, the City of Rittman should be able to meet its capital needs during the foreseeable future.

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.

Pension and Postemployment Benefit Plans

All employees of the City belong to one of two state operated pension plans (both are cost-sharing, defined-benefit, multiple-employer plans). Police and Fire personnel are members of the Ohio Police and Fire Pension Fund (OP&F). All other employees are members of the Public Employees Retirement System of Ohio (PERS). Elected officials participate in PERS on a voluntary basis. These plans provide pension benefits as well as postretirement health care coverage to qualifying employees. Contributions to the plans by both the City and participating employees are mandated by state statute. Because both plans operate pursuant to the Ohio Revised Code, the Ohio General Assembly could decide to amend the format of the plans and could revise contribution and benefit levels.

Fixed Assets

The accounting for land, buildings, building improvements and equipment is essential for the complete record of assets. The General Fixed Assets Account Group includes all fixed assets of the City not used in an enterprise operation. Fixed assets of the enterprise funds are accounted for directly within those funds. As of December 31, 2001, the general fixed assets of the City amounted to \$9,004,373, an increase of \$2,939,276 from December 31, 2000. The increase was largely due to the construction of the new Recreation Center.

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

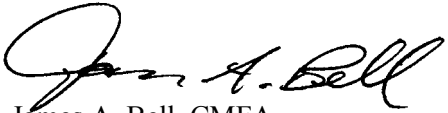
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rittman, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2000. The Certificate of Achievement 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, the City must publish an easily readable and efficiently organized report whose contents conform to program standards. The report must satisfy 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 requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the dedicated services of the administration staff. I would like to express my appreciation to the staff of Lennon & Company for their assistance. The staff of the Wayne County Auditor's Office was helpful as always. A special thanks to Cindy Mann, Deputy Treasurer, whose dedicated and efficient work was invaluable to the completion of this report. I greatly appreciate the extra time and effort Cindy contributed to fixed assets due to the completion of the Recreation Center. 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,

A handwritten signature in black ink, appearing to read "James A. Bell". The signature is fluid and cursive, with a large initial "J" and "A".

James A. Bell, CMFA
Finance Director/Treasurer

CITY OF RITTMAN, OHIO
Comprehensive Annual Financial Report
For the year ended December 31, 2001

CITY OFFICIALS

Mayor
Bonnie Kindig

Council Members

Faye Telford, President
George Kelley
Steve Johnson

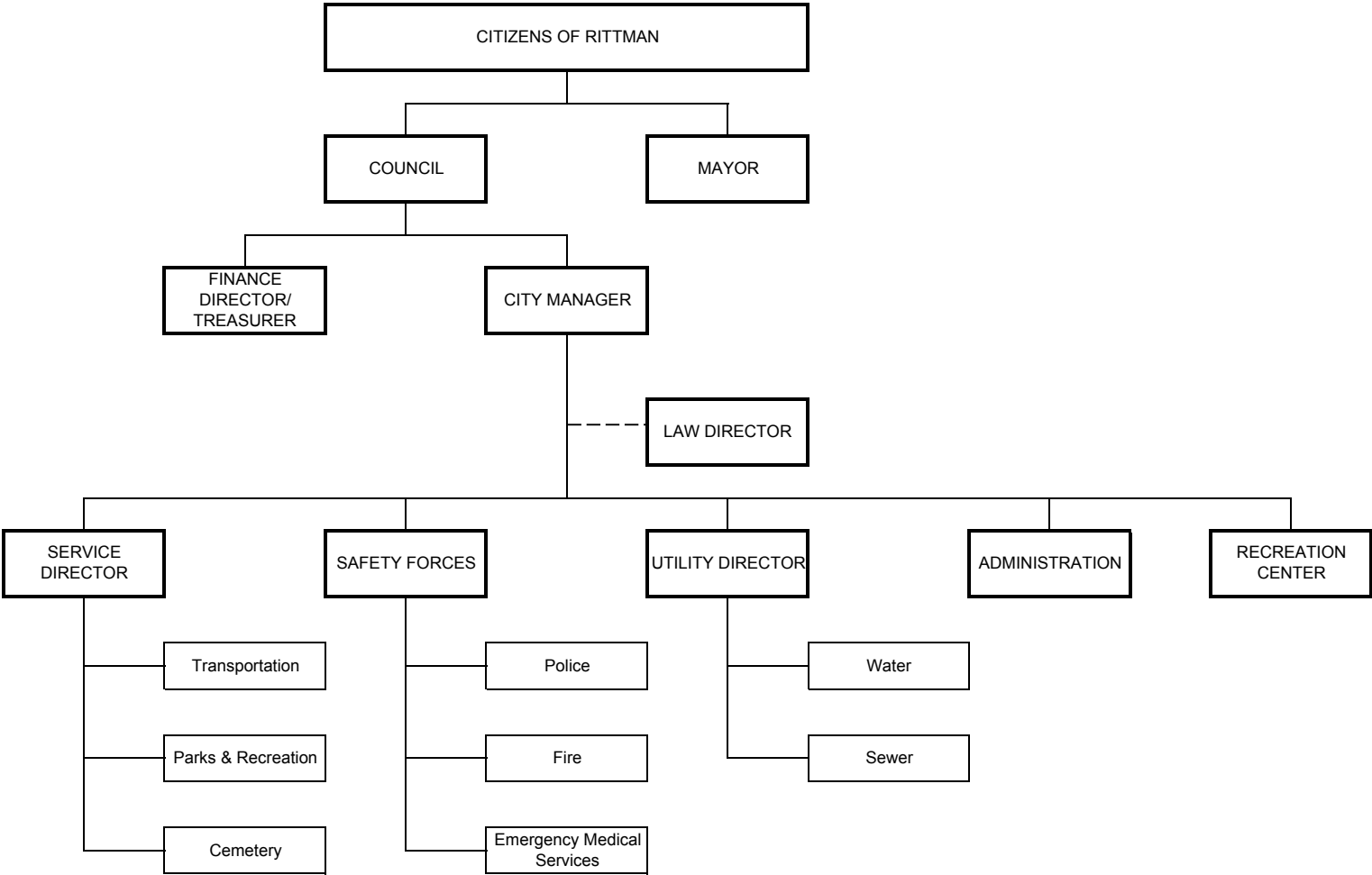
Ralph L. Johnson
Richard Lapehn
Glen Russell

City Manager
Robert L. Kellogg

Director of Finance/Treasurer
James A. Bell

Director of Law
G. Kevin Bower

CITY OF RITTMAN, OHIO
Organizational Chart
December 31, 2001



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, 2000

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.



Timothy A. Howe
President

Jeffrey L. Esser
Executive Director



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of City of Rittman, as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of City of Rittman's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.


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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of City of Rittman, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of City of Rittman. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The statistical section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of City of Rittman. Such information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and therefore we express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2002 on our consideration of City of Rittman's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



LENNON & COMPANY, INC.
Certified Public Accountant
May 31, 2002

City of Rittman, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
As of December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and other debits</u>				
<u>Assets</u>				
Equity in pooled cash	\$ 263,362	\$ 486,043	\$ 83,091	\$ 476,425
Cash with fiscal and escrow agents	-	-	2,841	-
Receivables:				
Taxes	318,967	290,602	-	23,819
Accounts	98,459	16,461	-	-
Special assessments	-	-	52,959	-
Accrued interest	33,133	358	-	3,931
Due from other governments	22,237	16,047	-	68,375
Materials and supplies inventory	1,612	7,911	-	-
Prepaid items	18,839	1,296	-	-
Fixed assets, (net where applicable of accumulated depreciation)	-	-	-	-
<u>Other debits</u>				
Amount available in debt service fund for retirement of general obligation bonds	-	-	-	-
Amount to be provided from special assessments	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
Total assets and other debits	<u>\$ 756,609</u>	<u>\$ 818,718</u>	<u>\$ 138,891</u>	<u>\$ 572,550</u>

See accompanying notes to the financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Expendable Trust			
\$ 1,296,920	\$ 439,660	\$ -	\$ -	\$ 3,045,501
13,913	-	-	-	16,754
23,819	13,831	-	-	671,038
211,412	625	-	-	326,957
-	-	-	-	52,959
26	874	-	-	38,322
-	-	-	-	106,659
31,133	-	-	-	40,656
9,217	-	-	-	29,352
10,973,360	-	9,004,373	-	19,977,733
-	-	-	83,091	83,091
-	-	-	52,959	52,959
-	-	-	2,042,382	2,042,382
<u>\$ 12,559,800</u>	<u>\$ 454,990</u>	<u>\$ 9,004,373</u>	<u>\$ 2,178,432</u>	<u>\$ 26,484,363</u>

(Continued)

City of Rittman, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
As of December 31, 2001

Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, fund equity and other credits</u>				
<u>Liabilities</u>				
Accounts payable	\$ 16,477	\$ 12,511	\$ -	\$ -
Accrued wages and benefits	38,208	14,682	-	-
Compensated absences payable	8,217	701	-	-
Due to other governments	41,912	33,669	-	-
Deferred revenue	276,018	300,494	52,959	-
Matured bonds payable	-	-	2,500	-
Matured interest payable	-	-	341	-
Accrued interest payable	-	-	-	-
Bond anticipation notes	-	-	-	400,000
OWDA loans payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Mortgage revenue bonds payable	-	-	-	-
Special assessment debt with governmental commitment	-	-	-	-
	<u>380,832</u>	<u>362,057</u>	<u>55,800</u>	<u>400,000</u>
Total liabilities	380,832	362,057	55,800	400,000
<u>Fund equity and other credits</u>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	34,960	5,918	-	296,845
Reserved for inventory	1,612	7,911	-	-
Reserved for prepaid items	18,839	1,296	-	-
Reserved for debt service	-	-	83,091	-
Unreserved:				
Undesignated	320,366	441,536	-	(124,295)
	<u>375,777</u>	<u>456,661</u>	<u>83,091</u>	<u>172,550</u>
Total fund equity and other credits	375,777	456,661	83,091	172,550
Total liabilities, fund equity and other credits	<u>\$ 756,609</u>	<u>\$ 818,718</u>	<u>\$ 138,891</u>	<u>\$ 572,550</u>

See accompanying notes to the financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Expendable Trust			
\$ 36,154	\$ -	\$ -	\$ -	\$ 65,142
8,441	-	-	-	61,331
46,232	-	-	130,634	185,784
17,877	-	-	-	93,458
-	10,083	-	-	639,554
10,200	-	-	-	12,700
3,713	-	-	-	4,054
12,665	-	-	-	12,665
-	-	-	-	400,000
2,384,186	-	-	-	2,384,186
-	-	-	2,006,000	2,006,000
1,186,200	-	-	-	1,186,200
-	-	-	41,798	41,798
<u>3,705,668</u>	<u>10,083</u>	<u>-</u>	<u>2,178,432</u>	<u>7,092,872</u>
-	-	9,004,373	-	9,004,373
2,923,754	-	-	-	2,923,754
5,930,378	-	-	-	5,930,378
-	-	-	-	337,723
-	-	-	-	9,523
-	-	-	-	20,135
-	-	-	-	83,091
-	444,907	-	-	1,082,514
<u>8,854,132</u>	<u>444,907</u>	<u>9,004,373</u>	<u>-</u>	<u>19,391,491</u>
<u>\$ 12,559,800</u>	<u>\$ 454,990</u>	<u>\$ 9,004,373</u>	<u>\$ 2,178,432</u>	<u>\$ 26,484,363</u>

City of Rittman, Ohio

Combined Statement of Revenues, Expenditures

and Changes in Fund Balances

All Governmental Fund Types and Expendable Trust Funds

For the Year Ended December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	\$ 960,201	\$ 291,119	\$ -	\$ 341,382
Charges for services	471,922	59,737	-	-
Fines, licenses and permits	131,077	1,930	-	-
Intergovernmental	472,789	307,829	-	211,076
Special assessments	-	-	20,158	-
Investment income	162,793	7,387	-	78,929
Contributions and donations	-	10,000	-	-
Other	22,781	5,957	-	2,610
Total revenues	2,221,563	683,959	20,158	633,997
Expenditures:				
Current:				
General government	531,663	4,935	32	31,927
Safety services	965,945	292,455	-	-
Public health and welfare	81,139	-	-	-
Transportation	286,633	207,716	-	2,200
Community environment	11	-	-	-
Basic utility services	201,476	-	-	-
Leisure time activities	201,962	-	-	21,161
Capital outlay	-	188,933	-	2,839,783
Debt service:				
Principal retirement	-	-	127,679	-
Interest and fiscal charges	-	-	117,154	-
Total expenditures	2,268,829	694,039	244,865	2,895,071
Excess of revenues over (under) expenditures	(47,266)	(10,080)	(224,707)	(2,261,074)
Other financing sources (uses):				
Operating transfers - in	-	28,500	222,368	-
Operating transfers - out	(28,500)	-	-	(222,368)
Total other financing sources (uses)	(28,500)	28,500	222,368	(222,368)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(75,766)	18,420	(2,339)	(2,483,442)
Fund balance at beginning of year	451,477	437,336	85,430	2,655,992
Increase in reserve for inventory	66	905	-	-
Fund balance at end of year	\$ 375,777	\$ 456,661	\$ 83,091	\$ 172,550

See accompanying notes to the financial statements.

