

City of Rittman, Ohio



Comprehensive Annual Financial Report For the Year Ended December 31, 2002





**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the City of Rittman, Wayne County, prepared by Lennon & Company, Inc., for the audit period January 1, 2002 through December 31, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 28, 2003

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CITY OF RITTMAN, OHIO

Comprehensive Annual Financial Report

Year Ended December 31, 2002

Prepared by: Department of Finance

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City of Rittman, Ohio
Comprehensive Annual Financial Report
Year Ended December 31, 2002

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INTRODUCTORY SECTION

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James Bell, CMFA
Finance Director



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

September 30, 2003

Members of Rittman City Council and
Citizens of Rittman, Ohio

The Comprehensive Annual Financial Report (CAFR) of the City of Rittman for the fiscal year ended December 31, 2002 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 principal officials, our organizational chart, and a copy of the GFOA Certificate of Achievement.
2. The financial section begins with the Independent Auditors 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.

2002 Initiatives

The 2002 Street Improvement Project included milling and paving approximately ten streets throughout the City. The City water tower on Metzger Avenue underwent some much-needed repairs, including a fresh coat of paint in 2002. In response to an overwhelming sense of patriotism in our community, an American flag was also painted on the water tower.

The Rittman Recreation Center continued to add many new members in its first full year of operation. The \$3.5 million facility includes an indoor fitness center, running track, basketball/volleyball court, community meeting room, and an indoor swimming pool. The center opened in November 2001 and a full range of recreational programs is available at the site. Currently, more than 2,000 individuals are members of the facility, which provides program activities for youngsters, adults and seniors of the community.

Development Activities

After the improvements to Rufener Street in 2002 at the northwest end of the city, and the opening of the Rittman Recreation Center, coupled with the strong residential growth of the City, further development activities continue to look very strong. Plans are currently under way to extend water and sanitary sewer to the intersection of the forty-seven acre tract annexed to the City at Route 57 and Eastern Road. The City anticipates significant developmental activity in that area in the future.

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

Economic Condition and Outlook

The City's two largest employers are Morton Salt, which produces table salt, and Rittman Paperboard, a subsidiary of Caraustar Industries. Caraustar manufactures cardboard containers for the distribution of other company's products. It appears that employment at Caraustar has stabilized although the recent economic downturn could have a negative impact on production at the company. Unilock of Rittman, which opened in June of 1999 in their new 24,000 square foot plant at Sheets Road and State Route 57, is in full production and is estimated to employ approximately 50 employees. The company manufactures concrete pavers and landscape brick for commercial and residential purposes.

The City of Rittman is not primarily an industrial center. As a result, the City does not appear to have felt the full effect of current economic conditions. In 2002, this was evidenced by the City collecting its highest amount of income taxes to date.

This impressive activity in commercial and residential growth and expansion leads us to believe the city is in a solid position due to its excellent infrastructure. Because of its adequate natural resource of water and the capacity through the wastewater treatment plant, the city is in a sound position to handle these development activities. Ongoing efforts to improve city storm sewers and streets continue as well as related water distribution line extensions and replacements.

Future Projects

The City's continuing street improvement program will be pushed back one year due to the harsh winter of 2002/2003. Several streets needed immediate attention after the winter weather caused serious deterioration to streets not previously scheduled for improvement. The City secured funds from the Ohio Public Works Commission for funding of the City's iron and manganese removal at the water plant. This project is expected to get under way near the end of 2003. Also, the City plans to purchase a new ladder truck next year for the fire department.

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

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

New Financial Reporting

This is the first 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 2003. 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. Non-major 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 this letter of transmittal, providing an assessment of the City's finances for 2002 and an objective outlook for the future. Because that discussion focuses on major funds, the financial highlights provided in this letter focus on certain non-major funds of the City.

