

City of Rittman, Ohio



Comprehensive Annual Financial Report



*For the Year Ended
December 31, 2003*



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the City of Rittman, Wayne County, prepared by Lennon & Company, Inc., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

October 12, 2004

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CITY OF RITTMAN, OHIO

Comprehensive Annual Financial Report

Year Ended December 31, 2003

Prepared by: Department of Finance

City of Rittman, Ohio
Comprehensive Annual Financial Report
Year Ended December 31, 2003

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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

August 23, 2004

Members of Rittman City Council and
Citizens of Rittman, Ohio

The Comprehensive Annual Financial Report (CAFR) of the City of Rittman (the "City") for the fiscal year ended December 31, 2003 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections:

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

Reporting Entity

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

The City of Rittman

The City of Rittman is located in the north central part of the State of Ohio, within the boundaries of Wayne and Medina Counties. The City of Rittman is a home rule municipal corporation under the laws of the State of Ohio and, as such, operates under its own charter. The current charter was adopted in 1960 and has undergone three amendments since that time. The government consists of a mayor and six-member council.

The mayor and all members of council are elected to four-year terms. All of these officials are elected on an at-large basis.

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

2003 Initiatives

The 2003 Street Improvement Project, which would have included the milling and paving of five streets throughout the City, was postponed from 2003 to 2004 due to budgetary considerations. The \$164,000 project will be partially funded with funds from the Ohio Public Works Commission and funds from the permissive tax fund. The residents of the affected streets will be responsible for 50% of the cost of the project. In addition, the City completed the design of the Water Plant Iron and Manganese Removal Project, which is anticipated to begin construction in late 2004.

Voters in November of 2003 overwhelmingly approved the initiatives placed on the ballot by the City to allow the City of Rittman to become a certified gas and electric aggregator. It is anticipated that the City will be able to provide significantly lower rates in the fall of 2004 for both gas and electric supplies.

Development Activities

The City of Rittman anticipates seeing another banner year in 2004 and in the future with its strong residential growth. Development activity of completion of Phase II of the Hills-n-Dales Allotment will allow for an additional 33 lots to be available for construction. The completion of Heath Drive in Phase III of the Sunset Hills allotment will make available an additional 22 lots. Activities anticipated in the future include one cluster home development of 17 units on the south end of Metzger Avenue and two condominium developments on Rufener Street with a total of 83 new units.

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

Economic Condition and Outlook

The City's two largest employers are Morton International, Inc., which produces table salt, and Caraustar Mill Group, Inc. Morton International, Inc. has not suffered any significant loss of employees during the recent recession. Caraustar manufactures cardboard containers for the distribution of other company's products. It appears that employment at Caraustar has stabilized although the recent economic downturn resulted in the loss of approximately 100 employees.

In addition, with the merger of Chippewa Valley Bank and Savings Bank & Trust, corporate headquarters was moved from Rittman to Wadsworth resulting in a loss of jobs in the community. However, Unilock Ohio, Inc. of Rittman, which opened in June of 1999 at Sheets Road and State Route 57, added additional space for inventory and began a second shift as their production increased early in 2004. The company manufactures concrete pavers and landscape brick for commercial and residential purposes. Unilock anticipates an increase in employment over the next year.

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

Future Projects

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

The City also took possession of its new ladder truck in 2003, which is being financed through a tax levy approved by voters in 1990. The final payment on the new fire truck will be in February 2005.

Financial Information

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

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

Budgetary Control. The annual tax budget for the City is prepared and filed with the Wayne and Medina County Auditors no later than July 20 of each year. After a public hearing, the County Budget 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 department. Budgetary control is also maintained at major object levels which include personal services, contractual services, supplies and materials, capital outlay, debt service, and other uses (including transfers by fund). For management purposes, the major object level is further defined, with budgeted amounts not to exceed the aggregate appropriated by Council.

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

New Financial Reporting

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

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

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

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

As part of this new reporting model, management is also required to include a discussion and analysis of the City. This discussion follows the independent auditor’s report, providing an assessment of the City’s finances for 2003 and an objective outlook for the future. Because that discussion focuses on major funds, the financial highlights provided in this letter focus on certain nonmajor funds of the City.

Cash Management

The City's investment policy was vastly revised in 1996, with further modifications planned for 2004. The Finance Director may invest, on behalf of and in the name of the City, in obligations of the United States Government and certain federal agencies, certificates of deposit, savings accounts, NOW accounts, repurchase agreements, state and local government securities, and STAR Ohio, a statewide investment pool.

The Association of Public Treasurers of the United States & Canada recognized the City's investment policy with a national certification.

During the fiscal year ended December 31, 2003, the City's cash resources were divided into investments approximately as follows: Star Ohio 17%, time and demand deposits 69%, agencies 9%, and special assessment bonds 5%. The return on investment for 2003 was 2.19%. The average days to maturity as of December 31, 2003 was 277 days with a yield to maturity of 2.11%.

Risk Management

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

Independent Audit

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

Certification of Achievement

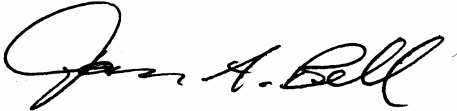
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rittman, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2002. The City has received this award since 1996, the first year that the City prepared and submitted a CAFR. The Certificate of Achievement is a prestigious national award, recognizing conformance to the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, 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. The staff of the Wayne County Auditor's Office was helpful as always. A special thanks to Cindy Mann, Deputy Treasurer, who's dedicated and efficient work was invaluable to the completion of this report. I would also like to express my appreciation to Robert Kellogg, City Manager, for providing economic and future project information and to City Council for their support and commitment to responsible fiscal reporting.

Respectfully Submitted,

A handwritten signature in black ink that reads "James A. Bell". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

James A. Bell, CPFA
Finance Director/Treasurer

City of Rittman, Ohio

For the year ended December 31, 2003

CITY OFFICIALS

Mayor

Bonnie Kindig

Council Members

George Kelley, President
Richard Lapehn
Steve Johnson

Ralph L. Johnson
Faye Telford
Glen Russell

City Manager

Robert L. Kellogg

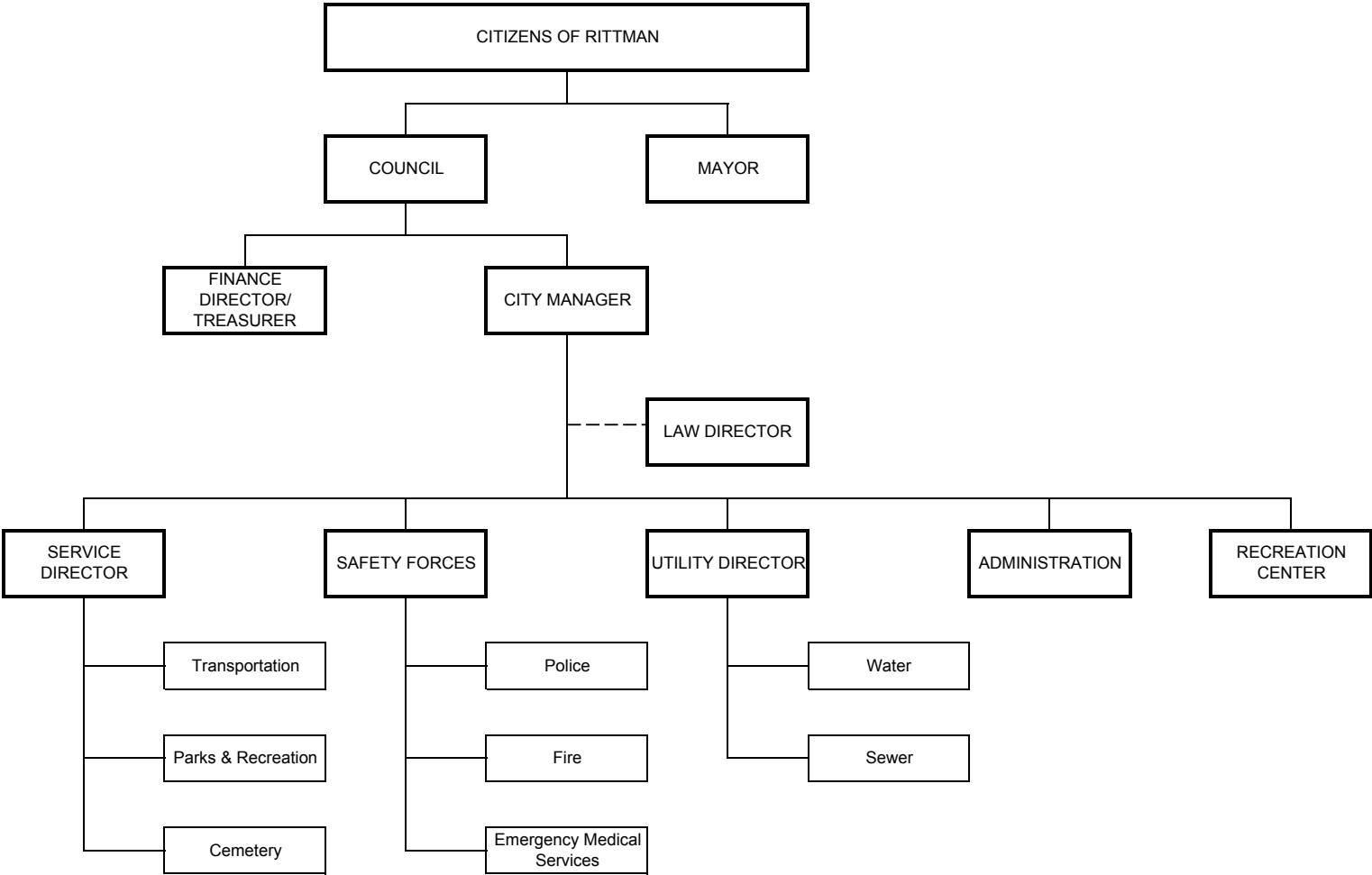
Finance Director/Treasurer

James A. Bell

Director of Law

G. Kevin Bower

City of Rittman, Ohio
Organizational Chart
December 31, 2003



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, 2002

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



President

Executive Director



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

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

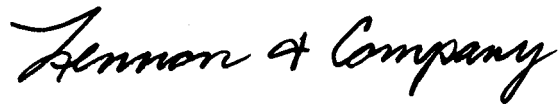
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rittman, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the general, emergency medical service, and fire department levy funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2004 on our consideration of the City of Rittman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



LENNON & COMPANY
Certified Public Accountant
August 23, 2004

City of Rittman, Ohio

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

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

Financial Highlights

Key financial highlights for 2003 are as follows:

- The total net assets of the City decreased \$37,500. Net assets of governmental activities decreased \$98,893, which represents a 1.4% decrease over fiscal year 2002. Net assets of business-type activities increased \$61,393 or 0.7% from fiscal year 2002.
- General revenues, for governmental activities, accounted for \$2,285,497 or 60.8% of total governmental activities revenue. Program specific revenues accounted for \$1,474,143 or 39.2% of total governmental activities revenue.
- Governmental activities net capital assets increased \$176,051, primarily due to the City entering into a lease-purchase agreement for a new fire truck.
- The City had \$3,858,533 in expenses related to governmental activities; \$1,474,143 of these expenses were offset by program specific charges for services, grants, contributions, or interest. General revenues (primarily taxes) of \$2,285,497 were insufficient to offset these program expenses.
- The general fund, the City's largest major governmental fund, had revenues of \$2,391,975 in 2003, or 68.8% of total governmental funds. Expenditures of the general fund were \$2,607,647, or 64.6% of total governmental funds. The general fund balance decreased \$220,244 in 2003, or 22.1%, over 2002.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

City of Rittman, Ohio

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

Reporting the City as a Whole

Statement of Net Assets and Statement of Activities

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and answers the question, "How did we do financially during 2003"? These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions and other factors.

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

City of Rittman, Ohio

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

Governmental Funds

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

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

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

Proprietary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-51 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules, which can be found on pages 54-78 of this report.