Fiduciary Fund Type		Totals (Memorandum Only)	
Expendable Trust			
\$	50,548	\$	1,643,250
	6,978		538,637
	-		133,007
	-		991,694
	-		20,158
	18,123		267,232
	-		10,000
	-		31,348
	<u>75,649</u>		<u>3,635,326</u>
	-		568,557
	-		1,258,400
	-		81,139
	-		496,549
	-		11
	-		201,476
	-		223,123
	11,115		3,039,831
	-		127,679
	-		117,154
	<u>11,115</u>		<u>6,113,919</u>
	<u>64,534</u>		<u>(2,478,593)</u>
	-		250,868
	-		(250,868)
	-		-
	64,534		(2,478,593)
	380,373		4,010,608
	-		971
\$	<u>444,907</u>	\$	<u>1,532,986</u>

City of Rittman, Ohio

**Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 2001**

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$ 982,300	\$ 965,622	\$ (16,678)
Charges for services	548,375	469,997	(78,378)
Fines, licenses and permits	71,500	75,237	3,737
Intergovernmental	479,875	482,936	3,061
Special assessments	-	-	-
Investment income	200,000	167,797	(32,203)
Contributions and donations	-	-	-
Other	7,700	23,469	15,769
	<hr/>	<hr/>	<hr/>
Total revenues	2,289,750	2,185,058	(104,692)
<u>Expenditures:</u>			
Current:			
General government	616,677	564,058	52,619
Safety services	1,024,340	979,859	44,481
Public health and welfare	93,130	80,712	12,418
Transportation	327,287	293,137	34,150
Basic utility services	202,000	201,476	524
Leisure time activities	267,295	195,808	71,487
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	2,530,729	2,315,050	215,679
Excess of revenues over (under) expenditures	<hr/>	<hr/>	<hr/>
	(240,979)	(129,992)	110,987
<u>Other financing sources (uses):</u>			
Proceeds of bonds	-	-	-
Operating transfers - in	-	-	-
Operating transfers - out	(98,500)	(28,500)	70,000
	<hr/>	<hr/>	<hr/>
Total other sources (uses)	(98,500)	(28,500)	70,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<hr/>	<hr/>	<hr/>
	(339,479)	(158,492)	180,987
Fund balance at beginning of year	318,271	318,271	-
Prior year encumbrances appropriated	49,356	49,356	-
	<hr/>	<hr/>	<hr/>
Fund balance at end of year	\$ 28,148	\$ 209,135	\$ 180,987

See accompanying notes to the financial statements.

Governmental Fund Types

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 282,392	\$ 288,016	\$ 5,624	\$ -	\$ -	\$ -
55,000	61,237	6,237	-	-	-
2,500	1,907	(593)	-	-	-
361,583	316,509	(45,074)	-	-	-
-	-	-	25,000	20,158	(4,842)
4,500	7,833	3,333	-	-	-
-	10,000	10,000	-	-	-
100	6,125	6,025	-	-	-
<u>706,075</u>	<u>691,627</u>	<u>(14,448)</u>	<u>25,000</u>	<u>20,158</u>	<u>(4,842)</u>
5,600	4,935	665	200	32	168
150,435	115,041	35,394	-	-	-
271,823	254,558	17,265	-	-	-
390,523	332,221	58,302	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	128,000	127,679	321
-	-	-	117,500	117,154	346
<u>818,381</u>	<u>706,755</u>	<u>111,626</u>	<u>245,700</u>	<u>244,865</u>	<u>835</u>
<u>(112,306)</u>	<u>(15,128)</u>	<u>97,178</u>	<u>(220,700)</u>	<u>(224,707)</u>	<u>(4,007)</u>
-	-	-	10,000	-	(10,000)
48,500	28,500	(20,000)	222,368	222,368	-
-	-	-	-	-	-
<u>48,500</u>	<u>28,500</u>	<u>(20,000)</u>	<u>232,368</u>	<u>222,368</u>	<u>(10,000)</u>
(63,806)	13,372	77,178	11,668	(2,339)	(14,007)
429,002	429,002	-	85,430	85,430	-
25,526	25,526	-	-	-	-
<u>\$ 390,722</u>	<u>\$ 467,900</u>	<u>\$ 77,178</u>	<u>\$ 97,098</u>	<u>\$ 83,091</u>	<u>\$ (14,007)</u>

(Continued)

City of Rittman, Ohio

**Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 2001**

	Governmental Fund Types		
	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$ 340,000	\$ 343,221	\$ 3,221
Charges for services	-	-	-
Fines, licenses and permits	-	-	-
Intergovernmental	248,000	142,701	(105,299)
Special assessments	-	-	-
Investment income	90,000	92,191	2,191
Contributions and donations	-	-	-
Other	-	2,610	2,610
Total revenues	678,000	580,723	(97,277)
<u>Expenditures:</u>			
Current:			
General government	48,670	43,723	4,947
Safety services	33,598	32,746	852
Public health and welfare	-	-	-
Transportation	539,200	516,871	22,329
Basic utility services	-	-	-
Leisure time activities	2,848,408	2,840,352	8,056
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	3,469,876	3,433,692	36,184
Excess of revenues over (under) expenditures	(2,791,876)	(2,852,969)	(61,093)
<u>Other financing sources (uses):</u>			
Proceeds of bonds	400,000	400,000	-
Operating transfers - in	50,000	-	(50,000)
Operating transfers - out	(222,368)	(222,368)	-
Total other sources (uses)	227,632	177,632	(50,000)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(2,564,244)	(2,675,337)	(111,093)
Fund balance at beginning of year	130,866	130,866	-
Prior year encumbrances appropriated	2,724,051	2,724,051	-
Fund balance at end of year	\$ 290,673	\$ 179,580	\$ (111,093)

See accompanying notes to the financial statements.

Fiduciary Fund Type			Totals		
Expendable Trust Funds			(Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ 46,175	\$ 46,175	\$ 1,604,692	\$ 1,643,034	\$ 38,342
10,000	6,978	(3,022)	613,375	538,212	(75,163)
-	-	-	74,000	77,144	3,144
-	-	-	1,089,458	942,146	(147,312)
-	-	-	25,000	20,158	(4,842)
12,000	19,054	7,054	306,500	286,875	(19,625)
-	-	-	-	10,000	10,000
-	-	-	7,800	32,204	24,404
22,000	72,207	50,207	3,720,825	3,549,773	(171,052)
-	-	-	671,147	612,748	58,399
-	-	-	1,208,373	1,127,646	80,727
19,000	11,115	7,885	383,953	346,385	37,568
-	-	-	1,257,010	1,142,229	114,781
-	-	-	202,000	201,476	524
-	-	-	3,115,703	3,036,160	79,543
-	-	-	128,000	127,679	321
-	-	-	117,500	117,154	346
19,000	11,115	7,885	7,083,686	6,711,477	372,209
3,000	61,092	58,092	(3,362,861)	(3,161,704)	201,157
-	-	-	410,000	400,000	(10,000)
-	-	-	320,868	250,868	(70,000)
-	-	-	(320,868)	(250,868)	70,000
-	-	-	410,000	400,000	(10,000)
3,000	61,092	58,092	(2,952,861)	(2,761,704)	191,157
378,568	378,568	-	1,342,137	1,342,137	-
-	-	-	2,798,933	2,798,933	-
\$ 381,568	\$ 439,660	\$ 58,092	\$ 1,188,209	\$ 1,379,366	\$ 191,157

City of Rittman, Ohio
Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
All Enterprise Funds
For the Year Ended December 31, 2001

	<u>Enterprise</u>
<u>Operating revenues:</u>	
Charges for services	\$ 1,332,350
Other	<u>2,564</u>
Total operating revenues	<u>1,334,914</u>
 <u>Operating expenses:</u>	
Personal services	496,960
Contractual services	317,281
Materials and supplies	125,460
Other	129,419
Depreciation	<u>433,236</u>
Total operating expenses	<u>1,502,356</u>
Operating loss	<u>(167,442)</u>
 <u>Non-operating revenues (expenses):</u>	
Interest income	566
Municipal income tax	341,383
Loss on disposal of asset	(3,406)
Interest and fiscal charges	<u>(194,189)</u>
Total non-operating revenues (expenses)	<u>144,354</u>
Net loss	(23,088)
Retained earnings at beginning of year	<u>5,953,466</u>
Retained earnings at end of year	<u><u>\$ 5,930,378</u></u>

See accompanying notes to the financial statements.

City of Rittman, Ohio
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2001

	<u>Enterprise</u>
Cash flows from operating activities:	
Operating loss	\$ (167,442)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	433,236
(Increase) decrease in assets:	
Accounts receivable	10,990
Inventory of supplies	(17,653)
Prepaid items	(1,182)
Increase (decrease) in liabilities:	
Accounts payable	19,963
Accrued wages	1,231
Compensated absences	4,257
Due to other governments	(4,154)
Net cash provided by operating activities	<u>279,246</u>
Cash flows from noncapital financing activities:	
Income taxes received	<u>343,222</u>
Net cash provided by noncapital financing activities	<u>343,222</u>
Cash flows from capital and related financing activities:	
Interest paid on debt	(193,377)
Principal payment on notes and bonds	(299,435)
Acquisition of capital assets	<u>(273,071)</u>
Net cash used for capital and related financing activities	<u>(765,883)</u>
Cash flows from investing activities:	
Investment income	<u>616</u>
Net cash provided by investing activities	<u>616</u>
Net decrease in cash and cash equivalents	(142,799)
Cash and cash equivalents at beginning of year	<u>1,453,632</u>
Cash and cash equivalents at end of year	<u>\$ 1,310,833</u>
Noncash investing, capital and financing activities	
Contributed capital	<u>\$ 19,060</u>
Total noncash investing, capital and financing activities	<u>\$ 19,060</u>

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. For this year, the City has implemented GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36 “Recipient Reporting for Certain Shared Nonexchange Revenues”. This change did not require a restatement of beginning fund balance. 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 a police force, a fire fighting and prevention force, street lighting, a street maintenance force, an emergency medical services force, a rubbish collection and recycling service, a parks and recreation system, and a staff to provide the necessary support to these service providers. 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.