Cash Management

The City's investment policy was vastly revised in 1996, with further modifications planned for 2003. 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, 2002, the City's cash resources were divided into investments approximately as follows: Star Ohio 21%, time deposits 69%, agencies 7%, and Special Assessment Bonds 3%. The return on investment for 2002 was 4.09%. The average days to maturity as of December 31, 2002 was 153 days with a yield to maturity of 2.51%.

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

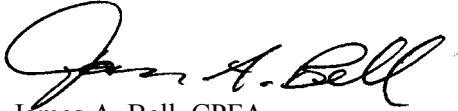
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rittman, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2001. The City has received this 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. I would like to express my appreciation to the staff of Lennon & Company for their assistance. The staff of the Wayne County Auditor's Office was helpful as always. A special thanks to Cindy Mann, Deputy Treasurer, whose dedicated and efficient work was invaluable to the completion of this report. I greatly appreciate the extra time and effort Cindy contributed to capital assets due to the change in capitalization criteria and reporting requirements. I would also like to express my appreciation to Robert Kellogg, City Manager, for providing economic and future project information and to City Council for their support and commitment to responsible fiscal reporting.

Respectfully Submitted,

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

James A. Bell, CPFA
Finance Director/Treasurer

City of Rittman, Ohio

For the year ended December 31, 2002

CITY OFFICIALS

Mayor

Bonnie Kindig

Council Members

Richard Lapehn, President
George Kelley
Steve Johnson

Ralph L. Johnson
Faye Telford
Glen Russell

City Manager

Robert L. Kellogg

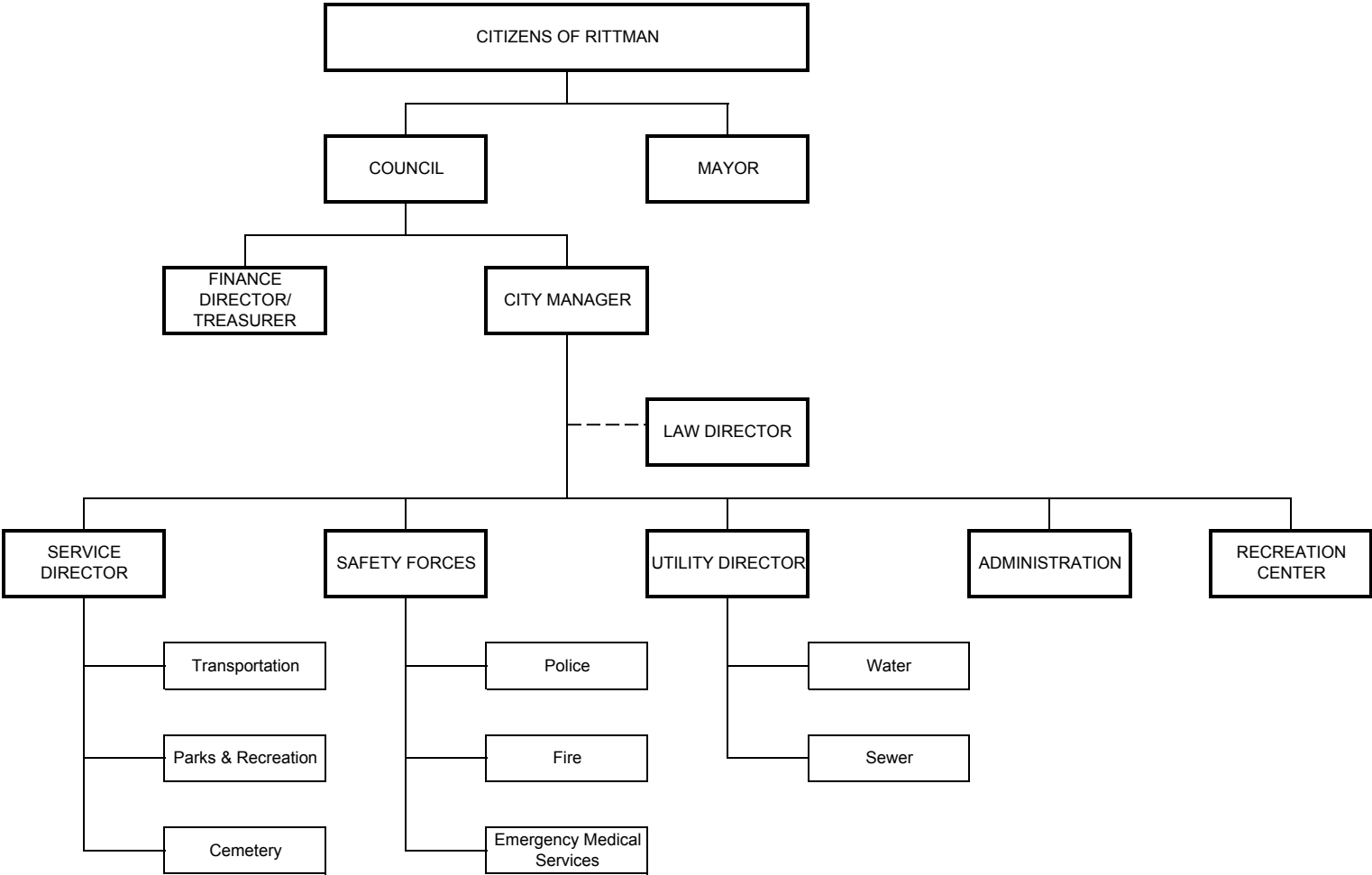
Director of Finance/Treasurer

James A. Bell

Director of Law

G. Kevin Bower

City of Rittman, Ohio
Organizational Chart
 December 31, 2002



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, 2001

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

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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, 2002, 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.

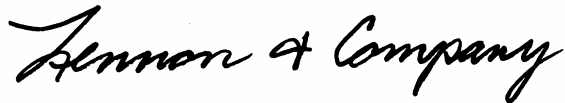
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rittman, Ohio, as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General and Emergency Medical Service Funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2003 on our consideration of the City of Rittman's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 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 statements, individual fund schedules, 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 fund schedules 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