City of Rittman, Ohio

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

Government-Wide Financial Analysis

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

Table 1 below provides a summary of the City's net assets for 2003 compared to 2002:

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>Activities</u> <u>2003</u>	<u>Activities</u> <u>2002</u>	<u>Activities</u> <u>2003</u>	<u>Activities</u> <u>2002</u>	<u>Activities</u> <u>2003</u>	<u>Activities</u> <u>2002</u>
<u>Assets</u>						
Current and other assets	\$ 3,105,344	\$ 3,166,021	\$ 1,227,107	\$ 1,638,550	\$ 4,332,451	\$ 4,804,571
Capital assets	<u>6,853,189</u>	<u>6,677,138</u>	<u>11,221,157</u>	<u>10,971,423</u>	<u>18,074,346</u>	<u>17,648,561</u>
Total assets	<u>9,958,533</u>	<u>9,843,159</u>	<u>12,448,264</u>	<u>12,609,973</u>	<u>22,406,797</u>	<u>22,453,132</u>
<u>Liabilities</u>						
Other liabilities	856,027	798,609	96,789	191,406	952,816	990,015
Long-term liabilities outstanding	<u>2,302,771</u>	<u>2,145,922</u>	<u>3,268,489</u>	<u>3,396,974</u>	<u>5,571,260</u>	<u>5,542,896</u>
Total liabilities	<u>3,158,798</u>	<u>2,944,531</u>	<u>3,365,278</u>	<u>3,588,380</u>	<u>6,524,076</u>	<u>6,532,911</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	4,701,230	4,765,022	8,002,963	7,595,078	12,704,193	12,360,100
Restricted	1,055,032	996,925	-	-	1,055,032	996,925
Unrestricted	<u>1,043,473</u>	<u>1,136,681</u>	<u>1,080,023</u>	<u>1,426,515</u>	<u>2,123,496</u>	<u>2,563,196</u>
Total net assets	<u>\$ 6,799,735</u>	<u>\$ 6,898,628</u>	<u>\$ 9,082,986</u>	<u>\$ 9,021,593</u>	<u>\$ 15,882,721</u>	<u>\$ 15,920,221</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2003, the City's assets exceeded liabilities by \$15,882,721. This amounts to \$6,799,735 in governmental activities and \$9,082,986 in business-type activities. Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 80.7% of total governmental and business-type assets. Capital assets include land, land improvements, buildings, equipment, infrastructure, and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2003, were \$12,704,193. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. As of December 31, 2003, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Rittman, Ohio

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 For the Fiscal Year Ended December 31, 2003
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A portion of the City's net assets, \$1,055,032 or 6.6%, represent resources that are subject to external restrictions on how they may be used. Of the total restricted net assets, \$868,477 is restricted for capital projects, debt service, and safety services programs. The remaining balance of government-wide unrestricted net assets of \$2,123,496 may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2 below shows the changes in net assets for governmental and business-type activities for fiscal year 2003 compared to 2002:

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	Total
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues						
Program revenues:						
Charges for services	\$ 914,904	\$ 907,095	\$ 1,392,649	\$ 1,399,781	\$ 2,307,553	\$ 2,306,876
Operating grants, contributions, and interest	419,672	327,025	-	-	419,672	327,025
Capital grants and contributions	139,567	551,402	50,028	97,730	189,595	649,132
General revenues:						
Property taxes	492,732	682,152	-	-	492,732	682,152
Income taxes	1,165,271	1,083,693	368,936	420,365	1,534,207	1,504,058
Grants and entitlements	456,931	539,582	-	-	456,931	539,582
Gain on sale of capital assets	-	725	-	-	-	725
Investment earnings	53,537	136,163	130	250	53,667	136,413
Other	117,026	218,750	-	-	117,026	218,750
Total revenues	<u>3,759,640</u>	<u>4,446,587</u>	<u>1,811,743</u>	<u>1,918,126</u>	<u>5,571,383</u>	<u>6,364,713</u>
Program Expenses						
<i>Governmental Activities:</i>						
General government	624,180	614,439	-	-	624,180	614,439
Safety services	1,488,553	1,463,186	-	-	1,488,553	1,463,186
Public health and welfare	99,535	88,094	-	-	99,535	88,094
Transportation	784,880	757,842	-	-	784,880	757,842
Basic utility service	214,908	208,545	-	-	214,908	208,545
Leisure time activities	537,916	510,564	-	-	537,916	510,564
Interest and fiscal charges	108,561	125,046	-	-	108,561	125,046
<i>Business-Type Activities:</i>						
Water	-	-	655,159	605,414	655,159	605,414
Sewer	-	-	1,095,191	1,131,057	1,095,191	1,131,057
Total program expenses	<u>3,858,533</u>	<u>3,767,716</u>	<u>1,750,350</u>	<u>1,736,471</u>	<u>5,608,883</u>	<u>5,504,187</u>
Change in net assets	<u>\$ (98,893)</u>	<u>\$ 678,871</u>	<u>\$ 61,393</u>	<u>\$ 181,655</u>	<u>\$ (37,500)</u>	<u>\$ 860,526</u>

City of Rittman, Ohio

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Governmental Activities

Governmental activities net assets decreased \$98,893, or 1.4% in 2003 over 2002. This decrease was not associated with any individually significant event or transaction.

Safety services, which primarily supports the operations of the City's police, fire and emergency medical services, accounts for \$1,488,553 of expenses, or 38.6% of total governmental expenses of the City. These expenses were funded by \$171,744 in charges to users of services and operating grants. General government expenses, which primarily include legislative, executive and financial management, totaled \$624,180 or 16.2% of total governmental expenses. General government expenses were covered by \$235,042 of direct charges to users.

Overall, the State and Federal government contributed to the City revenues of \$897,710 in grants, entitlements and contributions, including interest earned on these resources. Of these revenues \$440,779, or 49.1% are restricted to a particular program or purpose

General revenues totaled \$2,285,497, and amounted to 60.8% of total revenues. These revenues primarily consist of property and income tax revenue of \$1,658,003, or 72.5% of total general revenues. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with a majority of the revenue being local government and local government revenue assistance. For 2003, these revenues totaled \$456,931, or 20.0% of the total general revenues.

Business-Type Activities

The water and sewer funds represent the City's business-type activities. These programs had program revenues of \$1,442,677 and expenses of \$1,750,350 for fiscal year 2003. Business-type activities received capital contributions in the amount of \$50,028, a decrease of \$47,702 compared to 2002. These contributions were made by local contractors in the form of water and sewer lines as a result of new and expanding housing developments in the City. Business-type activities reported an increase in net assets of \$61,393, or 0.7% as compared to 2002. Over the past two years, operating activities have caused net assets to decrease. Only the acceptance of capital contributions have allowed the City to report and increase in nets assets to business-type activities.

Program Expenses

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government-wide activities, the total cost of services and the net cost of services for 2003 compared to 2002. That is, it identifies the cost of these services supported by general revenues.

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Table 3
Program Expenses

	<u>2003</u>		<u>2002</u>		<u>Net Change</u>	
	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>
<i>Governmental Activities:</i>						
General government	\$ 624,180	\$ (389,138)	\$ 614,439	\$ (384,080)	\$ 9,741	\$ (5,058)
Safety services	1,488,553	(1,316,809)	1,463,186	(1,280,049)	25,367	(36,760)
Public health and welfare	99,535	(54,399)	88,094	(53,294)	11,441	(1,105)
Transportation	784,880	(295,627)	757,842	(226,286)	27,038	(69,341)
Basic utility services	214,908	96,759	208,545	34,236	6,363	62,523
Leisure time activities	537,916	(316,615)	510,564	(289,754)	27,352	(26,861)
Interest and fiscal charges	108,561	(108,561)	125,046	(125,046)	(16,485)	16,485
<i>Business-Type Activities:</i>						
Water	655,159	(151,371)	605,414	(136,713)	49,745	(14,658)
Sewer	1,095,191	(156,302)	1,131,057	(102,247)	(35,866)	(54,055)
Total expenses	<u>\$ 5,608,883</u>	<u>\$ (2,692,063)</u>	<u>\$ 5,504,187</u>	<u>\$ (2,563,233)</u>	<u>\$ 104,696</u>	<u>\$ (128,830)</u>

The dependence upon general revenues for governmental activities is apparent, with 48.0% of expenses supported through taxes and other general revenues.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The general fund is the operating fund of the City. At the end of the fiscal year, the fund balance of the general fund was \$777,862, a 22.1% decrease from prior year. The primary reason for the decrease of the general fund balance in 2003 was attributed to a decrease in the amount resources received as intergovernmental revenue assistance, investment income and other revenue types without a reduction in services provided. The fund balance of the debt retirement debt service fund increased \$16,974, or 12.5% in 2003. This increase was caused from \$18,276 of proceeds received with the issuance of additional special assessment bonds for various street improvement projects. The increased fund balance of \$16,556, or 16.8%, in the capital improvements capital projects fund is a result of a reduction in needed construction projects within the City as compared to prior years. The fund balance of the fire department levy special revenue fund decreased \$69,297, or 24.9% in 2003. This decrease was caused from the need of additional equipment purchases in excess of current year tax revenues. Finally, the emergency medical service special revenue fund's balance increased by \$26,488 or 15.7% over the 2002 fund balance. The increase was attributed to a decrease in expenses as fewer emergency calls were received during the current year.

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Budgeting Highlights - General Fund

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

There were no significant changes from the original budgeted revenues as compared to the final budgeted amounts. Actual revenues exceeded the original amount by \$160,259. This difference was caused by the conservative budgeting nature of the original budgeting process.

There were also no significant changes from the original budgeted expenditures as compared to the final budgeted amounts. Actual expenditures for the year were \$100,131 less than the final budgeted amounts. There were no individually significant events that led to this difference. Although actual revenues were not sufficient to cover the actual amount of expenditures for the general fund, the shortfall was \$220,890 lower than the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the City had \$18,074,346 (net of accumulated depreciation) invested in land, land improvements, buildings, equipment, infrastructure, and construction in progress. Of this total, \$6,853,189 was reported in governmental activities and \$11,221,157 was reported in business-type activities. Table 4 below reports fiscal year 2002 balances compared to 2003:

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$ 129,063	\$ 129,063	\$ 72,606	\$ 72,606	\$ 201,669	\$ 201,669
Land improvements	55,595	81,363	11,389	13,079	66,984	94,442
Buildings	4,771,061	4,897,279	4,508,909	4,127,442	9,279,970	9,024,721
Equipment	972,934	721,556	6,281,112	258,980	7,254,046	980,536
Infrastructure	924,536	847,877	256,413	6,370,324	1,180,949	7,218,201
Construction in progress	-	-	90,728	128,992	90,728	128,992
Total	<u>\$ 6,853,189</u>	<u>\$ 6,677,138</u>	<u>\$ 11,221,157</u>	<u>\$ 10,971,423</u>	<u>\$ 18,074,346</u>	<u>\$ 17,648,561</u>

City of Rittman, Ohio

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The most significant change in fiscal year 2003 to the total amount of capital assets were to equipment for governmental activities and to buildings for business-type activities. For governmental activities, the City entered into a lease-purchase agreement in the amount of \$410,600 for a new fire truck. For business-type activities, an additional \$402,515 of expenses were capitalized for the construction of a new sludge dewatering building. This amount, combined with the prior year \$128,992 recognized as construction in progress, represents the total amount of \$531,507 added to the cost of buildings reported for business-type activities. See Note 5 to the basic financial statements for detail on the governmental and business-type activities capital assets.

Debt Administration

At December 31, 2003 the City had total long-term debt outstanding of \$5,109,553. Of this total, \$344,984 is due within one year and \$4,764,569 is due in more than one year. In addition, the City had \$150,000 in bond anticipation notes outstanding at December 31, 2002, which were retired during fiscal year 2003. In 2003 the City issued special assessment bonds of \$18,276 for various street improvements and \$22,345 for the construction of the Sterling Avenue waterline project. Table 5 below summarizes the bonds and loans outstanding:

Table 5
Outstanding Debt, at Fical Year End

	Governmental Activities		Business-Type Activities		Total	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenue bonds	\$ -	\$ -	\$ 1,154,600	\$ 1,170,800	\$ 1,154,600	\$ 1,170,800
OWDA loans	-	-	2,041,249	2,205,546	2,041,249	2,205,546
General obligation bonds	1,776,000	1,895,000	-	-	1,776,000	1,895,000
OPWC loans	33,950	43,650	-	-	33,950	43,650
Special assessment bonds	<u>81,409</u>	<u>74,665</u>	<u>22,345</u>	<u>-</u>	<u>103,754</u>	<u>74,665</u>
Total	<u>\$ 1,891,359</u>	<u>\$ 2,013,315</u>	<u>\$ 3,218,194</u>	<u>\$ 3,376,346</u>	<u>\$ 5,109,553</u>	<u>\$ 5,389,661</u>

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

At December 31, 2003 the City's overall legal debt margin was \$8,599,032, with an unvoted debt margin of \$3,731,082. The City's credit rating remained unchanged in 2003 as compared to 2002. See Note 7 to the basic financial statements for details on the City's long-term obligations.

City of Rittman, Ohio

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Current Issues Affecting Financial Condition

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

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

In fiscal year 2003, the City completed construction of a building to house a new sludge press at a cost of \$531,507. This new sludge press will enhance operations and reduce costs at the wastewater treatment plant. The City will save \$50,000 annually by reducing current hauling expenses.