Notes to the Financial Statements

B. Basis of Presentation – Fund Accounting – The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types. The City uses the following categories and fund types:

Governmental Fund Types

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 following are the City's governmental fund types:

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.

Special Revenue Funds: The special revenue funds are used to account for revenues derived from specific taxes, grants, or other sources (other than amounts relating to major capital projects) whose use is restricted. City ordinances or federal and state statutes specify the uses and limitations of each special revenue fund.

Debt Service Fund: The 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 Projects Funds: The capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type

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 net income, financial position and cash flows. The following is the City's proprietary fund type:

Enterprise Funds: The enterprise funds are used to account for the City's sewer and water operations. These 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.

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The following is the City's fiduciary fund type:

Expendable Trust Funds: The expendable trust funds are designed to provide stewardship over expendable assets held in trust by the City, and are accounted for in essentially the same manner as governmental funds.

Account Groups

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

General Fixed Assets Account Group: The general fixed assets account group is used to account for fixed assets other than those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure, but are items for which financial resources have been used and for which the City maintains accountability. They are not assets of any fund but of the City as a whole.

General Long-Term Obligations Account Group: The general long-term obligations account group is used to account for all unmatured long-term obligations of the City that are not a specific liability of the proprietary funds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Notes to the Financial Statements

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is used by all governmental fund types and expendable trust funds. The full accrual basis of accounting is used in the proprietary funds.

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. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers governmental fund revenues as available if they are collected within 60 days after year-end. In applying the “susceptible to accrual” concept under the modified accrual basis, earnings on investments and municipal income taxes are deemed both measurable and available. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized during the year for which the taxes are levied. (See Note 8) 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.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside of the available period, the entire amount has been deferred. Estate taxes receivable are recognized as revenue to the extent available as an advance and the remaining amount as deferred revenue. Property taxes measurable as of December 31, 2001, and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have also been recorded as deferred revenue.

**D. Budgets and
Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reported in the combined 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 expressed 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 Treasurer 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 2001.

Annual Budget: The City Manager with the assistance of the Treasurer 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 succeeding 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.

Notes to the Financial Statements

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

Encumbrances: As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. On a GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds, and as a note disclosure for proprietary funds.

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.

E. 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.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments with original maturities of three months or less and investments of the cash management pool are considered to be 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".

F. Inventory of Supplies

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 in the governmental fund types when purchased and an expense in the proprietary funds when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001 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.

H. Fixed Assets and Depreciation

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fund fixed assets are capitalized in the proprietary fund that reports the activity in which the asset is used.

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the useful lives of the related fixed assets.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Proprietary fund fixed assets are depreciated using the straight-line method over the following useful lives:

Notes to the Financial Statements

<u>Asset Class</u>	<u>Estimated Useful Life</u>
<i>Buildings</i>	<i>20 to 40 years</i>
<i>Improvements</i>	<i>20 to 75 years</i>
<i>Equipment</i>	<i>5 to 30 years</i>

I. Compensated Absences The City accrues a liability for compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 City 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 method. The liability is based on the sick leave accumulated at December 31, by those employees whom it is estimated will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the City's liability for unpaid accumulated sick leave is the amount to be paid using expendable available financial resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the general long-term obligations account group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

J. Long-term Obligations Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. Contributed Capital Contributed capital represents donations by developers, grants restricted for capital construction, and special assessments administered through the enterprise funds. These assets are recorded at their fair market value on the date contributed and are not subject to repayment.

L. Reserves of Fund Equity Reserves of fund equity indicate that a portion of the fund balance is not available for expenditure or is legally segregated for a specific future use. Governmental fund type fund balances are reserved for encumbrances, debt service, inventory, and prepaid items. Enterprise fund reservation of retained earnings indicates that portion of retained earnings which is legally segregated for a specific future use. There is no reservation of retained earnings at December 31, 2001.

City of Rittman, Ohio

M. 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 operating transfers. Operating subsidies are also recorded as operating transfers.

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.

N. Intergovernmental Revenues

In governmental funds, federal and state grants awarded on a non-reimbursement basis and federal entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Federal and state reimbursable type grants are recorded as intergovernmental receivables and revenues when the related liabilities are incurred.

O. 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.

P. Memorandum Only – Total Columns on Combined Financial Statements

Total columns on the general purpose financial statements are captioned "Total Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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 Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds is 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);

Notes to the Financial Statements

- (b) Expenditures/expenses 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); and,
- (d) Advances-in and Advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the governmental funds and expendable trusts are as follows:

<i>Excess of Revenues and Other Financing Sources Over (Under)</i>					
<i>Expenditures and Other Financing Uses</i>					
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
<i>GAAP Basis</i>	\$ (75,766)	\$ 18,420	\$ (2,339)	\$ (2,483,442)	\$ 64,534
<i>Revenue accruals</i>	(36,505)	7,668	-	346,726	(3,442)
<i>Expenditure accruals</i>	(2,794)	5,427	-	(241,776)	-
<i>Encumbrances (Budget Basis)</i>					
<i>Outstanding at year end</i>	<u>(43,427)</u>	<u>(18,143)</u>	<u>-</u>	<u>(296,845)</u>	<u>-</u>
<i>Budget Basis</i>	<u>\$ (158,492)</u>	<u>\$ 13,372</u>	<u>\$ (2,339)</u>	<u>\$ (2,675,337)</u>	<u>\$ 61,092</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 the 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 Treasurer 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 Treasurer 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 Bond issues in the name of the City. The Charter allows for 10% 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 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2001.

Interest earnings are distributed to the Street Maintenance and Repair, State Highway special revenue funds, the Capital Improvements capital projects fund and the Recreation expendable trust fund based on daily cash balances and the remainder is reported in the general fund. The interest earned in a Water bond escrow account is credited to the Water enterprise fund. Interest revenue credited to the General fund during the fiscal year 2001 amounted to \$162,793, which includes \$144,917 assigned from other City funds.

Notes to the Financial Statements

Deposits: At year-end, the carrying amount of the City's deposits was \$2,405,368 and the bank balances totaled \$2,867,528. Of the bank balances, \$1,235,444 was covered by federal depository insurance and \$1,632,084 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). Cash on hand was \$1,050.

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.

	<i>Category</i>		<i>Carrying Amounts</i>	<i>Fair Value</i>
	<u>1</u>	<u>2</u>		
<u><i>Categorized Investments</i></u>				
<i>Special assessment bonds</i>	\$ 41,798	\$ -	\$ 41,798	\$ 41,798
<i>U.S. Agency securities</i>	-	<u>410,800</u>	<u>410,800</u>	<u>410,800</u>
<i>Total Categorized</i>	<u>\$ 41,798</u>	<u>\$ 410,800</u>	<u>452,598</u>	<u>452,598</u>
<u><i>Noncategorized Investments</i></u>				
<i>State Treasurer's pool</i>			<u>203,239</u>	<u>203,239</u>
<i>Total Investments</i>			<u>\$ 655,837</u>	<u>\$ 655,837</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.

City of Rittman, Ohio

NOTE 4 - FIXED ASSETS

General Fixed Assets: Changes in general fixed assets during 2001 were as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Land and land improvements	\$ 164,779	\$ 196,497	\$ 6,295	\$ 354,981
Buildings	2,498,423	3,430,843	210,833	5,718,433
Equipment	2,674,465	269,077	12,583	2,930,959
Construction in Progress	<u>727,430</u>	<u>-</u>	<u>727,430</u>	<u>-</u>
Total	<u>\$ 6,065,097</u>	<u>\$ 3,896,417</u>	<u>\$ 957,141</u>	<u>\$ 9,004,373</u>

Enterprise Fund: A summary of the enterprise funds' fixed assets as of December 31, 2001 follows:

<u>Classification</u>	<u>Balance</u>
Land	\$ 98,288
Buildings	5,705,405
Infrastructure and improvements	8,495,618
Equipment	1,800,396
Construction in progress	<u>62,766</u>
Total	16,162,473
Less: accumulated depreciation	<u>(5,189,113)</u>
Net fixed assets	<u>\$ 10,973,360</u>

Notes to the Financial Statements

NOTE 5 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

A listing of changes in the bonds and other long-term obligations of the City for the year ended December 31, 2001, follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
<u>Enterprise Fund Debt</u>				
<u>General Obligation Bonds</u>				
<i>1994 Waterworks System</i>				
Refinancing Bonds 3.00 - 5.10%	\$ 115,000	\$ -	\$ 115,000	\$ -
Unamortized cost of refunding	(677)	-	677	-
Discount	(339)	-	339	-
Total General Obligation Bonds	113,984	-	116,016	-
<u>Revenue Bonds</u>				
<i>1993 Mortgage Revenue</i>				
Bonds 5.25%	1,200,800	-	14,600	1,186,200
Total Bonds	1,314,784	-	130,616	1,186,200
<u>Loans</u>				
1977 O.W.D.A. Loan 5.25%	43,251	-	20,990	22,261
1993 O.W.D.A. Loan 5.00%	2,510,770	-	148,845	2,361,925
Total Loans	2,554,021	-	169,835	2,384,186
Total Enterprise Obligations	\$ 3,868,805	\$ -	\$ 300,451	\$ 3,570,386
<u>General Long Term Debt</u>				
<u>General Obligation Bonds</u>				
<i>1993 Safety Building</i>				
Bonds 3.00 - 5.85%	\$ 615,000	\$ -	\$ 65,000	\$ 550,000
<i>2000 Recreation Center</i>				
Bonds 5.30%	1,500,000	-	44,000	1,456,000
<u>Special Assessment Bonds</u>				
1992 W. Sunset Street 6.00%	22,002	-	10,681	11,321
1995 Ritter Drive 6.50%	22,904	-	3,242	19,662
1996 Street Improvement 6.50%	2,942	-	1,425	1,517
1997 Street Improvement 6.50%	5,787	-	1,809	3,978
1998 Street Improvement 6.00%	2,257	-	709	1,548
1999 Metzger Avenue 6.00%	4,585	-	813	3,772
Total Special Assessment Bonds	60,477	-	18,679	41,798
<u>Other Obligations</u>				
Compensated absences	110,740	19,894	-	130,634
Total General Long Term Debt	\$ 2,286,217	\$ 19,894	\$ 127,679	\$ 2,178,432

City of Rittman, Ohio

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. The Waterworks System Refinancing Bonds (maturing December 1, 2001) were used to retire the 1978 Waterworks System First Mortgage Revenue Bonds, which were called for redemption on June 1, 1994. The Safety Building Bonds (maturing December 1, 2008) were issued for the purpose of constructing a new building to house the municipal fire and police departments. The Recreation Center Bonds (maturing September 1, 2020) were used to finance the construction of a recreation center.

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 Bond 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.

Revenue Bonds: Revenue bonds are to be repaid from income derived from the constructed and improved assets. 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.

Compensated Absences: Sick leave benefits will be paid from the fund from which the person is paid. Additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately.

The annual requirements to amortize all bonded debt and loans as of December 31, 2001, including interest payments of \$3,052,479 are as follows:

	<i>General Obligation Bonds</i>	<i>Special Assessment Bonds</i>	<i>O.W.D.A Loans</i>	<i>Revenue Bonds</i>	<i>Total</i>
2002	\$ 218,786	\$ 22,466	\$ 295,807	\$ 76,193	\$ 613,252
2003	220,968	8,849	272,546	76,204	578,567
2004	221,823	5,820	272,546	76,173	576,362
2005	222,835	5,820	272,546	76,202	577,403
2006	218,533	4,731	272,546	76,185	571,995
Thereafter	1,924,645	-	1,771,542	2,056,897	5,753,084
<i>Total</i>	<u>\$ 3,027,590</u>	<u>\$ 47,686</u>	<u>\$ 3,157,533</u>	<u>\$ 2,437,854</u>	<u>\$ 8,670,663</u>

Notes to the Financial Statements

NOTE 6 - SHORT TERM OBLIGATION

During 2001, the City issued Bond Anticipation Notes in the amount of \$400,000 for the purpose of financing a portion of a street improvement project. This debt issue is reported as a liability of the Capital Improvements Fund on the balance sheet. Payment of principal and interest on the notes will be made from income tax revenues.