September 26, 2003

City of Rittman, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2002
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, 2002. 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. Since this is the first year of financial presentation under Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", some analyses with prior year data is not available. Future Management Discussion and Analyses will be comparative.

Financial Highlights

Key financial highlights for 2002 are as follows:

- The total net assets of the City increased \$860,526. Net assets of governmental activities increased \$678,871, which represents a 10.91% increase over fiscal year 2001. Net assets of business-type activities increased \$181,655 or 2.05% from fiscal year 2001.
- General revenues accounted for \$3,003,144 or 67.54% of total governmental activities revenue. Program specific revenues accounted for \$1,443,443 or 32.46% of total governmental activities revenue.
- Governmental activities net capital assets increased \$264,297, primarily due to renovations and improvements to the City's Recreational Center and local streets.
- The City had \$3,767,716 in expenses related to governmental activities; \$1,443,433 of these expenses were offset by program specific charges for services, grants, contributions, or interest. General revenues (primarily taxes) of \$3,003,144 were adequate to provide for these programs.
- The general fund, the City's largest major fund, had revenues of \$2,687,731 in 2002, or 64.80% of total governmental funds. Expenditures of the general fund were \$2,503,526, or 65.07% of total governmental funds. The general fund balance increased \$169,205 in 2002, or 20.41%, over 2001.

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 special revenue funds presented in total in one column. In the case of the City, there are four 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, 2002
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 asks the question, "How did we do financially during 2002?" The statement of net assets and the statement of activities answer this question. 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 special revenue fund, 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, 2002
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 governmental funds (nonmajor special revenue 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 financial statements can be found on pages 16-21 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 22-24 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 25-51 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.