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

Contacting the City's Financial Management

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

City of Rittman, Ohio

Statement of Net Assets

December 31, 2003

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 1,444,252	\$ 853,727	\$ 2,297,979
Cash and cash equivalents with fiscal agents	2,841	13,924	16,765
Receivables:			
Income tax	378,503	106,673	485,176
Property and other taxes	602,930	-	602,930
Accounts	165,298	179,027	344,325
Special assessments	95,722	24,156	119,878
Accrued interest	5,419	-	5,419
Due from other governments	372,263	-	372,263
Materials and supplies inventory	5,081	35,210	40,291
Prepaid items	33,035	14,390	47,425
Nondepreciable capital assets	129,063	163,334	292,397
Depreciable capital assets, net	6,724,126	11,057,823	17,781,949
Total assets	9,958,533	12,448,264	22,406,797
<u>Liabilities:</u>			
Accounts payable	13,768	26,189	39,957
Accrued wages and benefits	69,813	12,355	82,168
Due to other governments	137,856	23,486	161,342
Deferred revenue	579,316	-	579,316
Income tax refunds payable	24,046	8,015	32,061
Matured bonds payable	2,000	10,200	12,200
Matured interest payable	841	3,713	4,554
Accrued interest payable	28,387	12,831	41,218
Long-term liabilities:			
Due within one year	368,747	226,025	594,772
Due in more than one year	1,934,024	3,042,464	4,976,488
Total liabilities	3,158,798	3,365,278	6,524,076
<u>Net assets:</u>			
Invested in capital assets, net of related debt	4,701,230	8,002,963	12,704,193
Restricted for:			
Capital projects	207,787	-	207,787
Debt service	219,672	-	219,672
Safety services	441,018	-	441,018
Other purposes	186,555	-	186,555
Unrestricted	1,043,473	1,080,023	2,123,496
Total net assets	\$ 6,799,735	\$ 9,082,986	\$ 15,882,721

See accompanying notes to the basic financial statements.

City of Rittman, Ohio

Statement of Activities

For the Year Ended December 31, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General government	\$ 624,180	\$ 235,042	\$ -	\$ -
Safety services	1,488,553	147,371	24,373	-
Public health and welfare	99,535	39,124	6,012	-
Transportation	784,880	42,202	307,484	139,567
Basic utility services	214,908	230,067	81,600	-
Leisure time activities	537,916	221,098	203	-
Interest and fiscal charges	108,561	-	-	-
Total governmental activities	<u>3,858,533</u>	<u>914,904</u>	<u>419,672</u>	<u>139,567</u>
<u>Business-Type Activities:</u>				
Water	655,159	479,712	-	24,076
Sewer	1,095,191	912,937	-	25,952
Total business-type activities	<u>1,750,350</u>	<u>1,392,649</u>	<u>-</u>	<u>50,028</u>
Total primary government	<u>\$ 5,608,883</u>	<u>\$ 2,307,553</u>	<u>\$ 419,672</u>	<u>\$ 189,595</u>

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

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

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (389,138)	\$ -	\$ (389,138)
(1,316,809)	-	(1,316,809)
(54,399)	-	(54,399)
(295,627)	-	(295,627)
96,759	-	96,759
(316,615)	-	(316,615)
(108,561)	-	(108,561)
<u>(2,384,390)</u>	<u>-</u>	<u>(2,384,390)</u>
-	(151,371)	(151,371)
<u>-</u>	<u>(156,302)</u>	<u>(156,302)</u>
-	(307,673)	(307,673)
<u>\$ (2,384,390)</u>	<u>(307,673)</u>	<u>(2,692,063)</u>
248,653	-	248,653
244,079	-	244,079
776,840	-	776,840
388,431	-	388,431
-	368,936	368,936
456,931	-	456,931
53,537	130	53,667
117,026	-	117,026
<u>2,285,497</u>	<u>369,066</u>	<u>2,654,563</u>
(98,893)	61,393	(37,500)
<u>6,898,628</u>	<u>9,021,593</u>	<u>15,920,221</u>
<u>\$ 6,799,735</u>	<u>\$ 9,082,986</u>	<u>\$ 15,882,721</u>

City of Rittman, Ohio

Balance Sheet

Governmental Funds

December 31, 2003

	General	Emergency Medical Service	Fire Department Levy	Debt Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets:							
Equity in pooled cash and cash equivalents	\$ 674,595	\$ 208,298	\$ 207,915	\$ 152,337	\$ 89,155	\$ 111,952	\$ 1,444,252
Cash and cash equivalents:							
With fiscal agent	-	-	-	2,841	-	-	2,841
Receivables:							
Income tax	252,335	-	-	-	126,168	-	378,503
Property and other taxes	300,268	188,195	88,146	-	-	26,321	602,930
Accounts	148,987	16,311	-	-	-	-	165,298
Special assessments	-	-	-	95,722	-	-	95,722
Accrued interest	4,767	-	-	-	479	173	5,419
Due from other governments	235,947	14,473	4,197	-	-	117,646	372,263
Materials and supplies inventory	2,205	-	-	-	-	2,876	5,081
Prepaid items	30,462	2,573	-	-	-	-	33,035
Total assets	<u>\$ 1,649,566</u>	<u>\$ 429,850</u>	<u>\$ 300,258</u>	<u>\$ 250,900</u>	<u>\$ 215,802</u>	<u>\$ 258,968</u>	<u>\$ 3,105,344</u>
Liabilities:							
Accounts payable	\$ 13,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,768
Accrued wages and benefits	50,366	13,368	-	-	-	6,079	69,813
Due to other governments	110,397	11,433	-	-	-	16,026	137,856
Deferred revenue	681,142	209,607	90,893	95,722	92,741	108,630	1,278,735
Income tax refunds payable	16,031	-	-	-	8,015	-	24,046
Matured bonds payable	-	-	-	2,000	-	-	2,000
Matured interest payable	-	-	-	841	-	-	841
Total liabilities	<u>871,704</u>	<u>234,408</u>	<u>90,893</u>	<u>98,563</u>	<u>100,756</u>	<u>130,735</u>	<u>1,527,059</u>
Fund balances:							
Reserved for encumbrances	-	830	-	-	-	343	1,173
Unreserved:							
Designated:							
Cemetery improvements	84,885	-	-	-	-	-	84,885
Recreation center	389,319	-	-	-	-	-	389,319
Unreserved, undesignated, Reported in:							
General fund	303,658	-	-	-	-	-	303,658
Special revenue funds	-	194,612	209,365	-	-	127,890	531,867
Debt service fund	-	-	-	152,337	-	-	152,337
Capital projects fund	-	-	-	-	115,046	-	115,046
Total fund balances	<u>777,862</u>	<u>195,442</u>	<u>209,365</u>	<u>152,337</u>	<u>115,046</u>	<u>128,233</u>	<u>1,578,285</u>
Total liabilities and fund balance	<u>\$ 1,649,566</u>	<u>\$ 429,850</u>	<u>\$ 300,258</u>	<u>\$ 250,900</u>	<u>\$ 215,802</u>	<u>\$ 258,968</u>	<u>\$ 3,105,344</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio

**Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2003**

Total governmental fund balances		\$ 1,578,285
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds.		6,853,189
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property and other taxes	\$ 12,814	
Income taxes	278,222	
Intergovernmental	284,743	
Special assessments	95,722	
Charges for services	27,918	
Total		699,419
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(28,387)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	\$ (1,776,000)	
Special assessment bonds	(81,409)	
OPWC loan	(33,950)	
Capital lease payable	(260,600)	
Compensated absences	(150,812)	
Total		<u>(2,302,771)</u>
Net assets of governmental activities		<u>\$ 6,799,735</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2003

	General	Emergency Medical Service	Fire Department Levy	Debt Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:							
Income tax	\$ 710,163	\$ -	\$ -	\$ -	\$ 355,092	\$ -	\$ 1,065,255
Property and other taxes	251,119	152,361	72,374	-	-	21,662	497,516
Charges for services	755,645	80,338	-	-	36,682	-	872,665
Fines, licenses, and permits	82,985	-	-	-	-	1,527	84,512
Intergovernmental	478,582	32,997	9,900	-	-	289,739	811,218
Special assessments	-	-	-	14,566	-	-	14,566
Investment income	49,187	-	-	-	4,350	1,887	55,424
Contributions and donations	203	-	-	-	-	6,012	6,215
Other	64,091	-	-	-	2,983	197	67,271
Total revenue	2,391,975	265,696	82,274	14,566	399,107	321,024	3,474,642
Expenditures:							
Current:							
General government	578,469	3,453	1,571	28	31,330	482	615,333
Safety services	1,036,375	232,086	-	-	-	38,730	1,307,191
Public health and welfare	85,696	3,669	-	-	-	7,629	96,994
Transportation	309,896	-	-	-	68,607	334,724	713,227
Basic utility services	214,908	-	-	-	-	-	214,908
Leisure time activities	382,303	-	-	-	15,571	-	397,874
Capital outlay	-	-	410,600	-	33,231	-	443,831
Debt service:							
Principal retirement	-	-	-	140,232	-	-	140,232
Interest and fiscal charges	-	-	-	106,276	3,144	-	109,420
Total expenditures	2,607,647	239,208	412,171	246,536	151,883	381,565	4,039,010
Excess of revenues over (under) expenditures	(215,672)	26,488	(329,897)	(231,970)	247,224	(60,541)	(564,368)
Other financing sources (uses):							
Proceeds of bonds	-	-	-	18,276	-	-	18,276
Inception of capital lease	-	-	260,600	-	-	-	260,600
Transfers - in	-	-	-	230,668	-	4,572	235,240
Transfers - out	(4,572)	-	-	-	(230,668)	-	(235,240)
Total other financing sources (uses)	(4,572)	-	260,600	248,944	(230,668)	4,572	278,876
Net change in fund balance	(220,244)	26,488	(69,297)	16,974	16,556	(55,969)	(285,492)
Fund balances at beginning of year	998,106	168,954	278,662	135,363	98,490	184,202	1,863,777
Fund balances at end of year	\$ 777,862	\$ 195,442	\$ 209,365	\$ 152,337	\$ 115,046	\$ 128,233	\$ 1,578,285

See accompanying notes to the basic financial statements.

City of Rittman, Ohio

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

Net change in fund balances - Total governmental funds \$ (285,492)

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

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

In the current period, these amounts are:

Capital asset additions	\$ 562,291	
Depreciation expense	<u>(386,240)</u>	
Excess of capital outlay over depreciation expense		176,051

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

Property and other taxes	\$ (4,784)	
Income taxes	100,016	
Intergovernmental revenue	57,086	
Special assessments	6,540	
Charges for services	<u>7,680</u>	
Net change in deferred revenues during the year		166,538

Repayment of bond principal is an expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the statement of net assets. 140,232

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

Increase in compensated absences	\$ (18,205)	
Decrease in accrued interest	<u>859</u>	
Total additional expenditures		(17,346)

Bond proceeds are reported as financing sources in governmental funds and thus contribute
to the change in fund balance. In the government-wide statements, however, issuing debt
increases long-term liabilities in the statement of net assets and does not affect the
statement of activities. (18,276)

Some capital additions were financed through capital leases. In governmental funds, a capital
lease arrangement is considered a source of financing, but in the statements of net assets,
the lease obligation is reported as a liability. (260,600)

Change in net assets of governmental activities \$ (98,893)

See accompanying notes to the basic financial statements.