NOTE 7 - CONTRIBUTED CAPITAL

Contributions for (or of) capital assets have been credited directly to contributed capital. These include donations by developers, contributions made by the City and assets whose construction was financed through special assessments. Depreciation expense on assets acquired through restricted grants is not closed to contributed capital. During the year, there were internal transactions that resulted in additions of contributed capital to the water fund in the amount of \$19,060, but no change to the sewer fund.

NOTE 8 - 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 1999 and 1998 for Wayne and Medina Counties respectively. 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. The full-tax rate for all City operations applied to taxable property for the year ended December 31, 2001 was \$7.5 and \$6.2 per \$1,000 of assessed valuation in Wayne and Medina Counties respectively. For 2001, only 2.14% of the total valuations were attributed to property in Medina County.

City of Rittman, Ohio

The assessed values upon which the 2001 taxes were collected are as follows:

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
<u>Real Property</u>		
Residential and agricultural	\$ 56,744,600	62.49 %
Commercial and industrial	9,958,740	11.60
Public utilities	11,490	0.02
<u>Tangible Personal Property</u>		
General	18,441,215	22.61
Public utilities	3,009,410	3.28
Total	<u>\$ 88,165,455</u>	<u>100.00 %</u>

The full tax rate applied to property in Wayne County is 7.5 mills with 2.3 mills and 1.4 mills allocated to the Emergency Medical Service and Fire Department Levy special revenue funds, respectively. The Emergency Medical Service levy expired in 1999 with a final collection in 2000, and the Fire Department levy expired in 2000 with a final collection in 2001.

Real and public utility property taxes are payable annually or semi-annually. If paid annually, payment is due February 15. If paid semi-annually, the first payment is due February 15 with the remainder payable by July 20. 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 April 30; if paid semi-annually, the first payment is due April 30, 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, 2001. However, since these tax collections will not be received during the available period nor are they intended to finance 2001 operations, the receivable is offset by a credit to deferred revenue.

Notes to the Financial Statements

NOTE 9 - 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 10 - COMMITMENTS AND CONTINGENT LIABILITIES

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 had several outstanding or planned construction projects as of December 31, 2001. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Commitment Remaining</u>
<i>Recreation Center</i>	\$ 113,545
<i>Rufener Street Improvements</i>	212,919
<i>Water Line Replacement</i>	73,292
<i>Sewer Line Rehabilitation</i>	<u>59,232</u>
<i>Net fixed assets</i>	<u>\$ 458,988</u>

The completion of the recreation center is a commitment of the Capital Improvements fund. The water and sewer line projects are being financed by current available resources in their applicable funds. The street improvements project is being funded by the proceeds of a short term Bond Anticipation Note and remains a commitment of the Capital Improvements fund, Water fund, and Sewer fund in the amount of \$176,037, \$3,955, and \$32,927, respectively.

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 11 - DEFINED BENEFIT PENSION PLANS

All full-time employees of the City, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a multiple-employer, cost-sharing public employee retirement system administered by the Public Employees Retirement Board. All full-time uniformed City police participate in the Ohio Police and Fire Pension Fund (OP&F), also a multiple-employer, cost-sharing public employee retirement system. Both of these retirement plans provide basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits for PERS 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 PERS at 277 East Town Street, Columbus, Ohio 43215-4642 and OP&F at 140 East Town Street, Columbus, Ohio 43215-5164.

PERS: Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. For 2001 employer pension contribution rate for the City was 9.25% of covered payroll. The 2001 employer contribution rate for both the law enforcement and public safety divisions was 16.70% of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ending December 31, 2001, 2000, and 1999 were \$197,017, \$148,802, and \$170,236, respectively. The full amount has been contributed for 2000 and 1999. 73% had been contributed for 2001 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, while employers are required to contribute 12% and 16.5% 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, 2001, 2000, and 1999 were \$74,992, \$72,072, and \$67,475, respectively. The full amount has been contributed for 2000 and 1999. 72% has been contributed for 2001 with the remainder being reported as a liability within the respective funds.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (PERS) provides post-retirement health care coverage, also referred to as Other Post Employment Benefits (OPEB), to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to PERS. The 2001 employer contribution rate was 13.55% for covered payroll; 4.30% was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75%, an annual increase in active employee total payroll of 4.75% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54% and 5.1% based on additional annual pay increases. Health care premiums were assumed to increase 4.75% annually.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The number of active participants was 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$62,522. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.90 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.60 million and \$2,628.70 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

The Ohio Police and Fire Pension Fund (OP&F) provides post retirement health care coverage, also referred to as Other Post Employment Benefits (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 retirement system is considered an Other Postemployment Benefit (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 7.5% of covered payroll was applied to the postemployment health care program during 2001. For 2000 the percent used to fund healthcare was 7.25%. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's contributions for 2001 were \$53,695 with \$28,843 used to fund health care benefits. The OP&F total health care expense for the year ended December 31, 2000 was \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

NOTE 13 - 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. 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 \$16,677,217. 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.

Notes to the Financial Statements

NOTE 14 - FUND DEFICITS

As of December 31, 2001, the Police Pension special revenue fund had a deficit balance of \$1,491. This deficit was the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 15 - SEGMENT INFORMATION- ENTERPRISE FUNDS

Financial segment information as of and for the year ended December 31, 2001 for the enterprise funds is presented as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<i>Operating revenues</i>	\$ 413,621	\$ 921,293	\$ 1,334,914
<i>Depreciation expense</i>	134,465	298,771	433,236
<i>Operating loss</i>	(108,562)	(58,880)	(167,442)
<i>Tax revenues</i>	341,383	-	341,383
<i>Net income (loss)</i>	226,554	(249,642)	(23,088)
<i>Fixed asset additions</i>	178,699	157,071	335,770
<i>Fixed asset deletions</i>	-	53,959	53,959
<i>Net working capital</i>	387,948	869,201	1,257,149
<i>Total assets</i>	3,971,036	8,588,764	12,559,800
<i>Outstanding long-term liabilities:</i>			
<i>Payable from operating sources</i>	-	3,376,377	3,376,377
<i>Contributed capital (current)</i>	19,060	-	19,060
<i>Total equity</i>	3,915,671	4,938,461	8,854,132
<i>Encumbrances outstanding budget basis at December 31, 2001</i>	\$ 95,214	\$ 142,675	\$ 237,889

GENERAL FUND

The General Fund is used to account for all financial resources of the City except those required to be accounted for in another fund.

City of Rittman, Ohio

General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Budgetary Basis) and Actual
Year ended December 31, 2001**

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$ 982,300	\$ 965,622	\$ (16,678)
Charges for services	548,375	469,997	(78,378)
Fines, licenses and permits	71,500	75,237	3,737
Intergovernmental	479,875	482,936	3,061
Investment income	200,000	167,797	(32,203)
Other	7,700	23,469	15,769
Total revenues	2,289,750	2,185,058	(104,692)
<u>Expenditures:</u>			
Current:			
General government			
Office of city council			
Personal services	33,575	32,571	1,004
Contractual services	5,000	4,469	531
Total office of city council	38,575	37,040	1,535
Department of mayor and administration			
Personal services	200,964	184,032	16,932
Contractual services	112,746	102,502	10,244
Supplies and materials	13,454	13,370	84
Total department of mayor and administration	327,164	299,904	27,260
Department of finance			
Personal services	143,965	134,934	9,031
Contractual services	1,000	295	705
Other operating costs	10,000	7,814	2,186
Total department of finance	154,965	143,043	11,922
Division of lands and buildings			
Personal services	13,550	12,354	1,196
Contractual services	3,195	1,672	1,523
Supplies and materials	5,026	3,250	1,776
Total division of lands and buildings	21,771	17,276	4,495
Department of law			
Personal services	22,300	22,300	-
Contractual services	28,202	23,321	4,881
Total department of law	50,502	45,621	4,881
Miscellaneous			
Personal services	8,000	7,015	985
Contractual services	15,700	14,159	1,541
Total miscellaneous	23,700	21,174	2,526
Total general government	616,677	564,058	52,619

(Continued)

City of Rittman, Ohio

General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Budgetary Basis) and Actual
Year ended December 31, 2001**

	Budget	Actual	Variance Favorable (Unfavorable)
Safety services			
Division of police			
Personal services	759,320	744,450	14,870
Contractual services	65,987	59,052	6,935
Supplies and materials	36,443	29,917	6,526
Other operating costs	500	150	350
Total division of police	<u>862,250</u>	<u>833,569</u>	<u>28,681</u>
Division of fire			
Personal services	71,900	69,529	2,371
Contractual services	31,223	24,578	6,645
Supplies and materials	24,947	20,389	4,558
Total division of fire	<u>128,070</u>	<u>114,496</u>	<u>13,574</u>
Division of communications			
Contractual services	3,000	2,483	517
Division of street lighting			
Contractual services	26,000	25,366	634
Supplies and materials	5,020	3,945	1,075
Total division of street lighting	<u>31,020</u>	<u>29,311</u>	<u>1,709</u>
Total safety services	<u>1,024,340</u>	<u>979,859</u>	<u>44,481</u>
Public health and welfare			
Cemetery board			
Personal services	43,955	41,501	2,454
Contractual services	2,000	701	1,299
Supplies and materials	5,965	2,237	3,728
Total cemetery board	<u>51,920</u>	<u>44,439</u>	<u>7,481</u>
Board of health			
Contractual services	25,000	24,280	720
Division of welfare			
Contractual services	2,000	-	2,000
Division of pest and animal control			
Personal services	3,010	1,547	1,463
Contractual services	4,000	3,350	650
Supplies and materials	7,200	7,096	104
Total division of pest and animal control	<u>14,210</u>	<u>11,993</u>	<u>2,217</u>
Total public health and welfare	<u>93,130</u>	<u>80,712</u>	<u>12,418</u>

(Continued)

City of Rittman, Ohio

General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Budgetary Basis) and Actual
Year ended December 31, 2001**

	Budget	Actual	Variance Favorable (Unfavorable)
Transportation			
Division of street maintenance			
Personal services	145,717	132,974	12,743
Contractual services	42,300	32,527	9,773
Supplies and materials	34,953	28,864	6,089
Total division of street maintenance	222,970	194,365	28,605
Division of vehicle maintenance			
Personal services	78,510	74,892	3,618
Contractual services	4,500	3,266	1,234
Supplies and materials	21,307	20,614	693
Total division of vehicle maintenance	104,317	98,772	5,545
Total transportation	327,287	293,137	34,150
Basic utility services			
Division of waste management			
Contractual services	202,000	201,476	524
Leisure time activities			
Division of parks			
Personal services	62,350	61,281	1,069
Contractual services	9,770	7,987	1,783
Supplies and materials	6,400	5,532	868
Total division of parks	78,520	74,800	3,720
Recreation center			
Personal services	97,875	64,367	33,508
Contractual services	52,900	25,755	27,145
Supplies and materials	35,450	30,886	4,564
Other operating costs	500	-	500
Total recreation center	186,725	121,008	65,717
Recreation board			
Supplies and materials	50	-	50
Junior achievement center			
Other operating costs	2,000	-	2,000
Total leisure time activities	267,295	195,808	71,487
Total expenditures	2,530,729	2,315,050	215,679
Excess of revenues under expenditures	(240,979)	(129,992)	110,987
<u>Other financing uses:</u>			
Operating transfers - out	(98,500)	(28,500)	70,000

(Continued)

City of Rittman, Ohio

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -

Budget (Non-GAAP Budgetary Basis) and Actual

Year ended December 31, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Excess of revenues under expenditures and other financing uses	(339,479)	(158,492)	180,987
Fund balance at beginning of year	318,271	318,271	-
Prior year encumbrances appropriated	49,356	49,356	-
Fund balance at end of year	<u>\$ 28,148</u>	<u>\$ 209,135</u>	<u>\$ 180,987</u>

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for types of resources (other than expendable trusts or for major capital projects) 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:

EMERGENCY MEDICAL SERVICES – To account for property taxes levied and other revenues for the operation of emergency medical services.