Government-Wide Financial Analysis

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

City of Rittman, Ohio

Management's Discussion and Analysis
 For the Fiscal Year Ended December 31, 2002
 Unaudited

Table 1 below provides a summary of the City's net assets for 2002 compared to 2001:

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
<u>Assets</u>						
Current and other assets	\$ 3,166,021	\$ 3,134,649	\$ 1,638,550	\$ 1,586,440	\$ 4,804,571	\$ 4,721,089
Capital assets	<u>6,677,138</u>	<u>6,382,841</u>	<u>10,971,423</u>	<u>10,959,166</u>	<u>17,648,561</u>	<u>17,342,007</u>
Total assets	<u>9,843,159</u>	<u>9,517,490</u>	<u>12,609,973</u>	<u>12,545,606</u>	<u>22,453,132</u>	<u>22,063,096</u>
<u>Liabilities</u>						
Long-term liabilities outstanding	2,145,922	2,187,350	3,396,974	3,422,609	5,542,896	5,609,959
Other liabilities	<u>798,609</u>	<u>1,110,383</u>	<u>191,406</u>	<u>283,059</u>	<u>990,015</u>	<u>1,393,442</u>
Total liabilities	<u>2,944,531</u>	<u>3,297,733</u>	<u>3,588,380</u>	<u>3,705,668</u>	<u>6,532,911</u>	<u>7,003,401</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	4,765,022	4,335,043	7,595,078	7,388,780	12,360,100	11,723,823
Restricted	996,925	896,888	-	-	996,925	896,888
Unrestricted	<u>1,136,681</u>	<u>987,826</u>	<u>1,426,515</u>	<u>1,451,158</u>	<u>2,563,196</u>	<u>2,438,984</u>
Total net assets	<u>\$ 6,898,628</u>	<u>\$ 6,219,757</u>	<u>\$ 9,021,593</u>	<u>\$ 8,839,938</u>	<u>\$ 15,920,221</u>	<u>\$ 15,059,695</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2002, the City's assets exceeded liabilities by \$15,920,221. This amounts to \$6,898,628 in governmental activities and \$9,021,593 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 78.60% of total governmental and business-type assets. Capital assets include land, buildings, equipment, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2002, was \$12,360,100. 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, 2002, 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

Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2002
Unaudited

A portion of the City's net assets, \$996,925 or 6.26%, represent resources that are subject to external restrictions on how they may be used. Of the total restricted net assets, \$730,333 is restricted for capital projects, debt service, and safety services programs. The remaining balance of government-wide unrestricted net assets of \$2,563,196 may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2 below shows the changes in net assets for fiscal year 2002. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2001 are not available. A comparative analysis will be provided in future years when prior year information is available.

Table 2
Changes in Net Assets

	Governmental Activities <u>2002</u>	Business-Type Activities <u>2002</u>	Total <u>2002</u>
Revenues			
Program revenues:			
Charges for services	\$ 907,095	\$ 1,399,781	\$ 2,306,876
Operating grants, contributions, and interest	327,025	-	327,025
Capital grants and contributions	209,323	-	209,323
General revenues:			
Property taxes	682,152	-	682,152
Income taxes	1,083,693	420,365	1,504,058
Grants and entitlements	539,582	-	539,582
Gain on sale of capital assets	725	-	725
Investment earnings	136,163	250	136,413
Capital contributions	342,079	97,730	439,809
Other	<u>218,750</u>	<u>-</u>	<u>218,750</u>
Total revenues	<u>4,446,587</u>	<u>1,918,126</u>	<u>6,364,713</u>
Program Expenses			
General government	614,439	-	614,439
Safety services	1,463,186	-	1,463,186
Public health and welfare	88,094	-	88,094
Transportation	757,842	-	757,842
Basic utility service	208,545	-	208,545
Leisure time activities	510,564	-	510,564
Interest and fiscal charges	125,046	-	125,046
Enterprise operations:			
Water	-	605,414	605,414
Sewer	<u>-</u>	<u>1,131,057</u>	<u>1,131,057</u>
Total program expenses	<u>3,767,716</u>	<u>1,736,471</u>	<u>5,504,187</u>
Increase (decrease) in net assets	<u>\$ 678,871</u>	<u>\$ 181,655</u>	<u>\$ 860,526</u>

City of Rittman, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2002
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Governmental Activities

Governmental activities net assets increased \$678,871 in 2002 over 2001. This increase is due in a large part to capital contributions of \$342,079 received from a local contractor. These contributions have been capitalized within the governmental activities column in the government-wide statement of net assets.