City of Rittman, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Income tax	\$ 680,000	\$ 680,000	\$ 727,413	\$ 47,413
Property and other taxes	312,600	312,600	303,119	(9,481)
Charges for services	704,925	704,925	762,609	57,684
Fines, licenses, and permits	79,500	82,000	82,795	795
Intergovernmental	431,547	468,547	476,424	7,877
Investment income	115,000	115,000	75,154	(39,846)
Contributions and donations	-	-	203	203
Other	7,500	7,500	63,614	56,114
Total revenue	<u>2,331,072</u>	<u>2,370,572</u>	<u>2,491,331</u>	<u>120,759</u>
<u>Expenditures:</u>				
Current:				
General government	603,005	624,033	590,134	33,899
Safety services	978,911	1,034,911	1,005,817	29,094
Public health and welfare	94,850	99,201	87,445	11,756
Transportation	328,129	330,499	316,451	14,048
Basic utility services	237,500	214,870	214,653	217
Leisure time activities	358,934	389,136	378,019	11,117
Total expenditures	<u>2,601,329</u>	<u>2,692,650</u>	<u>2,592,519</u>	<u>100,131</u>
Excess of revenues over (under) expenditures	<u>(270,257)</u>	<u>(322,078)</u>	<u>(101,188)</u>	<u>220,890</u>
<u>Other financing sources (uses):</u>				
Transfers - in	100,000	100,000	48,575	(51,425)
Transfers - out	<u>(118,000)</u>	<u>(104,572)</u>	<u>(53,147)</u>	<u>51,425</u>
Total other financing sources (uses)	<u>(18,000)</u>	<u>(4,572)</u>	<u>(4,572)</u>	<u>-</u>
Net change in fund balance	(288,257)	(326,650)	(105,760)	220,890
Fund balance at beginning of year	722,689	722,689	722,689	-
Prior year encumbrances appropriated	35,732	35,732	35,732	-
Fund balance at end of year	<u>\$ 470,164</u>	<u>\$ 431,771</u>	<u>\$ 652,661</u>	<u>\$ 220,890</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Emergency Medical Service Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property and other taxes	\$ 196,100	\$ 196,100	\$ 183,461	\$ (12,639)
Charges for services	76,125	76,125	83,218	7,093
Intergovernmental	15,400	15,400	34,617	19,217
Total revenue	<u>287,625</u>	<u>287,625</u>	<u>301,296</u>	<u>13,671</u>
<u>Expenditures:</u>				
Current:				
General government	3,300	3,600	3,453	147
Safety services	258,143	260,343	233,354	26,989
Total expenditures	<u>261,443</u>	<u>263,943</u>	<u>236,807</u>	<u>27,136</u>
Net change in fund balance	26,182	23,682	64,489	40,807
Fund balance at beginning of year	138,735	138,735	138,735	-
Prior year encumbrances appropriated	918	918	918	-
Fund balance at end of year	<u>\$ 165,835</u>	<u>\$ 163,335</u>	<u>\$ 204,142</u>	<u>\$ 40,807</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Department Levy Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property and other taxes	\$ 90,700	\$ 90,700	\$ 84,924	\$ (5,776)
Intergovernmental	10,500	10,500	9,900	(600)
Total revenue	<u>101,200</u>	<u>101,200</u>	<u>94,824</u>	<u>(6,376)</u>
<u>Expenditures:</u>				
Current:				
General government	2,000	2,000	1,571	429
Safety services	146,010	171,010	150,000	21,010
Total expenditures	<u>148,010</u>	<u>173,010</u>	<u>151,571</u>	<u>21,439</u>
Net change in fund balance	(46,810)	(71,810)	(56,747)	15,063
Fund balance at beginning of year	263,652	263,652	263,652	-
Prior year encumbrances appropriated	1,010	1,010	1,010	-
Fund balance at end of year	<u>\$ 217,852</u>	<u>\$ 192,852</u>	<u>\$ 207,915</u>	<u>\$ 15,063</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	Business-Type Activities		
	Water	Sewer	Total
<u>Assets:</u>			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 659,307	\$ 194,420	\$ 853,727
Cash and cash equivalents:			
With fiscal agent	13,924	-	13,924
Receivables:			
Income tax	106,673	-	106,673
Accounts	52,943	126,084	179,027
Special assessments	24,156	-	24,156
Materials and supplies inventory	20,418	14,792	35,210
Prepaid items	6,381	8,009	14,390
Total current assets	<u>883,802</u>	<u>343,305</u>	<u>1,227,107</u>
Non-current assets:			
Capital assets:			
Land	31,686	40,920	72,606
Construction in progress	90,728	-	90,728
Depreciable capital assets, net	<u>3,486,002</u>	<u>7,571,821</u>	<u>11,057,823</u>
Total non-current assets	<u>3,608,416</u>	<u>7,612,741</u>	<u>11,221,157</u>
Total assets	<u>4,492,218</u>	<u>7,956,046</u>	<u>12,448,264</u>
<u>Liabilities:</u>			
Current liabilities:			
Accounts payable	17,848	8,341	26,189
Accrued wages and benefits	5,926	6,429	12,355
Compensated absences payable	15,079	14,174	29,253
Due to other governments	11,233	12,253	23,486
Income tax refunds payable	8,015	-	8,015
Matured bonds payable	10,200	-	10,200
Matured interest payable	3,713	-	3,713
Accrued interest payable	348	12,483	12,831
OWDA loans payable	-	172,614	172,614
Mortgage revenue bonds payable	-	17,000	17,000
Special assessment bonds payable	<u>7,158</u>	<u>-</u>	<u>7,158</u>
Total current liabilities	<u>79,520</u>	<u>243,294</u>	<u>322,814</u>
Long-term liabilities:			
Compensated absences payable	11,808	9,234	21,042
OWDA loans payable, net of current portion	-	1,868,635	1,868,635
Mortgage revenue bonds payable, net of current portion	-	1,137,600	1,137,600
Special assessment bonds payable, net of current portion	<u>15,187</u>	<u>-</u>	<u>15,187</u>
Total long-term liabilities	<u>26,995</u>	<u>3,015,469</u>	<u>3,042,464</u>
Total liabilities	<u>106,515</u>	<u>3,258,763</u>	<u>3,365,278</u>
<u>Net assets:</u>			
Invested in capital assets, net of related debt	3,586,071	4,416,892	8,002,963
Unrestricted	<u>799,632</u>	<u>280,391</u>	<u>1,080,023</u>
Total net assets	<u>\$ 4,385,703</u>	<u>\$ 4,697,283</u>	<u>\$ 9,082,986</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended December 31, 2003

	Business-Type Activities		
	Water	Sewer	Total
<u>Operating revenues:</u>			
Charges for services	\$ 471,187	\$ 910,043	\$ 1,381,230
Other	8,525	2,894	11,419
Total operating revenue	<u>479,712</u>	<u>912,937</u>	<u>1,392,649</u>
<u>Operating expenses:</u>			
Personal services	273,358	309,155	582,513
Contractual services	96,690	231,786	328,476
Supplies and materials	75,369	53,523	128,892
Other operating costs	87,350	99,000	186,350
Depreciation	122,044	233,650	355,694
Total operating expenses	<u>654,811</u>	<u>927,114</u>	<u>1,581,925</u>
Operating income (loss)	<u>(175,099)</u>	<u>(14,177)</u>	<u>(189,276)</u>
<u>Non-operating revenues (expenses):</u>			
Municipal income tax	368,936	-	368,936
Interest	130	-	130
Interest and fiscal charges	(348)	(168,077)	(168,425)
Total non-operating revenues (expenses):	<u>368,718</u>	<u>(168,077)</u>	<u>200,641</u>
Income (loss) before contributions	<u>193,619</u>	<u>(182,254)</u>	<u>11,365</u>
Capital contributions	24,076	25,952	50,028
Change in net assets	217,695	(156,302)	61,393
Net assets at beginning of year	<u>4,168,008</u>	<u>4,853,585</u>	<u>9,021,593</u>
Net assets at end of year	<u>\$ 4,385,703</u>	<u>\$ 4,697,283</u>	<u>\$ 9,082,986</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2003

	Business-Type Activities		
	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 476,209	\$ 945,317	\$ 1,421,526
Cash payments for employee services and benefits	(185,246)	(301,546)	(486,792)
Cash payments to suppliers for goods and services	(310,674)	(494,180)	(804,854)
Net cash provided by (used for) operating activities	(19,711)	149,591	129,880
Cash flows from noncapital financing activities:			
Income taxes received	363,706	-	363,706
Net cash provided by noncapital financing activities	363,706	-	363,706
Cash flows from capital and related financing activities:			
Proceeds from sale of bonds	22,345	-	22,345
Interest paid on debt	-	(168,252)	(168,252)
Principal payment on notes and bonds	-	(180,497)	(180,497)
Acquisition of capital assets	(164,125)	(391,275)	(555,400)
Net cash used for capital and related financing activities	(141,780)	(740,024)	(881,804)
Cash flows from investing activities:			
Investment income	147	-	147
Net cash provided by investing activities	147	-	147
Net increase (decrease) in cash and cash equivalents	202,362	(590,433)	(388,071)
Cash and cash equivalents at beginning of year	470,869	784,853	1,255,722
Cash and cash equivalents at end of year	\$ 673,231	\$ 194,420	\$ 867,651
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (175,099)	\$ (14,177)	\$ (189,276)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	122,044	233,650	355,694
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	20,653	32,380	53,033
Materials and supplies inventory	19,498	(12,686)	6,812
Prepaid items	(1,673)	329	(1,344)
Special assessment receivable	(24,156)	-	(24,156)
Increase (decrease) in liabilities:			
Accounts payable	13,800	(95,465)	(81,665)
Accrued wages and benefits	1,022	761	1,783
Compensated absences	3,183	2,978	6,161
Due to other governments	1,017	1,821	2,838
Net cash provided by (used for) operating activities	\$ (19,711)	\$ 149,591	\$ 129,880
Non-cash capital and related financing activities:			
Capital contributions received from contractors	\$ 24,076	\$ 25,952	\$ 50,028

See accompanying notes to the financial statements.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. City Government and Reporting Entity

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

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

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

B. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

C. Fund Accounting

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

Notes to the Financial Statements

Governmental Funds

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

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

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

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

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

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

Proprietary Funds

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

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

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

D. Measurement Focus and Basis of Accounting

Government –wide Financial Statements

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**E. Budgets and
Budgetary Accounting**

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

Tax Budget: A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. All City funds are legally required to be budgeted. The 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 Finance Director determines that revenue to be collected will be greater than or less than the prior estimates and the budget commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended certificate issued for 2003.

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

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

Notes to the Financial Statements

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

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

F. Deposits and Investments

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

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

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

G. Inventory of Supplies

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

H. Prepaid Items

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

I. Capital Assets and Depreciation

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

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

Under GASB Statement No. 34, the City has elected to "phase in" the retroactive reporting of infrastructure assets. The City plans to retroactively report infrastructure capital assets in the 2004 basic financial statements. Only infrastructure capital assets acquired or constructed in 2002 and 2003 are reflected in the basic financial statements for the fiscal year ending December 31, 2003.

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

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

J. Compensated Absences

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

Notes to the Financial Statements

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

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

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

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

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

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

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

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

O. Net Assets

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

P. Operating Revenues and Expenses

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

Q. Estimates

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Notes to the Financial Statements

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

<i>Net Change in Fund Balance</i>			
	<i>General</i>	<i>Emergency Medical Service</i>	<i>Fire Department Levy</i>
<i>GAAP Basis</i>	\$ (220,244)	\$ 26,488	\$ (69,297)
<i>Revenue accruals</i>	147,931	35,600	(248,050)
<i>Expenditure accruals</i>	(11,513)	6,557	260,600
<i>Encumbrances (Budget Basis) outstanding at year end</i>	<u>(21,934)</u>	<u>(4,156)</u>	<u>-</u>
<i>Budget Basis</i>	<u>\$ (105,760)</u>	<u>\$ 64,489</u>	<u>\$ (56,747)</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

City of Rittman, Ohio

The City has invested funds in STAR Ohio during 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2003.

Interest earnings are distributed to the street maintenance and repair and state highway special revenue funds and the capital improvements capital projects fund based on daily cash balances and the remainder is reported in the general fund. The interest earned in the water bond escrow account is credited to the water enterprise fund. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$ 49,187, which includes \$44,398 assigned from other City funds.

Deposits: At year-end, the carrying amount of the City's deposits including cash on hand of \$1,050 was \$1,610,214 and the bank balances totaled \$1,784,274. Of the bank balances,

1. \$220,953 was covered by federal depository insurance.
2. \$1,563,321 was covered by pooled and/or pledged collateral, as allowed by the Ohio Revised Code, but not necessarily held in the City's name (uncollateralized, risk Category 3).

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

	<u>Category</u>		<u>Carrying Amounts</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>		
<u>Categorized Investments</u>				
Special assessment bonds	\$ 103,753	\$ -	\$ 103,753	\$ 103,753
U.S. Agency securities	-	198,574	198,574	198,574
Total Categorized	<u>\$ 103,753</u>	<u>\$ 198,574</u>	<u>\$ 302,327</u>	<u>\$ 302,327</u>
<u>Noncategorized Investments</u>				
State Treasurer's pool			402,203	402,203
Total Investments			<u>\$ 704,530</u>	<u>\$ 704,530</u>

Notes to the Financial Statements

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

NOTE 4 - RECEIVABLES

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

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ending December 31, 2003 was as follows:

Governmental Activities: A summary of the governmental activities' capital assets as of December 31, 2003 follows:

<u>Governmental activities</u>	<u>Balance</u> <u>1/1/2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2003</u>
<i>Capital assets, not being depreciated:</i>				
<i>Land</i>	\$ 129,063	\$ -	\$ -	\$ 129,063
<i>Capital assets, being depreciated:</i>				
<i>Land improvements</i>	151,386	-	-	151,386
<i>Buildings</i>	5,726,268	12,691	-	5,738,959
<i>Infrastructure</i>	869,560	118,460	-	988,020
<i>Equipment</i>	2,275,557	431,140	(124,055)	2,582,642
<i>Total capital assets, being depreciated</i>	<u>9,022,771</u>	<u>562,291</u>	<u>(124,055)</u>	<u>9,461,007</u>
<i>Less accumulated depreciation:</i>				
<i>Land improvements</i>	(70,023)	(25,768)	-	(95,791)
<i>Buildings</i>	(828,989)	(138,909)	-	(967,898)
<i>Infrastructure</i>	(21,683)	(41,801)	-	(63,484)
<i>Equipment</i>	(1,554,001)	(179,762)	124,055	(1,609,708)
<i>Total accumulated depreciation</i>	<u>(2,474,696)</u>	<u>(386,240)</u>	<u>124,055</u>	<u>(2,736,881)</u>
<i>Total capital assets being depreciated, net</i>	<u>6,548,075</u>	<u>176,051</u>	<u>-</u>	<u>6,724,126</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 6,677,138</u>	<u>\$ 176,051</u>	<u>\$ -</u>	<u>\$ 6,853,189</u>

City of Rittman, Ohio

Depreciation Expense: Depreciation expense charged to governmental functions for the year ending December 31, 2003 is as follows:

<u>Depreciation Expense:</u>	
General government	\$ 4,859
Safety services	173,196
Public health	1,356
Leisure time activities	139,645
Transportation	<u>67,184</u>
Total depreciation expense	<u>\$ 386,240</u>

Business-type Activities: A summary of the business-type activities' capital assets as of December 31, 2003 follows:

<u>Business-type activities</u>	<u>Balance</u> <u>1/1/2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/2003</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 72,606	\$ -	\$ -	\$ 72,606
Construction in progress	<u>128,992</u>	<u>90,728</u>	<u>(128,992)</u>	<u>90,728</u>
Total capital assets, not being depreciated	<u>201,598</u>	<u>90,728</u>	<u>(128,992)</u>	<u>163,334</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	16,033	-	-	16,033
Buildings	5,982,611	531,507	-	6,514,118
Infrastructure	8,239,319	50,028	-	8,289,347
Equipment	<u>1,394,812</u>	<u>62,157</u>	<u>-</u>	<u>1,456,969</u>
Total capital assets, being depreciated	<u>15,632,775</u>	<u>643,692</u>	<u>-</u>	<u>16,276,467</u>
<i>Less accumulated depreciation:</i>				
Land improvements	(2,954)	(1,690)	-	(4,644)
Buildings	(1,855,169)	(150,040)	-	(2,005,209)
Infrastructure	(1,868,995)	(139,240)	-	(2,008,235)
Equipment	<u>(1,135,832)</u>	<u>(64,724)</u>	<u>-</u>	<u>(1,200,556)</u>
Total accumulated depreciation	<u>(4,862,950)</u>	<u>(355,694)</u>	<u>-</u>	<u>(5,218,644)</u>
Total capital assets being depreciated, net	<u>10,769,825</u>	<u>287,998</u>	<u>-</u>	<u>11,057,823</u>
Business-type activities capital assets, net	<u>\$ 10,971,423</u>	<u>\$ 378,726</u>	<u>\$ (128,992)</u>	<u>\$ 11,221,157</u>

Notes to the Financial Statements

NOTE 6 - COMPENSATED ABSENCES

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

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

NOTE 7 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

Governmental Activities: A summary of the governmental activities' debt and other long-term obligations as of December 31, 2003 follows:

	<i>Balance January 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Amount Outstanding December 31</i>	<i>Amount Due in One Year</i>
<u>Governmental activities</u>					
<u>General obligation bonds</u>					
1993 Safety Building Bonds 3.00 - 5.85%	\$ 485,000	\$ -	\$ (70,000)	\$ 415,000	\$ 75,000
2000 Recreation Center Bonds 5.30%	<u>1,410,000</u>	<u>-</u>	<u>(49,000)</u>	<u>1,361,000</u>	<u>51,000</u>
Total general obligation bonds	<u>1,895,000</u>	<u>-</u>	<u>(119,000)</u>	<u>1,776,000</u>	<u>126,000</u>
<u>Loans</u>					
2002 OPWC loan	<u>43,650</u>	<u>-</u>	<u>(9,700)</u>	<u>33,950</u>	<u>9,700</u>
<u>Special assessment bonds</u>					
1995 Ritter Drive 6.50%	16,209	-	(3,678)	12,531	3,917
1997 Street Improvement 6.50%	2,051	-	(2,051)	-	-
1998 Street Improvement 6.00%	796	-	(796)	-	-
1999 Metzger Avenue 6.00%	2,910	-	(914)	1,996	969
2002 Rufener Street 5.50%	52,699	-	(4,093)	48,606	4,318
2002 Street Improvement 5.00%	<u>-</u>	<u>18,276</u>	<u>-</u>	<u>18,276</u>	<u>3,308</u>
Total special assessment bonds	<u>74,665</u>	<u>18,276</u>	<u>(11,532)</u>	<u>81,409</u>	<u>12,512</u>
<u>Other obligations</u>					
Capital lease	-	260,600	-	260,600	128,200
Compensated absences	<u>132,607</u>	<u>101,378</u>	<u>(83,173)</u>	<u>150,812</u>	<u>92,335</u>
Total governmental activities	<u>\$ 2,145,922</u>	<u>\$ 380,254</u>	<u>\$ (223,405)</u>	<u>\$ 2,302,771</u>	<u>\$ 368,747</u>

City of Rittman, Ohio

Business-type Activities: A summary of the business-type activities' debt and other long-term obligations as of December 31, 2003 follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount</u> <u>Outstanding</u> <u>December 31</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>Business-type activities</u>					
<u>Revenue bonds</u>					
1993 Mortgage Revenue Bonds 5.25%	\$ 1,170,800	\$ -	\$ (16,200)	\$ 1,154,600	\$ 17,000
<u>Special assesment bonds</u>					
2002 Sterling Avenue Waterline Bonds 4.00%	-	22,345	-	22,345	7,158
<u>Loans</u>					
1993 OWD A loan 5.00%	2,205,546	-	(164,297)	2,041,249	172,614
<u>Other obligations</u>					
Compensated absences	43,750	35,875	(29,330)	50,295	29,253
Total business-type activities	\$ 3,420,096	\$ 58,220	\$ (209,827)	\$ 3,268,489	\$ 226,025

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 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. These bonds will be repaid from the debt retirement debt service fund.

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

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

Notes to the Financial Statements

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

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

The annual requirements to amortize all bonded debt and loans as of December 31, 2003, including interest payments of \$2,511,428 are as follows:

	<i>General</i>		<i>Special</i>		<i>OPWC & OWDA Loans</i>		<i>Revenue Bonds</i>		<i>Total</i>
	<i>Obligation Bonds</i>		<i>Assessment Bonds</i>		<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>					
2004	\$ 126,000	95,823	19,670	5,415	182,314	99,931	17,000	59,173	605,326
2005	134,000	88,835	20,671	4,413	191,052	91,193	17,900	58,302	606,366
2006	137,000	81,533	20,638	3,358	200,234	82,011	18,800	57,385	600,959
2007	145,000	73,992	8,899	2,313	205,029	72,366	19,800	56,421	583,820
2008	158,000	66,090	9,369	1,843	210,313	62,232	20,800	55,406	584,053
2009-2013	370,000	248,166	24,507	3,460	1,086,257	140,200	120,900	259,940	2,253,430
2014-2018	478,000	139,096	-	-	-	-	155,300	225,597	997,993
2019-2023	228,000	18,302	-	-	-	-	199,400	181,512	627,214
2024-2028	-	-	-	-	-	-	256,000	124,896	380,896
2029-2033	-	-	-	-	-	-	328,700	52,224	380,924
	<u>\$ 1,776,000</u>	<u>811,837</u>	<u>103,754</u>	<u>20,802</u>	<u>2,075,199</u>	<u>547,933</u>	<u>1,154,600</u>	<u>1,130,856</u>	<u>7,620,981</u>

NOTE 8 - SHORT TERM OBLIGATION

During 2003, bond anticipation notes were retired in the amount of \$150,000. The notes were used for the purpose of financing a portion of a street improvement project. Payment of principal and interest on the notes was made from income tax revenues.

	<i>Beginning</i>	<i>Additions</i>	<i>Deletions</i>	<i>Ending</i>
	<i>Balance</i>			<i>Balance</i>
<i>Capital Improvements Fund</i>	\$ 150,000	\$ -	\$ (150,000)	\$ -

NOTE 9- CAPITAL LEASE – LESSEE DISCLOSURE

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

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

Following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2003:

<u>Year Ending December 31,</u>	<u>Amount</u>
2004	\$ 135,366
2005	<u>135,366</u>
Total	270,732
Less: amount representing interest	<u>(10,132)</u>
Present value of net minimum lease payments	<u>\$ 260,600</u>

NOTE 10 - PROPERTY TAX

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

Notes to the Financial Statements

The full-tax rate for all City operations applied to taxable property for the year ended December 31, 2003 was \$7.5 and \$6.2 per \$1,000 of assessed valuation in Wayne and Medina Counties, respectively. For 2003, only 2.3% of the total valuations were attributed to property in Medina County.

The assessed values upon which the 2003 taxes were collected are as follows:

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
<u>Real Property</u>		
Residential and agricultural	\$ 65,302,140	67.07 %
Commercial and industrial	12,126,610	12.46
Public utilities	11,500	0.01
<u>Tangible Personal Property</u>		
General	17,570,580	18.05
Public utilities	<u>2,348,170</u>	<u>2.41</u>
<i>Total</i>	<u>\$ 97,359,000</u>	<u>100.00 %</u>

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

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility, and tangible personal property taxes which became measurable as of December 31, 2003. However, since these tax collections will not be received during the available period nor are they intended to finance 2003 operations, the receivable is offset by a credit to deferred revenue.

NOTE 11 - 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 12 - 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 one outstanding construction project as of December 31, 2003, for the water filtration system improvement project in the amount of \$118,272. The project is being financed by current available resources and this amount is a commitment of the sewer enterprise fund.

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 13 - DEFINED BENEFIT PENSION PLANS

All full-time employees of the City, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), 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 OPERS and OP&F is provided by the Ohio State Legislature and are codified in the Ohio Revised Code, Chapters 145 and 742 respectively.

Notes to the Financial Statements

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

OPERS: 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 OPERS 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 OPERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. For 2003, the employer pension contribution rate for the City was 13.55% of covered payroll, with 8.55% to fund pension obligations. The 2003 employer contribution rate for both the law enforcement and public safety divisions was 16.70% of covered payroll, with 11.70% to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to OPERS for the years ending December 31, 2003, 2002, and 2001 were \$141,756, \$139,476 and \$134,495, respectively. The full amount has been contributed for 2002 and 2001. Approximately 74% had been contributed for 2003 with the remainder being reported as a liability within the respective funds.

OP&F: Plan members are required to contribute 10% of their covered salary to fund pension obligations, while employers are required to contribute 19.5% and 24.0%, 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, 2003, 2002, and 2001 were \$43,323, \$44,192 and \$46,149, respectively. The full amount has been contributed for 2002 and 2001. Approximately 72% has been contributed for 2003 with the remainder being reported as a liability within the respective funds.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) 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 OPERS 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 OPERS. The 2003 employer contribution rate was 13.55% for covered payroll; 5% was the portion that was used to fund health care for 2003.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4% 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 annually.

The number of active participants was 364,881. The City's actual contributions for 2003 which were used to fund post-employment benefits were \$82,898. The actual contribution and the actuarially-required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially-accrued liability and the unfunded actuarially-accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year cliff eligibility standard for the present Plan.

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

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.

Notes to the Financial Statements

The health care coverage provided by the retirement system is considered an Other Post Employment 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 7.75% of covered payroll was applied to the post-employment health care program during 2003. 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 actual contributions for 2003 that were used to fund post-employment benefits were \$28,575. The OP&F total health care expense for the year ended December 31, 2002, the last actuarial valuation available, was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

NOTE 15 - 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 \$19,191,403. Coverage is purchased on City vehicles for a combined single limit liability of \$1,000,000. The City purchases general liability insurance coverage with a \$1,000,000 limit per occurrence and \$2,000,000 aggregate. Other policies held by the City include law enforcement, public officials, boiler & machinery, inland marine, and commercial crime. An umbrella policy held by the City provides an additional \$5,000,000 of coverage over the policies listed above. There were no settled claims from these risks that have exceeded commercial insurance coverage for the past three years.

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

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

NOTE 16 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2003, consisted of the following:

<u>Transfers To</u>	<u>Transfers From</u>		<u>Total</u>
	<u>General</u>	<u>Capital Improvements</u>	
<i>Debt Retirement</i>	\$ -	\$ 230,668	\$ 230,668
<i>Nonmajor Governmental Funds</i>	4,572	-	4,572
<i>Total</i>	<u>\$ 4,572</u>	<u>\$ 230,668</u>	<u>\$ 235,240</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended December 31, 2003, the City made a one-time transfer of \$230,668 from the capital improvements capital projects fund to the debt retirement debt service fund. This amount represented the balance of certain projects in the capital improvements fund, which is to be used to retire outstanding debt associated with the projects. In addition, there was a one-time transfer of \$4,572 from the general fund to the COPS special revenue fund, which represents amounts necessary to carry out the purpose of the program prior to receiving additional funding.

NOTE 17 - FUND DEFICITS

As of December 31, 2003, the police pension special revenue fund had a deficit of \$4,805. This deficit was the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficits in other funds; however, this is done when cash is needed rather than when accruals occur.

Notes to the Financial Statements

NOTE 18 - COMPLIANCE

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

<u>Fund</u>	<u>Department</u>	<u>Object</u>	<u>Amount</u>
Water	Office of superintendent	Contractual services	\$ 151,772
	Water supply	Supplies and materials	9,664
Sewer	Wastewater treatment	Contractual services	61,283
	Wastewater treatment	Contractual services	7,902

Also, as of December 31, 2003, the water and sewer enterprise funds had similar violations as presented below:

<u>Fund</u>	<u>Department</u>	<u>Object</u>	<u>Amount</u>
Water	Water supply	Capital outlay	\$ 7,800
	Water distribution	Contractual services	45
Sewer	Wastewater treatment	Contractual services	3,473

NOTE 19 - SUBSEQUENT EVENTS

On July 27, 2004, the City issued revenue and other bonds used to refund general obligation bonds as explained below:

First, revenue bonds with a face value of \$1,550,000 were issued to finance improvements to the water filtration system. The interest rate on the bonds ranges from 2.00% to 4.70%. The final maturity date is December 1, 2024.

Secondly, general obligation bonds with a face value of \$1,410,000 were issued for the purpose of advance refunding 2000 Recreation Center bonds at a lower interest cost. The interest rate on the bonds ranges from 2.00% to 4.35%. The final maturity date is December 1, 2020.