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 – Required by the Ohio Revised Code to account for that portion of license plate fees approved by the voters of Wayne County for the maintenance of City streets.

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

LAW ENFORCEMENT 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.

COMMUNITY ORIENTED POLICING SERVICES (COPS) – To account for a federal grant and local matching funds used to finance community policing programs.

STATE AND FEDERAL GRANTS – To account for monies received from the federal government for low income housing improvements.

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

FIRE DEPARTMENT LEVY – To accumulate property taxes levied for the maintenance and acquisition of fire equipment.

City of Rittman, Ohio
Combining Balance Sheet
All Special Revenue Funds
As of December 31, 2001

	Emergency Medical Services	Street Maintenance and Repair	State Highway	Permissive Tax	Permissive Tax II
<u>Assets</u>					
Equity in pooled cash	\$ 132,022	\$ 85,557	\$ 34,753	\$ -	\$ 6,645
Receivables:					
Taxes	181,912	-	-	-	-
Accounts	16,461	-	-	-	-
Accrued interest	-	260	98	-	-
Due from other governments	-	3,136	254	12,489	-
Materials and supplies inventory	-	3,192	4,719	-	-
Prepaid items	1,296	-	-	-	-
	<u>\$ 331,691</u>	<u>\$ 92,145</u>	<u>\$ 39,824</u>	<u>\$ 12,489</u>	<u>\$ 6,645</u>
 <u>Liabilities and fund equity</u> <u>fund equity and other credits</u>					
<u>Liabilities</u>					
Accounts payable	\$ 12,111	\$ 245	\$ 155	\$ -	\$ -
Accrued wages and benefits	11,114	2,766	-	-	-
Compensated absences payable	575	126	-	-	-
Due to other governments	5,745	6,480	-	-	-
Deferred revenue	183,497	-	-	12,489	-
	<u>213,042</u>	<u>9,617</u>	<u>155</u>	<u>12,489</u>	<u>-</u>
Total liabilities					
	<u>213,042</u>	<u>9,617</u>	<u>155</u>	<u>12,489</u>	<u>-</u>
 <u>Fund equity</u>					
Fund balance:					
Reserved for encumbrances	1,060	160	-	-	-
Reserved for inventory	-	3,192	4,719	-	-
Reserved for prepaid items	1,296	-	-	-	-
Unreserved:					
Undesignated	116,293	79,176	34,950	-	6,645
	<u>118,649</u>	<u>82,528</u>	<u>39,669</u>	<u>-</u>	<u>6,645</u>
Total fund equity (deficit)					
	<u>118,649</u>	<u>82,528</u>	<u>39,669</u>	<u>-</u>	<u>6,645</u>
Total liabilities and fund equity	<u>\$ 331,691</u>	<u>\$ 92,145</u>	<u>\$ 39,824</u>	<u>\$ 12,489</u>	<u>\$ 6,645</u>

<u>Police Pension</u>	<u>Law Enforcement Education</u>	<u>Law Enforcement</u>	<u>COPS</u>	<u>State and Federal Grants</u>	<u>Education and Recreation Assistance</u>	<u>Fire Department Levy</u>	<u>Totals</u>
\$ 18,786	\$ 2,040	\$ 1,943	\$ 7,203	\$ 582	\$ 10,000	\$ 186,512	\$ 486,043
23,850	-	-	-	-	-	84,840	290,602
-	-	-	-	-	-	-	16,461
-	-	-	-	-	-	-	358
-	105	63	-	-	-	-	16,047
-	-	-	-	-	-	-	7,911
-	-	-	-	-	-	-	1,296
<u>\$ 42,636</u>	<u>\$ 2,145</u>	<u>\$ 2,006</u>	<u>\$ 7,203</u>	<u>\$ 582</u>	<u>\$ 10,000</u>	<u>\$ 271,352</u>	<u>\$ 818,718</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,511
-	-	-	802	-	-	-	14,682
-	-	-	-	-	-	-	701
21,297	-	-	147	-	-	-	33,669
22,830	-	-	-	-	-	81,678	300,494
<u>44,127</u>	<u>-</u>	<u>-</u>	<u>949</u>	<u>-</u>	<u>-</u>	<u>81,678</u>	<u>362,057</u>

-	544	-	-	-	-	4,154	5,918
-	-	-	-	-	-	-	7,911
-	-	-	-	-	-	-	1,296
<u>(1,491)</u>	<u>1,601</u>	<u>2,006</u>	<u>6,254</u>	<u>582</u>	<u>10,000</u>	<u>185,520</u>	<u>441,536</u>
<u>(1,491)</u>	<u>2,145</u>	<u>2,006</u>	<u>6,254</u>	<u>582</u>	<u>10,000</u>	<u>189,674</u>	<u>456,661</u>
<u>\$ 42,636</u>	<u>\$ 2,145</u>	<u>\$ 2,006</u>	<u>\$ 7,203</u>	<u>\$ 582</u>	<u>\$ 10,000</u>	<u>\$ 271,352</u>	<u>\$ 818,718</u>

City of Rittman, Ohio

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
All Special Revenue Funds
For the Year Ended December 31, 2001**

	Emergency Medical Services	Street Maintenance and Repair	State Highway	Permissive Tax	Permissive Tax II
<u>Revenues:</u>					
Taxes	\$ 183,467	\$ -	\$ -	\$ -	\$ -
Charges for services	59,737	-	-	-	-
Fines, licenses and permits	-	-	-	-	-
Intergovernmental	29,315	169,875	13,773	63,500	15,291
Investment income	-	5,369	2,018	-	-
Contributions and donations	-	-	-	-	-
Other	5,957	-	-	-	-
Total revenues	<u>278,476</u>	<u>175,244</u>	<u>15,791</u>	<u>63,500</u>	<u>15,291</u>
<u>Expenditures:</u>					
Current:					
General government	3,086	-	-	-	-
Safety services	234,434	-	-	-	-
Transportation	-	192,312	15,404	-	-
Capital outlay	21,707	-	-	63,500	57,379
Total expenditures	<u>259,227</u>	<u>192,312</u>	<u>15,404</u>	<u>63,500</u>	<u>57,379</u>
Excess of revenues over (under) expenditures	<u>19,249</u>	<u>(17,068)</u>	<u>387</u>	<u>-</u>	<u>(42,088)</u>
<u>Other financing sources:</u>					
Operating transfers - in	-	-	-	-	-
Excess of revenues and other financing sources over (under) expenditures	19,249	(17,068)	387	-	(42,088)
Fund balance (deficit) at beginning of year	99,400	96,804	41,169	-	48,733
Increase (decrease) in reserve for inventory	-	2,792	(1,887)	-	-
Fund balance (deficit) at end of year	<u>\$ 118,649</u>	<u>\$ 82,528</u>	<u>\$ 39,669</u>	<u>\$ -</u>	<u>\$ 6,645</u>

<u>Police Pension</u>	<u>Law Enforcement Education</u>	<u>Law Enforcement</u>	<u>COPS</u>	<u>State and Federal Grants</u>	<u>Education and Recreation Assistance</u>	<u>Fire Department Levy</u>	<u>Totals</u>
\$ 23,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,317	\$ 291,119
-	-	-	-	-	-	-	59,737
-	1,130	800	-	-	-	-	1,930
2,619	-	-	5,211	-	-	8,245	307,829
-	-	-	-	-	-	-	7,387
-	-	-	-	-	10,000	-	10,000
-	-	-	-	-	-	-	5,957
<u>25,954</u>	<u>1,130</u>	<u>800</u>	<u>5,211</u>	<u>-</u>	<u>10,000</u>	<u>92,562</u>	<u>683,959</u>
403	-	-	-	-	-	1,446	4,935
25,986	302	208	31,525	-	-	-	292,455
-	-	-	-	-	-	-	207,716
-	-	-	-	-	-	46,347	188,933
<u>26,389</u>	<u>302</u>	<u>208</u>	<u>31,525</u>	<u>-</u>	<u>-</u>	<u>47,793</u>	<u>694,039</u>
(435)	828	592	(26,314)	-	10,000	44,769	(10,080)
-	-	-	28,500	-	-	-	28,500
(435)	828	592	2,186	-	10,000	44,769	18,420
(1,056)	1,317	1,414	4,068	582	-	144,905	437,336
-	-	-	-	-	-	-	905
<u>\$ (1,491)</u>	<u>\$ 2,145</u>	<u>\$ 2,006</u>	<u>\$ 6,254</u>	<u>\$ 582</u>	<u>\$ 10,000</u>	<u>\$ 189,674</u>	<u>\$ 456,661</u>

City of Rittman, Ohio

Emergency Medical Services Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -

Year ended December 31, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$ 176,256	\$ 179,825	\$ 3,569
Charges for services	55,000	61,237	6,237
Intergovernmental	28,419	29,315	896
Miscellaneous	100	6,125	6,025
Total revenues	<u>259,775</u>	<u>276,502</u>	<u>16,727</u>
<u>Expenditures:</u>			
Current:			
General government			
Other operating costs	3,100	3,086	14
Safety services			
Division of emergency services			
Personal services	193,085	184,813	8,272
Contractual services	24,200	21,574	2,626
Supplies and materials	20,438	17,564	2,874
Other operating costs	9,100	8,900	200
Capital outlay	25,000	21,707	3,293
Total safety services	<u>271,823</u>	<u>254,558</u>	<u>17,265</u>
Total expenditures	<u>274,923</u>	<u>257,644</u>	<u>17,279</u>
Excess of revenues over (under) expenditures	(15,148)	18,858	34,006
Fund balance at beginning of year	97,266	97,266	-
Prior year encumbrances appropriated	2,768	2,768	-
Fund balance at end of year	<u>\$ 84,886</u>	<u>\$ 118,892</u>	<u>\$ 34,006</u>

City of Rittman, Ohio

Street Maintenance and Repair Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Year ended December 31, 2001**

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 177,000	\$ 176,851	\$ (149)
Investment income	3,000	5,690	2,690
Total revenues	<u>180,000</u>	<u>182,541</u>	<u>2,541</u>
<u>Expenditures:</u>			
Current:			
Transportation			
Division of Street Maintenance			
Personal services	154,000	142,331	11,669
Contractual services	39,580	32,006	7,574
Supplies and materials	32,033	15,641	16,392
Total expenditures	<u>225,613</u>	<u>189,978</u>	<u>35,635</u>
Excess of revenues under expenditures	(45,613)	(7,437)	38,176
Fund balance at beginning of year	82,221	82,221	-
Prior year encumbrances appropriated	10,613	10,613	-
Fund balance at end of year	<u>\$ 47,221</u>	<u>\$ 85,397</u>	<u>\$ 38,176</u>

City of Rittman, Ohio

State Highway Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Year ended December 31, 2001**