Safety services, which primarily supports the operations of the City's police, fire and emergency medical services, accounts for \$1,463,186 of expenses, or 38.83% of total governmental expenses of the City. These expenses were funded by \$183,137 in charges to users of services and operating grants. General government expenses, which primarily include legislative, executive and financial management, totaled \$614,439 or 16.31% of total governmental expenses. General government expenses were covered by \$230,359 of direct charges to users.

Overall, the State and Federal government contributed to the City revenues of \$1,075,930 in grants, entitlements and contributions, including interest earned on these resources. Of these revenues \$536,348, or 49.85% are restricted to a particular program or purpose

General revenues totaled \$3,003,144, and amounted to 67.54% of total revenues. These revenues primarily consist of property and income tax revenue of \$1,765,845, or 58.80% of total general revenues. Taxes increased 10.16% during 2002 despite the decline in the economy. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$472,759, or 15.74% of the total general revenues. In August 2001, the State placed a freeze on local government and local government revenue assistance to be distributed to local governments in 2002. The City has budgeted \$369,247 for this revenue in the 2003 budget.

Business-Type Activities

The Water and Sewer funds are the City's enterprise funds. These programs had program revenues of \$1,399,781 and expenses of \$1,736,471 for fiscal year 2002. The Water and Sewer enterprise funds received capital contributions in the amount of \$34,050 and \$63,680, respectively. 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.

Program Expenses

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 below shows, for government-wide activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by general revenues. Comparisons to fiscal year 2001 have not been presented since they are not available due to the initial implementation of GASB Statement No. 34.

City of Rittman, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2002
Unaudited

Table 3
Program Expenses

	Total Cost of Services <u>2002</u>	Net Cost of Services <u>2002</u>
General government	\$ 614,439	\$ (384,080)
Safety services	1,463,186	(1,280,049)
Public health and welfare	88,094	(53,294)
Transportation	757,842	(226,286)
Basic utility services	208,545	34,236
Leisure time activities	510,564	(289,754)
Interest and fiscal charges	125,046	(125,046)
Enterprise operations:		
Water	605,414	(170,763)
Sewer	<u>1,131,057</u>	<u>(165,927)</u>
Total expenses	<u>\$ 5,504,187</u>	<u>\$ (2,660,963)</u>

The dependence upon general revenues for governmental activities is apparent, with 52.28% 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 \$998,106, a 20.41% increase from prior year. The primary reason for the increase of the general fund balance in 2002 was attributed to resources received in conjunction with the demutualization of insurance companies in the amount of \$138,806. The fund balance of the Debt Retirement debt service fund increased \$52,272, or 62.91% in 2002. This increase was caused from \$52,699 of proceeds received with the issuance of additional special assessment bonds for the Rufener Street project. The decreased fund balance of \$74,060, or 42.92%, in the Capital Improvements capital projects fund is a result of the continuing completion of local projects within the City. Finally, the Emergency Medical Service special revenue fund's balance increased by \$49,730 or 41.71% over the 2001 fund balance. The increase was attributed to an increase in tax revenue and charges for services by \$29,453 and \$20,926 respectively, without an increase in expenses.

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.

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The most significant change between the original and final budgeted revenues was in the areas of charges for services and other revenues. The final budget for charges for services revenues increased \$58,100 over the original budget, which was based on a conservative estimate. A large portion of this budget is represented by activities provided by the City's new recreation center. No prior history was available when producing the original budget. The final budget of other revenues was increased by \$137,306 over the original budget, which was caused by resources received in conjunction with the demutualization of insurance companies.