Finally, general obligation bonds with a face value of \$440,000 were issued for the purpose of advance refunding the 1994 Safety Building bonds at a lower interest cost. The interest rate on the bonds ranges from 2.00% to 2.75%. The final maturity date is December 1, 2008.

Combining Statements

Combining Statements – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

City of Rittman, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2003

	Street Maintenance and Repair Fund	State Highway Fund	Premissive Tax Fund	Premissive Tax II Fund	Police Pension Fund	Law Enforcement and Education Fund
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ 69,793	\$ 23,888	\$ -	\$ 7,174	\$ 1,245	\$ 3,316
Receivables:						
Property and other taxes	-	-	-	-	26,321	-
Accrued interest	117	56	-	-	-	-
Due from other governments	83,609	6,779	17,267	8,541	1,450	-
Materials and supplies inventory	2,246	630	-	-	-	-
Total assets	<u>\$ 155,765</u>	<u>\$ 31,353</u>	<u>\$ 17,267</u>	<u>\$ 15,715</u>	<u>\$ 29,016</u>	<u>\$ 3,316</u>
<u>Liabilities:</u>						
Accrued wages and benefits	\$ 6,079	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	9,526	-	-	-	6,500	-
Deferred revenue	53,735	4,357	17,267	5,950	27,321	-
Total liabilities	<u>69,340</u>	<u>4,357</u>	<u>17,267</u>	<u>5,950</u>	<u>33,821</u>	<u>-</u>
<u>Fund balances:</u>						
Reserved for encumbrances	-	243	-	-	-	-
Unreserved, undesignated,	86,425	26,753	-	9,765	(4,805)	3,316
Total fund balances	<u>86,425</u>	<u>26,996</u>	<u>-</u>	<u>9,765</u>	<u>(4,805)</u>	<u>3,316</u>
Total liabilities and fund balances	<u>\$ 155,765</u>	<u>\$ 31,353</u>	<u>\$ 17,267</u>	<u>\$ 15,715</u>	<u>\$ 29,016</u>	<u>\$ 3,316</u>

<u>Law Enforcement Fund</u>	<u>COPS Grant Fund</u>	<u>Education and Recreation Assistance Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 2,945	\$ -	\$ 3,591	\$ 111,952
-	-	-	26,321
-	-	-	173
-	-	-	117,646
-	-	-	2,876
<u>\$ 2,945</u>	<u>\$ -</u>	<u>\$ 3,591</u>	<u>\$ 258,968</u>
\$ -	\$ -	\$ -	\$ 6,079
-	-	-	16,026
-	-	-	108,630
<u>-</u>	<u>-</u>	<u>-</u>	<u>130,735</u>
-	-	100	343
2,945	-	3,491	127,890
<u>2,945</u>	<u>-</u>	<u>3,591</u>	<u>128,233</u>
<u>\$ 2,945</u>	<u>\$ -</u>	<u>\$ 3,591</u>	<u>\$ 258,968</u>

City of Rittman, Ohio

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended December 31, 2003

	Street Maintenance and Repair Fund	State Highway Fund	Premissive Tax Fund	Premissive Tax II Fund	Police Pension Fund	Enforcement and Education Fund
<u>Revenues:</u>						
Property and other taxes	\$ -	\$ -	\$ -	\$ -	\$ 21,662	\$ -
Fines, licenses, and permits	-	-	-	-	-	437
Intergovernmental	190,915	15,950	60,000	19,777	3,097	-
Investment income	1,279	608	-	-	-	-
Contributions and donations	-	-	-	-	-	-
Other	197	-	-	-	-	-
Total revenue	<u>192,391</u>	<u>16,558</u>	<u>60,000</u>	<u>19,777</u>	<u>24,759</u>	<u>437</u>
<u>Expenditures:</u>						
Current:						
General government	-	-	-	-	482	-
Safety services	-	-	-	-	36,876	-
Public health and welfare	-	-	-	-	-	-
Transportation	210,097	31,127	60,000	33,500	-	-
Total expenditures	<u>210,097</u>	<u>31,127</u>	<u>60,000</u>	<u>33,500</u>	<u>37,358</u>	<u>-</u>
Excess of revenues over (under) expenditures	(17,706)	(14,569)	-	(13,723)	(12,599)	437
<u>Other financing sources (uses):</u>						
Transfers - in	-	-	-	-	-	-
Net change in fund balance	(17,706)	(14,569)	-	(13,723)	(12,599)	437
Fund balances (deficit) at beginning of year	104,131	41,565	-	23,488	7,794	2,879
Fund balances (deficit) at end of year	<u>\$ 86,425</u>	<u>\$ 26,996</u>	<u>\$ -</u>	<u>\$ 9,765</u>	<u>\$ (4,805)</u>	<u>\$ 3,316</u>

Law Enforcement Fund	COPS Grant Fund	Education and Recreation Assistance Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 21,662
1,090	-	-	1,527
-	-	-	289,739
-	-	-	1,887
-	-	6,012	6,012
-	-	-	197
<u>1,090</u>	<u>-</u>	<u>6,012</u>	<u>321,024</u>
-	-	-	482
-	1,854	-	38,730
-	-	7,629	7,629
-	-	-	334,724
<u>-</u>	<u>1,854</u>	<u>7,629</u>	<u>381,565</u>
1,090	(1,854)	(1,617)	(60,541)
<u>-</u>	<u>4,572</u>	<u>-</u>	<u>4,572</u>
1,090	2,718	(1,617)	(55,969)
<u>1,855</u>	<u>(2,718)</u>	<u>5,208</u>	<u>184,202</u>
<u>\$ 2,945</u>	<u>\$ -</u>	<u>\$ 3,591</u>	<u>\$ 128,233</u>

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

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Income tax	\$ 680,000	\$ 680,000	\$ 727,413	\$ 47,413
Property and other taxes	312,600	312,600	303,119	(9,481)
Charges for services	704,925	704,925	762,609	57,684
Fines, licenses, and permits	79,500	82,000	82,795	795
Intergovernmental	431,547	468,547	476,424	7,877
Investment income	115,000	115,000	75,154	(39,846)
Contributions and donations	-	-	203	203
Other	7,500	7,500	63,614	56,114
Total revenue	<u>2,331,072</u>	<u>2,370,572</u>	<u>2,491,331</u>	<u>120,759</u>
<u>Expenditures:</u>				
Current:				
General government				
Office of city council				
Personal services	30,631	30,631	29,968	663
Contractual services	5,969	5,969	5,969	-
Total office of city council	<u>36,600</u>	<u>36,600</u>	<u>35,937</u>	<u>663</u>
Department of mayor and administration				
Personal services	215,108	218,240	215,732	2,508
Contractual services	97,994	119,022	105,497	13,525
Supplies and materials	14,468	14,468	12,371	2,097
Total department of mayor and administration	<u>327,570</u>	<u>351,730</u>	<u>333,600</u>	<u>18,130</u>
Department of finance and tax				
Personal services	146,400	146,400	145,900	500
Contractual services	300	300	144	156
Other operating costs	10,000	10,000	4,659	5,341
Total department of finance and tax	<u>156,700</u>	<u>156,700</u>	<u>150,703</u>	<u>5,997</u>
Division of lands and buildings				
Personal services	14,000	12,485	12,446	39
Contractual services	2,000	2,915	2,483	432
Supplies and materials	4,035	4,635	4,386	249
Total division of lands and buildings	<u>20,035</u>	<u>20,035</u>	<u>19,315</u>	<u>720</u>

(continued)

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Department of law				
Personal services	23,700	23,700	23,562	138
Contractual services	14,400	14,400	6,943	7,457
Total department of law	38,100	38,100	30,505	7,595
Miscellaneous				
Personal services	8,000	5,415	5,413	2
Contractual services	16,000	15,453	14,661	792
Total miscellaneous	24,000	20,868	20,074	794
Total general government	603,005	624,033	590,134	33,899
Safety services				
Division of police				
Personal services	760,913	778,913	766,313	12,600
Contractual services	56,686	69,686	65,932	3,754
Supplies and materials	28,650	28,650	26,932	1,718
Other operating costs	200	200	-	200
Total division of police	846,449	877,449	859,177	18,272
Division of fire				
Personal services	64,500	85,500	83,844	1,656
Contractual services	20,933	24,933	23,589	1,344
Supplies and materials	17,029	17,029	12,953	4,076
Total division of fire	102,462	127,462	120,386	7,076
Division of communications				
Personal services	2,500	2,500	2,497	3
Division of street lighting				
Contractual services	25,000	25,000	22,021	2,979
Supplies and materials	2,500	2,500	1,736	764
Total division of street lighting	27,500	27,500	23,757	3,743
Total safety services	978,911	1,034,911	1,005,817	29,094

(continued)

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Public health and welfare				
Cemetery board				
Personal services	45,775	45,775	45,345	430
Contractual services	2,900	1,128	938	190
Supplies and materials	2,500	2,500	1,697	803
Capital outlay	11,000	11,000	1,688	9,312
Total cemetery board	62,175	60,403	49,668	10,735
Board of health				
Contractual services	23,500	23,500	23,131	369
Division of pest and animal control				
Personal services	2,175	2,175	1,523	652
Contractual services	3,500	3,623	3,623	-
Supplies and materials	3,500	9,500	9,500	-
Total division of pest and animal control	9,175	15,298	14,646	652
Total public health and welfare	94,850	99,201	87,445	11,756
Transportation				
Division of street maintenance				
Personal services	149,150	153,390	151,757	1,633
Contractual services	44,179	45,909	40,937	4,972
Supplies and materials	30,000	26,400	20,165	6,235
Total division of street maintenance	223,329	225,699	212,859	12,840
Division of vehicle maintenance				
Personal services	85,800	85,800	85,572	228
Contractual services	1,000	1,000	362	638
Supplies and materials	18,000	18,000	17,658	342
Total division of vehicle maintenance	104,800	104,800	103,592	1,208
Total transportation	328,129	330,499	316,451	14,048
Basic utility services				
Division of waste management				
Contractual services	237,500	214,870	214,653	217

(continued)

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Leisure time activities				
Division of parks				
Personal services	61,550	61,550	59,887	1,663
Contractual services	6,700	6,700	5,325	1,375
Supplies and materials	6,000	6,000	5,036	964
Total division of parks	<u>74,250</u>	<u>74,250</u>	<u>70,248</u>	<u>4,002</u>
Recreation center				
Personal services	163,200	166,200	164,033	2,167
Contractual services	85,049	105,251	104,308	943
Supplies and materials	35,435	42,935	39,080	3,855
Other operating costs	500	-	-	-
Total recreation center	<u>284,184</u>	<u>314,386</u>	<u>307,421</u>	<u>6,965</u>
Other leisure time activities				
Other operating costs	500	500	350	150
Total leisure time activities	<u>358,934</u>	<u>389,136</u>	<u>378,019</u>	<u>11,117</u>
Total expenditures	<u>2,601,329</u>	<u>2,692,650</u>	<u>2,592,519</u>	<u>100,131</u>
Excess of revenues over (under) expenditures	<u>(270,257)</u>	<u>(322,078)</u>	<u>(101,188)</u>	<u>220,890</u>
<u>Other financing sources (uses):</u>				
Transfers - in	100,000	100,000	48,575	(51,425)
Transfers - out	<u>(118,000)</u>	<u>(104,572)</u>	<u>(53,147)</u>	<u>51,425</u>
Total other financing sources (uses)	<u>(18,000)</u>	<u>(4,572)</u>	<u>(4,572)</u>	<u>-</u>
Net change in fund balance	(288,257)	(326,650)	(105,760)	220,890
Fund balance at beginning of year	722,689	722,689	722,689	-
Prior year encumbrances appropriated	35,732	35,732	35,732	-
Fund balance at end of year	<u>\$ 470,164</u>	<u>\$ 431,771</u>	<u>\$ 652,661</u>	<u>\$ 220,890</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Emergency Medical Service Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property and other taxes	\$ 196,100	\$ 196,100	\$ 183,461	\$ (12,639)
Charges for services	76,125	76,125	83,218	7,093
Intergovernmental	15,400	15,400	34,617	19,217
Total revenue	<u>287,625</u>	<u>287,625</u>	<u>301,296</u>	<u>13,671</u>
<u>Expenditures:</u>				
Current:				
General government				
Miscellaneous				
Other operating costs	<u>3,300</u>	<u>3,600</u>	<u>3,453</u>	<u>147</u>
Safety services				
Division of emergency services				
Personal services	197,674	192,374	177,765	14,609
Contractual services	21,160	28,660	21,616	7,044
Supplies and materials	15,609	15,609	14,590	1,019
Other operating costs	11,200	11,200	11,000	200
Capital outlay	<u>12,500</u>	<u>12,500</u>	<u>8,383</u>	<u>4,117</u>
Total safety services	<u>258,143</u>	<u>260,343</u>	<u>233,354</u>	<u>26,989</u>
Total expenditures	<u>261,443</u>	<u>263,943</u>	<u>236,807</u>	<u>27,136</u>
Net change in fund balance	26,182	23,682	64,489	40,807
Fund balance at beginning of year	138,735	138,735	138,735	-
Prior year encumbrances appropriated	<u>918</u>	<u>918</u>	<u>918</u>	<u>-</u>
Fund balance at end of year	<u>\$ 165,835</u>	<u>\$ 163,335</u>	<u>\$ 204,142</u>	<u>\$ 40,807</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Department Levy Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property and other taxes	\$ 90,700	\$ 90,700	\$ 84,924	\$ (5,776)
Intergovernmental	10,500	10,500	9,900	(600)
Total revenue	<u>101,200</u>	<u>101,200</u>	<u>94,824</u>	<u>(6,376)</u>
<u>Expenditures:</u>				
Current:				
General government				
Miscellaneous				
Other operating costs	2,000	2,000	1,571	429
Safety services				
Division of fire				
Capital outlay	146,010	171,010	150,000	21,010
Total expenditures	<u>148,010</u>	<u>173,010</u>	<u>151,571</u>	<u>21,439</u>
Net change in fund balance	(46,810)	(71,810)	(56,747)	15,063
Fund balance at beginning of year	263,652	263,652	263,652	-
Prior year encumbrances appropriated	1,010	1,010	1,010	-
Fund balance at end of year	<u>\$ 217,852</u>	<u>\$ 192,852</u>	<u>\$ 207,915</u>	<u>\$ 15,063</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Debt Retirement Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Special assessments	\$ 15,000	\$ 15,000	\$ 14,566	\$ (434)
<u>Expenditures:</u>				
Current:				
Miscellaneous				
Other operating costs	200	200	28	172
Debt service:				
Principal retirement	290,233	290,233	290,232	1
Interest and fiscal charges	110,776	110,776	110,776	-
Total expenditures	401,209	401,209	401,036	173
Excess of revenues over (under) expenditures	(386,209)	(386,209)	(386,470)	(261)
<u>Other financing sources (uses):</u>				
Proceeds of bonds	20,000	20,000	18,276	(1,724)
Transfers - in	375,468	375,468	385,168	9,700
Total other financing sources (uses)	395,468	395,468	403,444	7,976
Net change in fund balance	9,259	9,259	16,974	7,715
Fund balance at beginning of year	135,363	135,363	135,363	-
Fund balance at end of year	\$ 144,622	\$ 144,622	\$ 152,337	\$ 7,715