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 14,300	\$ 14,339	\$ 39
Investment income	1,500	2,143	643
Total revenues	<u>15,800</u>	<u>16,482</u>	<u>682</u>
<u>Expenditures:</u>			
Current:			
Transportation			
Division of street maintenance			
Personal services	13,000	7,370	5,630
Supplies and materials	29,410	13,994	15,416
Total expenditures	<u>42,410</u>	<u>21,364</u>	<u>21,046</u>
Excess of revenues under expenditures	(26,610)	(4,882)	21,728
Fund balance at beginning of year	31,770	31,770	-
Prior year encumbrances appropriated	7,710	7,710	-
Fund balance at end of year	<u>\$ 12,870</u>	<u>\$ 34,598</u>	<u>\$ 21,728</u>

City of Rittman, Ohio

Permissive Tax Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -

Year ended December 31, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Intergovernmental	\$ 63,500	\$ 63,500	\$ -
<u>Expenditures:</u>			
Current:			
Transportation			
Division of street maintenance			
Capital outlay	63,500	63,500	-
Excess of revenues over (under) expenditures	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Rittman, Ohio

Permissive Tax II Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -

Year ended December 31, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 50,000	\$ 16,429	\$ (33,571)
<u>Expenditures:</u>			
Current:			
Transportation			
Division of street maintenance			
Capital outlay	59,000	57,379	1,621
Excess of revenues under expenditures	(9,000)	(40,950)	(31,950)
Fund balance at beginning of year	47,595	47,595	-
Fund balance at end of year	<u>\$ 38,595</u>	<u>\$ 6,645</u>	<u>\$ (31,950)</u>

City of Rittman, Ohio

Police Pension Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Year ended December 31, 2001**

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$ 23,081	\$ 23,484	\$ 403
Intergovernmental	2,619	2,619	-
Total revenues	<u>25,700</u>	<u>26,103</u>	<u>403</u>
<u>Expenditures:</u>			
Current:			
General government			
Miscellaneous			
Other operating costs	500	403	97
Safety services			
Division of Police			
Personal services	25,500	25,500	-
Total expenditures	<u>26,000</u>	<u>25,903</u>	<u>97</u>
Excess of revenues over (under) expenditures	(300)	200	500
Fund balance at beginning of year	18,586	18,586	-
Fund balance at end of year	<u>\$ 18,286</u>	<u>\$ 18,786</u>	<u>\$ 500</u>

City of Rittman, Ohio

Law Enforcement Education Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -

Year ended December 31, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Fines, licenses and permits	\$ 1,000	\$ 1,170	\$ 170
<u>Expenditures:</u>			
Current:			
Safety services			
Division of police			
Other operating costs	900	846	54
Capital outlay	100	-	100
Total expenditures	<u>1,000</u>	<u>846</u>	<u>154</u>
Excess of revenues over expenditures	-	324	324
Fund balance at beginning of year	1,172	1,172	-
Fund balance at end of year	<u>\$ 1,172</u>	<u>\$ 1,496</u>	<u>\$ 324</u>

City of Rittman, Ohio

Law Enforcement Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -

Year ended December 31, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Fines, licenses and permits	\$ 1,500	\$ 737	\$ (763)
<u>Expenditures:</u>			
Current:			
Safety services			
Division of police			
Other operating costs	300	208	92
Capital outlay	1,200	-	1,200
Total expenditures	<u>1,500</u>	<u>208</u>	<u>1,292</u>
Excess of revenues over expenditures	-	529	529
Fund balance at beginning of year	1,414	1,414	-
Fund balance at end of year	<u>\$ 1,414</u>	<u>\$ 1,943</u>	<u>\$ 529</u>

City of Rittman, Ohio

COPS Grant Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Year ended December 31, 2001**

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 17,500	\$ 5,211	\$ (12,289)
<u>Expenditures:</u>			
Current:			
Safety services			
Division of Police			
Personal services	66,000	33,551	32,449
Excess of revenues under expenditures	(48,500)	(28,340)	20,160
<u>Other financing sources:</u>			
Operating transfers-in	48,500	28,500	(20,000)
Excess of revenues and other financing sources over expenditures	-	160	160
Fund balance at beginning of year	7,043	7,043	-
Fund balance at end of year	<u>\$ 7,043</u>	<u>\$ 7,203</u>	<u>\$ 160</u>

City of Rittman, Ohio
State and Federal Grants Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Year ended December 31, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Total expenditures	-	-	-
Excess of revenues over (under) expenditures	-	-	-
Fund balance at beginning of year	582	582	-
Fund balance at end of year	<u>\$ 582</u>	<u>\$ 582</u>	<u>\$ -</u>

City of Rittman, Ohio

Education and Recreation Assistance

Schedule of Revenues, Expenditures, and Changes in Fund Balances -

Year ended December 31, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Contributions and donations	\$ -	\$ 10,000	\$ 10,000
<u>Expenditures:</u>			
Total expenditures	-	-	-
Excess of revenues over expenditures	-	10,000	10,000
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

City of Rittman, Ohio
Fire Department Levy Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Year ended December 31, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$ 83,055	\$ 84,707	\$ 1,652
Intergovernmental	8,245	8,245	-
Total revenues	<u>91,300</u>	<u>92,952</u>	<u>1,652</u>
<u>Expenditures:</u>			
Current:			
General government			
Miscellaneous			
Other operating costs	2,000	1,446	554
Safety services			
Division of police			
Capital outlay	56,435	54,936	1,499
Total expenditures	<u>58,435</u>	<u>56,382</u>	<u>2,053</u>
Excess of revenues over expenditures	32,865	36,570	3,705
Fund balance at beginning of year	141,353	141,353	-
Prior year encumbrances appropriated	4,435	4,435	-
Fund balance at end of year	<u>\$ 178,653</u>	<u>\$ 182,358</u>	<u>\$ 3,705</u>

CAPITAL PROJECTS FUND

Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The capital projects fund is:

CAPITAL IMPROVEMENTS – to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

City of Rittman, Ohio

Capital Improvements Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance -

Budget (Non-GAAP Budgetary Basis) and Actual

Year ended December 31, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$ 340,000	\$ 343,221	\$ 3,221
Intergovernmental	248,000	142,701	(105,299)
Investment income	90,000	92,191	2,191
Miscellaneous	-	2,610	2,610
Total revenue	<u>678,000</u>	<u>580,723</u>	<u>(97,277)</u>
<u>Expenditures:</u>			
Current:			
General government			
Other operating costs	35,200	34,107	1,093
Capital outlay	13,470	9,616	3,854
Total General government	<u>48,670</u>	<u>43,723</u>	<u>4,947</u>
Security of persons and property			
Division of police			
Capital outlay	32,173	31,321	852
Division of Street Lighting			
Capital outlay	1,425	1,425	-
Total security of persons and property	<u>33,598</u>	<u>32,746</u>	<u>852</u>
Transportation			
Division of street construction			
Contractual services	57,200	54,300	2,900
Capital outlay	482,000	462,571	19,429
Total transportation	<u>539,200</u>	<u>516,871</u>	<u>22,329</u>
Leisure time activities			
Division of parks			
Contractual services	23,856	21,161	2,695
Capital outlay	2,824,552	2,819,191	5,361
Total leisure time activities	<u>2,848,408</u>	<u>2,840,352</u>	<u>8,056</u>
Total expenditures	<u>3,469,876</u>	<u>3,433,692</u>	<u>36,184</u>
Excess of revenues under expenditures	<u>(2,791,876)</u>	<u>(2,852,969)</u>	<u>(61,093)</u>
<u>Other financing sources (uses):</u>			
Proceeds of bonds	400,000	400,000	-
Operating transfers-in	50,000	-	(50,000)
Operating transfers-out	(222,368)	(222,368)	-
Total other financing sources (uses)	<u>227,632</u>	<u>177,632</u>	<u>(50,000)</u>
Excess of revenues and other financing sources under expenditures and other financing uses	<u>(2,564,244)</u>	<u>(2,675,337)</u>	<u>(111,093)</u>
Fund balance at beginning of year	130,866	130,866	-
Prior year encumbrances appropriated	2,724,051	2,724,051	-
Fund balance at end of year	<u>\$ 290,673</u>	<u>\$ 179,580</u>	<u>\$ (111,093)</u>

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS AND ACCOUNT GROUPS

The Debt Service Fund, and the General Long-term Debt Account Group are not presented separately since individual fund comparatives are not presented and the legal level of budgetary control is not greater than that presented in the General Purpose Financial Statements.

DEBT SERVICE FUND – The Debt Retirement Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest.

GENERAL LONG-TERM DEBT ACCOUNT GROUP – The General Long-term Debt Account Group is used to account for all long-term indebtedness of the City that is not a specific liability of a proprietary fund.

ENTERPRISE FUNDS

Enterprise 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 net income, financial position and changes in cash flows. The Enterprise funds are used to account for the City's water and sewer operations. These operations are financed and operated in a manner similar to a private business enterprise. The intent of the City 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. Following is a description of the City's enterprise funds:

WATER - To account for water services provided to individuals and commercial users in the community.

SEWER - To account for sewer services provided to individuals and commercial users in the community.

City of Rittman, Ohio
Combining Balance Sheet
All Enterprise Funds
As of December 31, 2001

	Water	Sewer	Total
<u>Assets</u>			
Equity in pooled cash	\$ 311,114	\$ 985,806	\$ 1,296,920
Cash with fiscal and escrow agents	13,913	-	13,913
Receivables:			
Taxes	23,819	-	23,819
Accounts	61,560	149,852	211,412
Accrued interest	26	-	26
Materials and supplies inventory	29,069	2,064	31,133
Prepaid items	3,812	5,405	9,217
Fixed assets, (net of accumulated depreciation)	3,527,723	7,445,637	10,973,360
	<u>\$ 3,971,036</u>	<u>\$ 8,588,764</u>	<u>\$ 12,559,800</u>
<u>Liabilities and equity</u>			
<u>Current liabilities</u>			
Accounts payable	\$ 4,193	\$ 31,961	\$ 36,154
Accrued wages and benefits	4,154	4,287	8,441
Compensated absences payable	24,754	21,478	46,232
Due to other governments	8,351	9,526	17,877
Matured bonds payable	10,200	-	10,200
Matured interest payable	3,713	-	3,713
Accrued interest payable	-	12,665	12,665
OWDA loans payable - current	-	178,609	178,609
Mortgage revenue bonds payable - current	-	15,400	15,400
Total current liabilities	<u>55,365</u>	<u>273,926</u>	<u>329,291</u>
<u>Long-term liabilities</u>			
OWDA loans payable	-	2,205,577	2,205,577
Mortgage revenue bonds payable	-	1,170,800	1,170,800
Total long-term liabilities	<u>-</u>	<u>3,376,377</u>	<u>3,376,377</u>
Total liabilities	<u>55,365</u>	<u>3,650,303</u>	<u>3,705,668</u>
<u>Equity</u>			
Contributed capital	304,696	2,619,058	2,923,754
Retained earnings, unreserved	3,610,975	2,319,403	5,930,378
Total equity	<u>3,915,671</u>	<u>4,938,461</u>	<u>8,854,132</u>
Total liabilities and equity	<u>\$ 3,971,036</u>	<u>\$ 8,588,764</u>	<u>\$ 12,559,800</u>

City of Rittman, Ohio
Combining Statement of Revenues,
Expenses and Changes in Retained Earnings
All Enterprise Funds
For the Year Ended December 31, 2001