The most significant change between the original and final budgeted expenditures was within leisure time activities programs. These budgeted expenditures were increased by \$87,900, with a majority caused by the operations of the new recreation center. The unavailability of historical data in determining the original budget required the increase to the final budget.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2002, the City had \$17,648,561 (net of accumulated depreciation) invested in land, land improvements, buildings, equipment, infrastructure, and construction in progress. Of this total, \$6,677,138 was reported in governmental activities and \$10,971,423 was reported in business-type activities. Table 4 below reports fiscal year 2001 balances compared to 2002:

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Land	\$ 129,063	\$ 129,063	\$ 72,606	\$ 72,606	\$ 201,669	\$ 201,669
Land improvements	81,363	107,876	13,079	14,769	94,442	122,645
Buildings	4,897,279	4,965,137	4,127,442	4,179,995	9,024,721	9,145,132
Equipment	721,556	787,230	258,980	373,442	980,536	1,160,672
Infrastructure	847,877	-	6,370,324	6,255,588	7,218,201	6,255,588
Construction in progress	<u>-</u>	<u>393,535</u>	<u>128,992</u>	<u>62,766</u>	<u>128,992</u>	<u>456,301</u>
Total	<u>\$ 6,677,138</u>	<u>\$ 6,382,841</u>	<u>\$ 10,971,423</u>	<u>\$ 10,959,166</u>	<u>\$ 17,648,561</u>	<u>\$ 17,342,007</u>

The only major changes in fiscal year 2002 to the total amount of capital assets were for governmental activities infrastructure and construction in progress. 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 2003 basic financial statements. Only infrastructure capital assets acquired or constructed in 2002 are reflected in the basic financial statements for the fiscal year ended December 31, 2002. Fiscal year 2001 construction in progress reported in governmental activities represents costs incurred for the Rufener Street improvements project. This project was completed in fiscal year 2002. See Note 6 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

City of Rittman, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2002
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Debt Administration

At December 31, 2002 the City had total long-term debt outstanding of \$5,389,661. Of this total, \$320,729 is due within one year and \$5,068,932 is due in more than one year. In addition, the City had \$400,000 in bond anticipation notes outstanding at December 31, 2001, which were retired during fiscal year 2002. For 2002, the City has \$150,000 of bond anticipation notes outstanding at year end. In 2002 the City obtained an Ohio Public Works Commission (OPWC) loan in the amount of \$43,650 and issued special assessment bonds for the Rufener Street improvements project. The special assessment bonds, in the amount of \$52,699, bear an annual interest rate of 3.0% and will mature in 2012. The OPWC loan is an interest free loan that will mature in 2007. Table 5 below summarizes the bonds and loans outstanding.

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities		Business-Type Activities		Total	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenue bonds	\$ -	\$ -	\$ 1,170,800	\$ 1,186,200	\$ 1,170,800	\$ 1,186,200
OWDA loans	-	-	2,205,546	2,384,186	2,205,546	2,384,186
General obligation bonds	1,895,000	2,006,000	-	-	1,895,000	2,006,000
OPWC loans	43,650	-	-	-	43,650	-
Special assessment bonds	<u>74,665</u>	<u>41,798</u>	<u>-</u>	<u>-</u>	<u>74,665</u>	<u>41,798</u>
Total	<u>\$ 2,013,315</u>	<u>\$ 2,047,798</u>	<u>\$ 3,376,346</u>	<u>\$ 3,570,386</u>	<u>\$ 5,389,661</u>	<u>\$ 5,618,184</u>

All governmental long-term debt will be repaid by the Debt Retirement debt service fund and all business-type long-term debt will be repaid by the Sewer enterprise fund.

At December 31, 2002 the City's overall legal debt margin was \$7,401,070 with an unvoted debt margin of \$2,974,370. The City's credit rating remained unchanged in 2002 as compared to 2001. See Note 8 to the basic financial statements for details on the City's long-term obligations.

Current Issues Affecting Financial Condition

The City of Rittman is financially strong. 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.