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Capital Improvements Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Income tax	\$ 340,000	\$ 340,000	\$ 363,706	\$ 23,706
Charges for services	10,000	19,000	42,202	23,202
Intergovernmental	10,000	10,000	-	(10,000)
Investment income	12,000	12,000	4,820	(7,180)
Other	-	-	2,983	2,983
Total revenue	<u>372,000</u>	<u>381,000</u>	<u>413,711</u>	<u>32,711</u>
<u>Expenditures:</u>				
Current:				
General government				
Miscellaneous				
Other operating costs	34,000	34,000	31,330	2,670
Capital outlay	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total miscellaneous	<u>36,000</u>	<u>36,000</u>	<u>31,330</u>	<u>4,670</u>
Safety services				
Division of police				
Capital outlay	<u>26,000</u>	<u>20,550</u>	<u>20,540</u>	<u>10</u>
Transportation				
Division of street construction				
Contractual services	6,980	4,980	4,980	-
Capital outlay	<u>67,268</u>	<u>84,768</u>	<u>76,318</u>	<u>8,450</u>
Total division of street construction	<u>74,248</u>	<u>89,748</u>	<u>81,298</u>	<u>8,450</u>
Leisure time activities				
Division of parks				
Capital outlay	<u>22,326</u>	<u>16,276</u>	<u>15,571</u>	<u>705</u>
Total expenditures	<u>158,574</u>	<u>162,574</u>	<u>148,739</u>	<u>13,835</u>
Excess of revenues over (under) expenditures	<u>213,426</u>	<u>218,426</u>	<u>264,972</u>	<u>46,546</u>
<u>Other financing sources (uses):</u>				
Proceeds of bonds	150,000	150,000	-	(150,000)
Transfers - out	<u>(385,168)</u>	<u>(385,168)</u>	<u>(385,168)</u>	<u>-</u>
Total other financing sources (uses)	<u>(235,168)</u>	<u>(235,168)</u>	<u>(385,168)</u>	<u>(150,000)</u>
Net change in fund balance	(21,742)	(16,742)	(120,196)	(103,454)
Fund balance at beginning of year	184,777	184,777	184,777	-
Prior year encumbrances appropriated	<u>24,574</u>	<u>24,574</u>	<u>24,574</u>	<u>-</u>
Fund balance at end of year	<u>\$ 187,609</u>	<u>\$ 192,609</u>	<u>\$ 89,155</u>	<u>\$ (103,454)</u>

City of Rittman, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Water Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Municipal income tax	\$ 340,000	\$ 340,000	\$ 363,706	\$ 23,706
Charges for services	413,240	455,240	467,684	12,444
Intergovernmental	100,000	100,000	-	(100,000)
Investment income	200	200	159	(41)
Other	1,500	1,500	8,525	7,025
Total revenue	854,940	896,940	840,074	(56,866)
<u>Expenses:</u>				
Basic utility services				
Division of water supply				
Personal services	45,000	45,200	45,090	110
Contractual services	12,000	12,000	7,845	4,155
Supplies and materials	20,500	35,500	24,170	11,330
Capital outlay	5,000	4,800	12,600	(7,800)
Total division of water supply	82,500	97,500	89,705	7,795
Division of water distribution				
Personal services	65,500	65,500	62,257	3,243
Contractual services	5,000	5,000	5,045	(45)
Supplies and materials	16,000	16,000	10,669	5,331
Capital outlay	150,000	235,000	69,928	165,072
Total division of water distribution	236,500	321,500	147,899	173,601
Office of superintendent				
Personal services	160,195	160,195	159,708	487
Contractual services	112,937	304,437	293,863	10,574
Supplies and materials	22,768	22,768	19,457	3,311
Other operating costs	90,300	90,300	87,350	2,950
Capital outlay	61,448	61,448	-	61,448
Total office of superintendent	447,648	639,148	560,378	78,770
Total expenses	766,648	1,058,148	797,982	260,166
Excess of revenues over (under) expenses	88,292	(161,208)	42,092	203,300
<u>Other financing sources (uses):</u>				
Proceeds of bonds	-	-	22,345	22,345
Net change in fund equity	88,292	(161,208)	64,437	225,645
Fund equity at beginning of year	393,458	393,458	393,458	-
Prior year encumbrances appropriated	66,873	66,873	66,873	-
Fund equity at end of year	\$ 548,623	\$ 299,123	\$ 524,768	\$ 225,645

City of Rittman, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Sewer Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Charges for services	\$ 982,660	\$ 982,660	\$ 942,423	\$ (40,237)
Other	500	500	2,894	2,394
Total revenue	983,160	983,160	945,317	(37,843)
<u>Expenses:</u>				
Basic utility services				
Office of superintendent				
Personal services	157,890	165,890	164,501	1,389
Contractual services	168,570	188,370	169,891	18,479
Supplies and materials	38,222	36,922	33,461	3,461
Other operating costs	99,000	99,000	99,000	-
Capital outlay	2,000	2,000	1,375	625
Total office of superintendent	465,682	492,182	468,228	23,954
Division of sewer maintenance				
Personal services	65,500	65,500	62,216	3,284
Contractual services	13,000	13,000	4,954	8,046
Supplies and materials	9,000	9,000	6,800	2,200
Capital outlay	70,000	70,000	-	70,000
Total division of sewer maintenance	157,500	157,500	73,970	83,530
Division of wastewater treatment				
Personal services	74,500	76,000	75,071	929
Contractual services	86,551	74,551	78,024	(3,473)
Supplies and materials	32,000	32,000	19,350	12,650
Capital outlay	503,226	503,226	478,785	24,441
Total division of wastewater treatment	696,277	685,777	651,230	34,547
Total basic utility services	1,319,459	1,335,459	1,193,428	142,031
Debt service:				
Principal retirement	180,497	180,497	180,497	-
Interest and fiscal charges	168,253	168,253	168,252	1
Total expenses	1,668,209	1,684,209	1,542,177	142,032
Excess of revenues over (under) expenses	(685,049)	(701,049)	(596,860)	104,189

(continued)

City of Rittman, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Sewer Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final budget Positive (Negative)
	Original	Final		
<u>Other financing sources (uses):</u>				
Transfers - in	398,828	398,828	313,828	(85,000)
Transfers - out	(398,828)	(398,828)	(313,828)	85,000
Total other financing sources (uses)	-	-	-	-
Net change in fund equity	(685,049)	(701,049)	(596,860)	104,189
Fund equity at beginning of year	261,170	261,170	261,170	-
Prior year encumbrances appropriated	523,684	523,684	523,684	-
Fund equity at end of year	<u>\$ 99,805</u>	<u>\$ 83,805</u>	<u>\$ 187,994</u>	<u>\$ 104,189</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Maintenance and Repair Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Intergovernmental	\$ 178,000	\$ 178,000	\$ 193,803	\$ 15,803
Investment income	3,000	3,000	1,314	(1,686)
Other	-	-	197	197
Total revenue	<u>181,000</u>	<u>181,000</u>	<u>195,314</u>	<u>14,314</u>
<u>Expenditures:</u>				
Current:				
Transportation				
Division of street maintenance				
Personal services	158,900	168,900	168,038	862
Contractual services	26,500	24,500	6,125	18,375
Supplies and materials	33,012	35,012	31,504	3,508
Total expenditures	<u>218,412</u>	<u>228,412</u>	<u>205,667</u>	<u>22,745</u>
Net change in fund balance	(37,412)	(47,412)	(10,353)	37,059
Fund balance at beginning of year	78,534	78,534	78,534	-
Prior year encumbrances appropriated	1,612	1,612	1,612	-
Fund balance at end of year	<u>\$ 42,734</u>	<u>\$ 32,734</u>	<u>\$ 69,793</u>	<u>\$ 37,059</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
State Highway Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$ 14,400	\$ 14,400	\$ 15,714	\$ 1,314
Investment income	1,200	1,200	630	(570)
Total revenue	<u>15,600</u>	<u>15,600</u>	<u>16,344</u>	<u>744</u>
<u>Expenditures:</u>				
Current:				
Transportation				
Division of street maintenance				
Personal services	7,000	7,000	5,174	1,826
Supplies and materials	28,910	28,910	24,392	4,518
Capital outlay	-	8,500	-	8,500
Total expenditures	<u>35,910</u>	<u>44,410</u>	<u>29,566</u>	<u>14,844</u>
Net change in fund balance	(20,310)	(28,810)	(13,222)	15,588
Fund balance at beginning of year	35,157	35,157	35,157	-
Prior year encumbrances appropriated	1,710	1,710	1,710	-
Fund balance at end of year	<u>\$ 16,557</u>	<u>\$ 8,057</u>	<u>\$ 23,645</u>	<u>\$ 15,588</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Permissive Tax Fund
For the Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Intergovernmental	\$ 64,000	\$ 64,000	\$ 60,000	\$ (4,000)
<u>Expenditures:</u>				
Current:				
Transportation				
Division of street repair and maintenance				
Capital outlay	64,000	64,000	60,000	4,000
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Permissive Tax II Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Intergovernmental	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 17,186</u>	<u>\$ 186</u>
<u>Expenditures:</u>				
Current:				
Transportation				
Division of street repair and maintenance				
Capital outlay	<u>35,000</u>	<u>35,000</u>	<u>33,500</u>	<u>1,500</u>
Net change in fund balance	(18,000)	(18,000)	(16,314)	1,686
Fund balance at beginning of year	<u>23,488</u>	<u>23,488</u>	<u>23,488</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,488</u>	<u>\$ 5,488</u>	<u>\$ 7,174</u>	<u>\$ 1,686</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Pension Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property and other taxes	\$ 25,700	\$ 25,700	\$ 25,712	\$ 12
Intergovernmental	2,900	2,900	3,097	197
Total revenue	<u>28,600</u>	<u>28,600</u>	<u>28,809</u>	<u>209</u>
<u>Expenditures:</u>				
Current:				
Miscellaneous				
Other operating costs	500	500	482	18
Safety services				
Division of police				
Personal services	36,400	46,400	46,400	-
Total expenditures	<u>36,900</u>	<u>46,900</u>	<u>46,882</u>	<u>18</u>
Net change in fund balance	(8,300)	(18,300)	(18,073)	227
Fund balance at beginning of year	19,318	19,318	19,318	-
Fund balance at end of year	<u>\$ 11,018</u>	<u>\$ 1,018</u>	<u>\$ 1,245</u>	<u>\$ 227</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement and Education Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Fines, licenses, and permits	\$ 1,000	\$ 1,000	\$ 667	\$ (333)
<u>Expenditures:</u>				
Current:				
Safety services				
Division of police				
Supplies and materials	300	300	-	300
Capital outlay	700	700	-	700
Total expenditures	1,000	1,000	-	1,000
Net change in fund balance	-	-	667	667
Fund balance at beginning of year	2,649	2,649	2,649	-
Fund balance at end of year	\$ 2,649	\$ 2,649	\$ 3,316	\$ 667