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>Operating revenues:</u>			
Charges for services	\$ 411,057	\$ 921,293	\$ 1,332,350
Other	2,564	-	2,564
	<u>413,621</u>	<u>921,293</u>	<u>1,334,914</u>
<u>Operating expenses:</u>			
Personal services	235,340	261,620	496,960
Contractual services	82,879	234,402	317,281
Materials and supplies	29,880	95,580	125,460
Other	39,619	89,800	129,419
Depreciation	134,465	298,771	433,236
	<u>522,183</u>	<u>980,173</u>	<u>1,502,356</u>
Operating loss	<u>(108,562)</u>	<u>(58,880)</u>	<u>(167,442)</u>
<u>Non-operating revenues (expenses):</u>			
Interest income	566	-	566
Municipal income tax	341,383	-	341,383
Loss on disposal of asset	-	(3,406)	(3,406)
Interest and fiscal charges	(6,833)	(187,356)	(194,189)
	<u>335,116</u>	<u>(190,762)</u>	<u>144,354</u>
Total non-operating revenues (expenses)	<u>335,116</u>	<u>(190,762)</u>	<u>144,354</u>
Net income (loss)	226,554	(249,642)	(23,088)
Retained earnings at beginning of year	<u>3,384,421</u>	<u>2,569,045</u>	<u>5,953,466</u>
Retained earnings at end of year	<u>\$ 3,610,975</u>	<u>\$ 2,319,403</u>	<u>\$ 5,930,378</u>

City of Rittman, Ohio
Combining Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2001

	Water	Sewer	Total
Cash flows from operating activities:			
Operating loss	\$ (108,562)	\$ (58,880)	\$ (167,442)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	134,465	298,771	433,236
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	3,777	7,213	10,990
Inventory of supplies	(18,648)	995	(17,653)
Prepaid items	(423)	(759)	(1,182)
Increase (decrease) in liabilities:			
Accounts payable	(1,481)	21,444	19,963
Accrued wages	456	775	1,231
Compensated absences	2,040	2,217	4,257
Due to other governments	(4,244)	90	(4,154)
Net cash provided by operating activities	<u>7,380</u>	<u>271,866</u>	<u>279,246</u>
Cash flows from noncapital financing activities:			
Income taxes received	<u>343,222</u>	<u>-</u>	<u>343,222</u>
Net cash provided by noncapital financing activities	<u>343,222</u>	<u>-</u>	<u>343,222</u>
Cash flows from capital and related financing activities:			
Interest paid on debt	(5,865)	(187,512)	(193,377)
Principal payment on notes and bonds	(115,000)	(184,435)	(299,435)
Acquisition of capital assets	<u>(159,639)</u>	<u>(113,432)</u>	<u>(273,071)</u>
Net cash used for capital and related financing activities	<u>(280,504)</u>	<u>(485,379)</u>	<u>(765,883)</u>
Cash flows from investing activities:			
Investment income	<u>616</u>	<u>-</u>	<u>616</u>
Net cash provided by investing activities	<u>616</u>	<u>-</u>	<u>616</u>
Net increase (decrease) in cash and cash equivalents	70,714	(213,513)	(142,799)
Cash and cash equivalents at beginning of year	<u>254,313</u>	<u>1,199,319</u>	<u>1,453,632</u>
Cash and cash equivalents at end of year	<u>\$ 325,027</u>	<u>\$ 985,806</u>	<u>\$ 1,310,833</u>
Noncash investing, capital and financing activities			
Contributed capital	<u>\$ 19,060</u>	<u>-</u>	<u>\$ 19,060</u>
Total noncash investing, capital and financing activities	<u>\$ 19,060</u>	<u>-</u>	<u>\$ 19,060</u>

City of Rittman, Ohio

Water Fund

Schedule of Revenues, Expenses, and Changes in Fund Equity -

Budget (Non-GAAP Budgetary Basis) and Actual

Year ended December 31, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Municipal income tax	\$ 365,000	\$ 343,222	\$ (21,778)
Charges for services	448,600	412,323	(36,277)
Investment income	700	616	(84)
Other	9,500	5,075	(4,425)
Total revenue	<u>823,800</u>	<u>761,236</u>	<u>(62,564)</u>
<u>Expenses:</u>			
General government			
Miscellaneous			
Other operating costs	41,000	39,619	1,381
Basic utility services			
Division of water distribution			
Personal services	263,585	236,012	27,573
Contractual services	186,093	117,946	68,147
Supplies and materials	78,646	49,049	29,597
Capital outlay	280,540	222,245	58,295
Total basic utility services	<u>808,864</u>	<u>625,252</u>	<u>183,612</u>
Debt service:			
Principal retirement	115,000	115,000	-
Interest and fiscal charges	5,865	5,865	-
Total expenses	<u>970,729</u>	<u>785,736</u>	<u>184,993</u>
Excess of revenues under expenses	(146,929)	(24,500)	122,429
Fund equity at beginning of year	179,736	179,736	-
Prior year encumbrances appropriated	64,039	64,039	-
Fund equity at end of year	<u>\$ 96,846</u>	<u>\$ 219,275</u>	<u>\$ 122,429</u>

City of Rittman, Ohio

Sewer Fund

**Schedule of Revenues, Expenses, and Changes in Fund Equity -
Budget (Non-GAAP Budgetary Basis) and Actual
Year ended December 31, 2001**

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for services	\$ 887,500	\$ 926,622	\$ 39,122
Other	500	1,884	1,384
Total revenue	<u>888,000</u>	<u>928,506</u>	<u>40,506</u>
<u>Expenses:</u>			
Basic utility services			
Division of wastewater treatment			
Personal services	282,455	258,966	23,489
Contractual services	383,111	330,755	52,356
Supplies and materials	89,850	69,944	19,906
Other operating costs	89,800	89,800	-
Capital outlay	435,636	163,282	272,354
Total basic utility services	<u>1,280,852</u>	<u>912,747</u>	<u>368,105</u>
Debt service:			
Principal retirement	184,436	184,435	1
Interest and fiscal charges	210,386	187,512	22,874
Total expenses	<u>1,675,674</u>	<u>1,284,694</u>	<u>390,980</u>
Excess of revenues under expenses	<u>(787,674)</u>	<u>(356,188)</u>	<u>431,486</u>
<u>Other financing sources (uses):</u>			
Operating transfers - in	513,765	383,765	(130,000)
Operating transfers - out	(463,765)	(383,765)	80,000
Total other sources (uses)	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Excess of revenues and other financing sources under expenses and other financing uses	<u>(737,674)</u>	<u>(356,188)</u>	<u>381,486</u>
Fund equity at beginning of year	1,071,143	1,071,143	-
Prior year encumbrances appropriated	128,177	128,177	-
Fund equity at end of year	<u>\$ 461,646</u>	<u>\$ 843,132</u>	<u>\$ 381,486</u>

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The City's Fiduciary Fund type is:

EXPENDABLE TRUST FUNDS

These funds are accounted for in essentially the same manner as governmental funds.

CEMETERY ENDWOMENT – To accumulate funds for any capital expenditures necessary for the municipal owned cemeteries.

RECREATION TRUST – To account for the construction, improvement and maintenance of the City's recreation facilities.

City of Rittman, Ohio
Combining Balance Sheet
All Expendable Trust Funds
As of December 31, 2001

	Cemetery Endowment	Recreation Trust	Totals
<u>Assets</u>			
Equity in pooled cash	\$ 73,963	\$ 365,697	\$ 439,660
Receivables:			
Taxes	-	13,831	13,831
Accounts	625	-	625
Accrued interest	-	874	874
	<u>74,588</u>	<u>380,402</u>	<u>454,990</u>
Total assets and other debits	<u>\$ 74,588</u>	<u>\$ 380,402</u>	<u>\$ 454,990</u>
<u>Liabilities,</u>			
<u>fund equity and other credits</u>			
<u>Liabilities</u>			
Deferred revenue	<u>\$ 625</u>	<u>\$ 9,458</u>	<u>\$ 10,083</u>
<u>Fund equity and other credits</u>			
Unreserved:			
Undesignated	<u>73,963</u>	<u>370,944</u>	<u>444,907</u>
	<u>74,588</u>	<u>380,402</u>	<u>454,990</u>
Total liabilities, fund equity and other credits	<u>\$ 74,588</u>	<u>\$ 380,402</u>	<u>\$ 454,990</u>

City of Rittman, Ohio
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
All Expendable Trust Funds
For the Year Ended December 31, 2001

	Cemetery Endowment	Recreation Trust	Totals
<u>Revenues:</u>			
Taxes	\$ -	\$ 50,548	\$ 50,548
Charges for services	6,978	-	6,978
Investment income	-	18,123	18,123
	<hr/>	<hr/>	<hr/>
Total revenues	6,978	68,671	75,649
	<hr/>	<hr/>	<hr/>
<u>Expenditures:</u>			
Capital outlay	11,115	-	11,115
	<hr/>	<hr/>	<hr/>
Excess of revenues over (under) expenditures	(4,137)	68,671	64,534
	<hr/>	<hr/>	<hr/>
Fund balances at beginning of year	78,100	302,273	380,373
	<hr/>	<hr/>	<hr/>
Fund balances at end of year	<u>\$ 73,963</u>	<u>\$ 370,944</u>	<u>\$ 444,907</u>

City of Rittman, Ohio
Cemetery Endowment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget (Non-GAAP Budgetary Basis) and Actual
Year ended December 31, 2001

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for services	\$ 10,000	\$ 6,978	\$ (3,022)
<u>Expenditures:</u>			
Current:			
Public health services			
Capital outlay	19,000	11,115	7,885
Excess of revenues under expenditures	(9,000)	(4,137)	4,863
Fund balance at beginning of year	78,100	78,100	-
Fund balance at end of year	<u>\$ 69,100</u>	<u>\$ 73,963</u>	<u>\$ 4,863</u>

City of Rittman, Ohio

Recreation Trust Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget (Non-GAAP Budgetary Basis) and Actual
Year ended December 31, 2001**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Municipal income tax	\$ -	\$ 46,175	\$ 46,175
Investment income	12,000	19,054	7,054
Total revenue	<u>12,000</u>	<u>65,229</u>	<u>53,229</u>
<u>Expenditures:</u>			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	12,000	65,229	53,229
Fund balance at beginning of year	300,468	300,468	-
Fund balance at end of year	<u>\$ 312,468</u>	<u>\$ 365,697</u>	<u>\$ 53,229</u>

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group accounts for all fixed assets used in general governmental operations. Streets, sidewalks and storm sewers are not included in this account group as the City does not capitalize infrastructure items.

City of Rittman, Ohio
General Fixed Assets Account Group
Schedule of General Fixed Assets by Source
As of December 31, 2001

General fixed assets	
Land and land improvements	\$ 354,981
Buildings	5,718,433
Machinery and equipment	<u>2,930,959</u>
Total general fixed assets	<u><u>\$ 9,004,373</u></u>
Investments in general fixed assets from	
General fund	\$ 1,649,481
Special revenue funds	1,321,474
Capital project funds	3,676,791
Trust funds	54,151
Donations	104,125
General obligation bonds	<u>2,198,351</u>
Total investments in general fixed assets	<u><u>\$ 9,004,373</u></u>

City of Rittman, Ohio
General Fixed Assets Account Group
Schedule of General Fixed Assets by Function and Activity
As of December 31, 2001

	Land and Land Improvements	Buildings	Machinery and Equipment	Construction in Progress	Total
Safety services					
Police	\$ -	\$ 1,473,045	\$ 384,525	\$ -	\$ 1,857,570
Fire	-	-	1,159,448	-	1,159,448
Emergency medical	30,000	310,190	314,428	-	654,618
Total safety services	30,000	1,783,235	1,858,401	-	3,671,636
Public health services					
Cemetery	15,789	11,831	26,530	-	54,150
Leisure time activities					
Pool	86,741	136,884	11,478	-	235,103
Parks	195,038	71,200	350,184	-	616,422
Recreation center	17,884	3,430,843	63,193	-	3,511,920
Total leisure time activities	299,663	3,638,927	424,855	-	4,363,445
Transportation services					
Street maintenance and repair	4,811	196,991	494,791	-	696,593
General government					
Administration	4,718	87,449	126,382	-	218,549
Total general fixed assets	\$ 354,981	\$ 5,718,433	\$ 2,930,959	\$ -	\$ 9,004,373

City of Rittman, Ohio
General Fixed Assets Account Group
Schedule of Changes in General Fixed Assets by Function and Activity
Year ended December 31, 2001

	January 1, 2001	Additions*	Deletions*	December 31, 2001
Safety services				
Police	\$ 1,847,928	\$ 31,320	\$ 21,678	\$ 1,857,570
Fire	1,108,667	50,781	-	1,159,448
Emergency medical	637,565	21,710	4,657	654,618
Total safety services	<u>3,594,160</u>	<u>103,811</u>	<u>26,335</u>	<u>3,671,636</u>
Public health services				
Cemetery	48,649	5,501	-	54,150
Leisure time activities				
Pool	236,466	-	1,363	235,103
Parks	557,094	71,776	12,448	616,422
Recreation center	727,430	3,511,920	727,430	3,511,920
Total leisure time activities	<u>1,520,990</u>	<u>3,583,696</u>	<u>741,241</u>	<u>4,363,445</u>
Transportation services				
Street maintenance and repair	691,075	5,518	-	696,593
General government				
Administration	210,223	8,326	-	218,549
Total general fixed assets	<u>\$ 6,065,097</u>	<u>\$ 3,706,852</u>	<u>\$ 767,576</u>	<u>\$ 9,004,373</u>

* Includes \$845 transfer of fixed assets from Police to Transportation Services.

* Includes \$19,060 transfer of fixed assets from Police to Water.

* Includes \$1,363 transfer of fixed assets from Pool to Recreation.



STATISTICAL SECTION

CITY OF RITTMAN, OHIO
General Governmental Revenue by
Source and Expenditures by Function
All Governmental and Expendable Trust Funds
Last Ten Years (\$000 omitted)

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>REVENUES</u>										
Taxes	\$ 1,215	1,217	1,262	1,403	1,364	1,459	1,403	1,529	1,498	1,643
Intergovernmental revenues	646	567	677	666	851	709	873	1,002	1,022	992
Charges for services	361	423	395	424	456	431	435	503	472	539
Special assessments	55	44	70	64	63	25	20	25	24	20
Fines, licenses and permits	45	54	58	69	66	60	63	73	68	133
Investment income	92	91	138	299	276	311	307	247	416	267
Miscellaneous	-	-	-	3	8	9	44	87	9	41
Total	<u>\$ 2,414</u>	<u>2,396</u>	<u>2,600</u>	<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>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>EXPENDITURES</u>										
Safety services	\$ 703	650	796	730	915	970	1,039	1,121	1,170	1,258
Public health and welfare	187	172	181	179	70	72	68	72	71	81
Leisure time activities	71	65	66	67	72	99	95	93	195	223
Community environment	1	5	3	5	-	-	3	-	-	-
Basic utility services	196	216	204	206	198	197	197	198	524	201
Transportation	361	433	387	387	390	617	390	456	441	497
General government	410	370	420	401	418	470	472	539	624	569
Capital outlay	610	673	1,115	328	414	88	745	646	880	3,040
Debt service										
Principal retirement	489	244	81	75	71	73	71	75	81	128
Interest and fiscal charges	7	36	59	56	53	51	48	46	82	117
Total	<u>\$ 3,035</u>	<u>2,864</u>	<u>3,312</u>	<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>

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

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>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>PROPERTY TAX</u>										
Net tax levy	\$ 316	335	288	322	328	312	339	362	382	413
Taxes collected	\$ 314	319	282	288	287	315	324	355	375	406
Percentage collected	99.37%	95.22%	97.96%	89.44%	87.59%	100.96%	95.58%	98.07%	98.17%	98.31%
<u>TANGIBLE TAX</u>										
Billed	\$ 108	109	122	130	140	161	125	147	133	132
Collected	\$ 109	107	116	126	134	155	125	147	133	132
Percentage collected	1%	98%	95%	97%	96%	96%	100%	100%	100%	100%
Delinquent	1	2	2	3	5	5	-	-	-	-
<u>SPECIAL ASSESSMENTS</u>										
Billed	\$ 32	30	50	48	35	29	22	25	24	21
Collected	\$ 28	47	45	33	30	30	21	25	24	20
Percentage collected	93%	94%	90%	68%	85%	104%	96%	100%	100%	95%
Delinquent	2	3	3	2	1	-	1	1	-	2
<u>COMMUNITY ECONOMIC INDICATORS</u>										
Commercial										
Number of building permits issued	1	2	-	2	-	4	7	11	17	10
Value of building permits issued	\$ 500	1,300	-	534	-	1,961	2,043	280	4,114	591
Residential										
Number of building permits issued	14	18	30	8	9	7	14	118	67	148
Value of building permits issued	\$ 889	1,710	2,316	642	704	610	1,161	1,312	2,242	4,469
<u>Unemployment rates</u>										
Wayne County	6.4	4.8	3.9	3.5	4.3	4.2	3.2	3.5	3.1	3.9
State of Ohio	7.1	6.5	6.3	4.8	4.9	4.6	4.3	4.3	3.9	4.8
United States	7.0	6.8	7.0	5.2	5.4	4.4	4.3	4.2	4.0	5.8
Registered voters, November election										
(City of Rittman)	2,789	2,657	2,748	2,835	3,022	3,087	3,867	3,073	3,265	2,939
Financial Institution Deposits	\$ 706	786	962	936	857	1,786	1,834	1,599	726	916

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>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>ASSESSED VALUATION</u>										
Real property	\$ 42,584	44,089	43,171	45,035	46,619	58,945	58,253	66,668	66,685	66,703
Public utility property	3,321	3,704	3,612	3,645	3,363	3,253	3,335	2,968	2,956	3,021
Tangible personal property	13,479	15,011	15,011	16,060	17,357	18,670	19,632	20,340	20,345	18,441
Total	<u>\$ 59,384</u>	<u>62,804</u>	<u>61,794</u>	<u>64,740</u>	<u>67,338</u>	<u>80,868</u>	<u>81,221</u>	<u>89,975</u>	<u>89,986</u>	<u>88,165</u>

<u>ESTIMATED VALUATION</u>										
Total	<u>\$ 176,832</u>	<u>189,717</u>	<u>176,554</u>	<u>184,971</u>	<u>192,396</u>	<u>231,051</u>	<u>232,060</u>	<u>257,071</u>	<u>257,104</u>	<u>251,901</u>

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

Wayne County	7.45	7.35	7.35	8.35	8.35	8.35	8.35	8.35	8.75	8.75
Medina County	7.50	8.12	8.10	8.09	7.98	7.98	7.98	7.98	7.98	7.98
School	46.20	46.20	46.20	46.20	54.80	54.80	54.80	54.80	54.80	54.80
Vocational school	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Milton Township	5.10	5.10	5.10	6.60	6.60	6.60	6.60	6.60	6.60	6.60
Chippewa Township	6.70	6.70	6.70	6.70	6.70	6.70	6.70	4.00	6.70	6.70
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	7.10	6.90	7.10	7.50	7.50	7.50	7.50	7.50	7.50
Wayne County Library	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	<u>85.15</u>	<u>85.67</u>	<u>86.45</u>	<u>89.14</u>	<u>98.03</u>	<u>98.03</u>	<u>98.03</u>	<u>95.33</u>	<u>98.43</u>	<u>98.43</u>

Source: Wayne County Auditor, Medina County Auditor

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, 2001

<u>LEGAL DEBT MARGIN</u>	<u>Unvoted</u>	<u>Overall</u>
Total assessed valuation	\$ 88,165,000	88,165,000
Debt limitation - 5.5% of assessed valuation	<u>4,849,075</u>	
Debt limitation - 10.5% of assessed valuation		<u>9,257,325</u>
Debt applicable to limitation:		
Gross indebtedness	5,618,184	5,618,184
Exempt debt:		
Sewer revenue bonds	1,186,200	1,186,200
OWDA loans	2,384,186	2,384,186
Special assessment bonds	<u>41,798</u>	<u>41,798</u>
Total debt applicable to limitation	2,006,000	2,006,000
Legal debt margin	<u>\$ 2,843,075</u>	<u>7,251,325</u>

DIRECT AND OVERLAPPING DEBT (\$000 omitted)

80

	<u>Assessed valuations</u>	<u>Net debt outstanding</u>	<u>Percentage applicable to City</u>	<u>Amount applicable to City</u>
City of Rittman	\$ 88,165	\$ 2,006	100%	2,006
Rittman Exempted Village School District	96,094	-	91.7%	-
Wayne County, Ohio	1,784,210	1,030	4.9%	51

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

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Assessed value (\$000 omitted)	\$ 59,384	62,804	62,703	64,740	67,338	80,868	81,221	89,975	89,986	88,165
Population	6,143	6,143	6,143	6,143	6,143	6,143	6,143	6,143	6,314	6,314
Debt outstanding (\$000 omitted)	\$ 1,701	1,136	1,110	988	1,043	1,210	1,055	900	2,229	2,006
Ratio of debt to assessed value	2.86	1.81	1.77	1.53	1.55	1.50	1.30	1.00	2.48	2.28
Debt per capita (full \$)	\$ 277	185	181	161	170	197	172	147	353	318

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>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>GENERAL BONDED DEBT</u>										
Debt service	\$ 496	280	140	131	124	124	120	120	162	245
General governmental expenditures	\$ 3,035	2,864	3,312	2,434	2,600	2,637	3,128	3,246	4,068	6,114
Ratio of debt service to general governmental expenditures	16.34	9.78	4.23	5.38	4.77	4.70	3.84	3.70	3.98	4.01
<u>REVENUE BOND COVERAGE</u>										
Sewer:										
Direct revenue	\$ 2,284	3,480	940	935	909	870	915	882	909	921
Operating expense (1)	\$ 460	669	398	410	457	838	637	476	652	681
Net available	\$ 1,824	2,811	542	525	452	32	278	406	257	240
Principal	\$ 993	2,665	10	11	11	12	13	13	13	14
Interest	\$ 60	95	66	65	65	64	64	63	196	187
Total debt service	\$ 1,053	2,760	76	76	76	76	77	76	209	201
Coverage	1.73	1.02	7.13	6.91	5.95	0.42	3.61	5.34	1.23	1.19

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 TAXPAYERS

	Taxable Valuation (1)	Percentage of Taxable Valuation
Carastar Paperboard	\$ 8,543,030	9.69%
Morton International	4,989,250	5.66%
Strickland Mason, Inc.	921,920	1.05%
Ohio Edison	824,700	0.94%
Premier Pontiac GMC	657,520	0.75%
Northern Health Facilities	597,940	0.68%
Unilock Ohio, Inc.	586,210	0.66%
Rittman Associates LTD	516,720	0.59%
Imperial Plastics, Inc.	505,780	0.57%
United Telephone	469,240	0.53%
Total of above	<u>\$ 18,612,310</u>	<u>21.11%</u>
Total City	<u>\$ 88,165,000</u>	

MISCELLANEOUS STATISTICS

Date of incorporation	1960
Form of government	Mayor-Council-Manager
Area (square miles)	6.1
Number of parks	12
Miles of Streets	38.5
Number of street lights	475
Number of traffic lights	5
Fire Protection	
Number of stations	1
Number volunteers	29
Police Protection	
Number of stations	1
Number of full-time officers	9

∞ (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>
1992	6,143	1,335
1993	6,143	1,382
1994	6,143	1,376
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

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

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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 City of Rittman as of and for the year ended December 31, 2001, and have issued our report thereon dated May 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

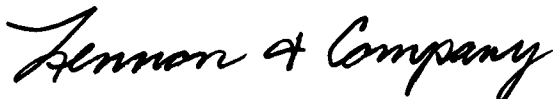
Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Rittman's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be 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.

This report is intended for the information 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
May 31, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
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
AUGUST 13, 2002**