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Law Enforcement Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Fines, licenses, and permits	\$ 1,500	\$ 1,500	\$ 1,090	\$ (410)
<u>Expenditures:</u>				
Current:				
Safety services				
Division of police				
Supplies and materials	500	500	-	500
Capital outlay	1,500	1,500	-	1,500
Total expenditures	2,000	2,000	-	2,000
Net change in fund balance	(500)	(500)	1,090	1,590
Fund balance at beginning of year	1,855	1,855	1,855	-
Fund balance at end of year	\$ 1,355	\$ 1,355	\$ 2,945	\$ 1,590

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
COPS Grant Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Intergovernmental	\$ 12,000	\$ 12,000	\$ -	\$ (12,000)
<u>Expenditures:</u>				
Current:				
Safety services				
Division of police				
Personal services	30,000	30,000	4,850	25,150
Excess of revenues over (under) expenditures	(18,000)	(18,000)	(4,850)	13,150
<u>Other financing sources (uses):</u>				
Transfers - in	18,000	18,000	4,572	(13,428)
Net change in fund balance	-	-	(278)	(278)
Fund balance at beginning of year	278	278	278	-
Fund balance at end of year	<u>\$ 278</u>	<u>\$ 278</u>	<u>\$ -</u>	<u>\$ (278)</u>

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Education and Recreation Assistance Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Contributions and donations	\$ -	\$ 6,000	\$ 6,012	\$ 12
<u>Expenditures:</u>				
Current:				
Public health and welfare				
Board of health				
Contractual services	-	9,685	7,583	2,102
Supplies and materials	-	500	146	354
Total expenditures	-	10,185	7,729	2,456
Net change in fund balance	-	(4,185)	(1,717)	2,468
Fund balance at beginning of year	5,023	5,023	5,023	-
Prior year encumbrances appropriated	185	185	185	-
Fund balance at end of year	<u>\$ 5,208</u>	<u>\$ 1,023</u>	<u>\$ 3,491</u>	<u>\$ 2,468</u>

STATISTICAL SECTION

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

	<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>2002</u>	<u>2003</u>
<u>REVENUES</u>										
Taxes	\$ 1,262	1,403	1,364	1,459	1,403	1,529	1,498	1,643	1,775	1,563
Charges for services	395	424	456	431	435	503	472	539	877	873
Fines, licenses and permits	58	69	66	60	63	73	68	133	78	85
Intergovernmental revenues	677	666	851	709	873	1,002	1,022	992	983	811
Special assessments	70	64	63	25	20	25	24	20	22	15
Investment income	138	299	276	311	307	247	416	267	141	55
Contributions and donations	-	-	-	-	-	-	-	-	-	6
Other	-	3	8	9	44	87	9	41	208	67
Total	<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>4,084</u>	<u>3,475</u>
<u>EXPENDITURES</u>										
General government	\$ 420	401	418	470	472	539	624	569	608	615
Safety services	796	730	915	970	1,039	1,121	1,170	1,258	1,315	1,307
Public health and welfare	181	179	70	72	68	72	71	81	83	97
Transportation	387	387	390	617	390	456	441	497	709	713
Basic utility services	204	206	198	197	197	198	524	201	208	215
Community environment	3	5	-	-	3	-	-	-	-	-
Leisure time activities	66	67	72	99	95	93	195	223	374	398
Capital outlay	1,115	328	414	88	745	646	880	3,040	304	444
Debt service:										
Principal retirement	81	75	71	73	71	75	81	128	136	140
Interest and fiscal charges	59	56	53	51	48	46	82	117	126	110
Total	<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>	<u>3,863</u>	<u>4,039</u>

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

(1) Includes general, special revenue, debt service and capital projects funds for fiscal years 2002- 2003. Fiscal years 1994-2001 includes general, special revenue, debt service, capital projects and expendable trust funds.

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

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>PROPERTY TAX</u>										
Net tax levy	\$ 288	322	328	312	339	362	382	413	490	495
Taxes collected	\$ 282	288	287	315	324	355	375	406	459	462
Percentage collected	98%	89%	88%	101%	96%	98%	98%	98%	94%	93%
<u>TANGIBLE TAX</u>										
Billed	\$ 122	130	140	161	125	147	133	132	147	133
Collected	\$ 116	126	134	155	125	147	133	132	145	114
Percentage collected	95%	97%	96%	96%	100%	100%	100%	100%	99%	86%
Delinquent	\$ 2	3	5	5	-	-	-	-	-	-
<u>SPECIAL ASSESSMENTS</u>										
Billed	\$ 50	48	35	29	22	25	24	21	21	21
Collected	\$ 45	33	30	30	21	25	24	20	21	17
Percentage collected	90%	68%	85%	104%	96%	100%	100%	95%	100%	81%
Delinquent	\$ 3	2	1	-	1	1	-	2	-	-
<u>COMMUNITY ECONOMIC INDICATORS</u>										
Commercial										
Number of building permits issued	-	2	-	4	7	11	17	10	10	15
Value of building permits issued	\$ -	534	-	1,961	2,043	280	4,114	591	938	1,002
Residential										
Number of building permits issued	30	8	9	7	14	118	67	148	191	180
Value of building permits issued	\$ 2,316	642	704	610	1,161	1,312	2,242	4,469	6,405	4,002
<u>Unemployment rates</u>										
Wayne County	3.9	3.5	4.3	4.2	3.2	3.5	3.1	3.9	4.7	4.4
State of Ohio	6.3	4.8	4.9	4.6	4.3	4.3	3.9	4.8	5.7	6.0
United States	7.0	5.2	5.4	4.4	4.3	4.2	4.0	5.8	5.8	5.7
Registered voters, November election										
(City of Rittman)	2,748	2,835	3,022	3,087	3,867	3,073	3,265	2,939	3,089	3,837
Financial Institution Deposits	\$ 961,594	935,634	856,765	1,785,711	1,833,954	1,598,818	916,326	1,027,953	1,188,627	1,177,332

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>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>ASSESSED VALUATION</u>										
Real property	\$ 43,171	45,035	46,619	58,945	58,253	66,668	66,685	66,703	68,614	77,429
Public utility property	3,612	3,645	3,363	3,253	3,335	2,968	2,956	3,021	2,099	2,360
Tangible personal property	15,011	16,060	17,357	18,670	19,632	20,340	20,345	18,441	17,822	17,571
Total	<u>\$ 61,794</u>	<u>64,740</u>	<u>67,339</u>	<u>80,868</u>	<u>81,220</u>	<u>89,976</u>	<u>89,986</u>	<u>88,165</u>	<u>88,535</u>	<u>97,359</u>

<u>ESTIMATED VALUATION</u>										
Total	<u>\$ 176,554</u>	<u>184,971</u>	<u>192,396</u>	<u>231,051</u>	<u>232,058</u>	<u>257,073</u>	<u>257,104</u>	<u>251,901</u>	<u>252,956</u>	<u>278,169</u>

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

Wayne County	7.35	8.35	8.35	8.35	8.35	8.35	8.75	8.75	8.75	9.65
Medina County	7.45	7.28	7.27	7.25	7.25	7.22	7.20	7.19	7.06	8.24
School	46.20	46.20	54.80	54.80	54.80	54.80	54.80	54.80	54.80	42.50
Vocational school	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Milton Township	5.10	6.60	6.60	6.60	6.60	6.60	6.60	6.60	6.60	6.90
Chippewa Township	6.70	6.70	6.70	6.70	6.70	4.00	6.70	6.70	6.70	7.50
Mental Health	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City of Rittman	6.90	7.10	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.10
Wayne County Library	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	<u>85.80</u>	<u>88.33</u>	<u>97.32</u>	<u>97.30</u>	<u>97.30</u>	<u>94.57</u>	<u>97.65</u>	<u>97.64</u>	<u>97.51</u>	<u>87.99</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, 2003

<u>LEGAL DEBT MARGIN</u>	<u>Unvoted</u>	<u>Overall</u>
Total assessed valuation	\$ 97,359,000	97,359,000
Debt limitation - 5.5% of assessed valuation	<u>5,354,745</u>	
Debt limitation - 10.5% of assessed valuation		<u>10,222,695</u>
Debt applicable to limitation:		
Gross indebtedness	5,109,553	5,109,553
Exempt debt:		
Sewer revenue bonds	1,154,600	1,154,600
OWDA loans	2,041,249	2,041,249
OPWC loans	33,950	33,950
Special assessment bonds	103,754	103,754
Amount available in debt service fund	<u>152,337</u>	<u>152,337</u>
Total debt applicable to limitation	<u>1,623,663</u>	<u>1,623,663</u>
Legal debt margin	<u>\$ 3,731,082</u>	<u>8,599,032</u>

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DIRECT AND OVERLAPPING DEBT (\$000 omitted)

	<u>Assessed valuations</u>	<u>Net debt outstanding</u>	<u>Percentage applicable to City</u>	<u>Amount applicable to City</u>
City of Rittman	\$ 97,359	\$ 1,624	100%	\$ 1,624
Rittman Exempted Village School District	106,949	-	91.0%	-
Wayne County, Ohio	1,991,709	11,449	4.9%	560

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

	<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>2002</u>	<u>2003</u>
Assessed value (\$000 omitted)	\$ 62,703	64,740	67,338	80,868	81,221	89,975	89,986	88,165	88,535	97,359
Population	6,143	6,143	6,143	6,143	6,143	6,143	6,314	6,314	6,314	6,314
Debt outstanding (\$000 omitted)	\$ 1,110	988	1,043	1,210	1,055	900	2,229	2,006	1,895	1,624
Ratio of debt to assessed value	1.77	1.53	1.55	1.50	1.30	1.00	2.48	2.28	2.14	1.67
Debt per capita (full \$)	\$ 181	161	170	197	172	147	353	318	300	257

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>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>GENERAL BONDED DEBT</u>										
Debt service	\$ 140	131	124	124	120	120	162	245	135	140
General governmental expenditures	\$ 3,312	2,434	2,600	2,637	3,128	3,246	4,068	6,114	3,863	4,039
Ratio of debt service to general governmental expenditures	4.23	5.38	4.77	4.70	3.84	3.70	3.98	4.01	3.49	3.47
<u>REVENUE BOND COVERAGE</u>										
Sewer:										
Direct revenue	\$ 940	935	909	870	915	882	909	921	965	913
Operating expense (1)	\$ 398	410	457	838	637	476	652	681	673	693
Net available	\$ 542	525	452	32	278	406	257	240	292	220
Principal	\$ 10	11	11	12	13	13	-	14	15	16
Interest	\$ 66	65	65	64	64	63	62	62	61	60
Total debt service	\$ 76	76	76	76	77	76	62	76	76	76
Coverage	7.13	6.91	5.95	0.42	3.61	5.34	4.15	3.16	3.84	2.89

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

(1) excludes depreciation

CITY OF RITTMAN, OHIO

Schedules of Principal Taxpayers, Miscellaneous Statistics, and Demographic Statistics

PRINCIPAL PROPERTY TAXPAYERS

	<u>Taxable Valuation (1)</u>	<u>Percentage of Taxable Valuation</u>
Caraustar Mill Group, Inc.	\$ 7,109,830	7.30%
Morton International, Inc.	5,655,570	5.81%
Laria Chevrolet Buick	1,301,890	1.34%
Ohio Edison	799,310	0.82%
Northern Health Facilities	638,770	0.66%
Imperial Plastics, Inc.	580,320	0.60%
Rittman Associates	452,300	0.46%
United Telephone	449,950	0.46%
Rittman Acres Limited Partnership	406,030	0.42%
Premier Pontiac GMC	403,850	0.41%
Total of above	<u>\$ 17,797,820</u>	<u>18.28%</u>
Total City	<u>\$ 97,359,000</u>	

PRINCIPAL INCOME TAXPAYERS - LARGEST EMPLOYERS

<u>Employer</u>	<u>Industry</u>	<u>Number of Employees</u>
Morton International, Inc.	Salt mines	293
Caraustar Mill Group, Inc.	Paper recycling	240
Rittman Local School District	Public education	238
Northern Health Facilities	Health care	198
City of Rittman	Municipal government	197
Imperial Plastics, Inc.	Plastics	105
Laria Chevrolet Buick	Automobile dealership	62
Unilock Ohio, Inc.	Excavation	53
Promotional Fixtures	Marketing	41
Swiss Woodcraft, Inc.	Cabinet manufacturer	36

84 (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>
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
2002	6,314	1,239
2003	6,314	1,216

MISCELLANEOUS STATISTICS

Date of incorporation	1960
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	30
Police Protection	
Number of stations	1
Number of full-time officers	9

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

**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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rittman, Ohio, (the City) as of and for the year ended December 31, 2003, which collectively comprise the City of Rittman, Ohio basic financial statements and have issued our report thereon dated August 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

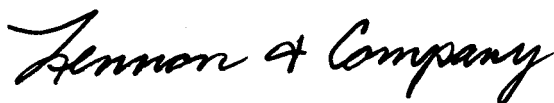
Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we 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 the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide 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 solely for the information and use of management and City Council and is not intended to be and should not be used by anyone other than these specified parties.



LENNON & COMPANY
Certified Public Accountant
August 23, 2004





**Auditor of State
Betty Montgomery**

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800-282-0370

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CITY OF RITTMAN

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2004**