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Subsequent to the events of September 11, 2001, significant security measures were established by the City at its water and sewer plants. Gates were locked down on a permanent basis so the only individuals having access to the area are city personnel. Deliveries were scheduled and an intercom installed to ensure no unauthorized personnel enter the facilities. Other protective measures were taken at the water and sewer plants as required by the Ohio EPA. The City is currently in the process of undertaking a vulnerability study to determine other security issues that need to be addressed in the future.

In fiscal year 2002, the City began construction on a building to house a new sludge press at an estimated cost of \$503,225. This new sludge press will enhance operations and reduce costs at the wastewater treatment plant. The City will save \$50,000 annually upon completion of this project by reducing current hauling expenses.

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, 2002

	Governmental Activities	Business-Type Activities	Total
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 1,677,259	\$ 1,241,792	\$ 2,919,051
Cash and cash equivalents with fiscal agents	2,841	13,930	16,771
Receivables:			
Income tax	287,049	95,683	382,732
Property and other taxes	560,638	-	560,638
Accounts	124,668	232,060	356,728
Special assessments	89,182	-	89,182
Accrued interest	31,913	17	31,930
Due from other governments	362,577	-	362,577
Materials and supplies inventory	5,503	42,022	47,525
Prepaid items	24,391	13,046	37,437
Nondepreciable capital assets	129,063	201,598	330,661
Depreciable capital assets, net	6,548,075	10,769,825	17,317,900
Total assets	9,843,159	12,609,973	22,453,132
<u>Liabilities:</u>			
Accounts payable	33,652	107,854	141,506
Accrued wages and benefits	62,297	10,572	72,869
Compensated absences payable	-	23,122	23,122
Due to other governments	79,933	21,032	100,965
Deferred revenue	432,540	-	432,540
Income tax refunds payable	6,744	2,255	8,999
Matured bonds payable	2,000	10,200	12,200
Matured interest payable	841	3,713	4,554
Accrued interest payable	30,602	12,658	43,260
Bond anticipation notes payable	150,000	-	150,000
Long-term liabilities:			
Due within one year	213,863	180,497	394,360
Due in more than one year	1,932,059	3,216,477	5,148,536
Total liabilities	2,944,531	3,588,380	6,532,911
<u>Net assets:</u>			
Invested in capital assets, net of related debt	4,765,022	7,595,078	12,360,100
Restricted for:			
Capital projects	109,392	-	109,392
Debt service	142,600	-	142,600
Safety services	478,341	-	478,341
Other purposes	266,592	-	266,592
Unrestricted	1,136,681	1,426,515	2,563,196
Total net assets	\$ 6,898,628	\$ 9,021,593	\$ 15,920,221

See accompanying notes to the basic financial statements.

City of Rittman, Ohio

Statement of Activities

For the Year Ended December 31, 2002

	Expenses	Program Revenues		
		Charges for Services and sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
General government	\$ 614,439	\$ 230,359	\$ -	\$ -
Safety services	1,463,186	133,299	49,838	-
Public health and welfare	88,094	34,800	-	-
Transportation	757,842	93,260	228,973	209,323
Basic utility services	208,545	224,307	18,474	-
Leisure time activities	510,564	191,070	29,740	-
Interest and fiscal charges	125,046	-	-	-
Total governmental activities	<u>3,767,716</u>	<u>907,095</u>	<u>327,025</u>	<u>209,323</u>
<u>Business-Type Activities:</u>				
Water	605,414	434,651	-	-
Sewer	1,131,057	965,130	-	-
Total business-type activities	<u>1,736,471</u>	<u>1,399,781</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 5,504,187</u>	<u>\$ 2,306,876</u>	<u>\$ 327,025</u>	<u>\$ 209,323</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
 Gain on sale of capital assets
 Investment earnings
 Capital contributions
 Other
 Total general revenues

Change in net assets
 Net assets, beginning of year - as restated
 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
\$ (384,080)	\$ -	\$ (384,080)
(1,280,049)	-	(1,280,049)
(53,294)	-	(53,294)
(226,286)	-	(226,286)
34,236	-	34,236
(289,754)	-	(289,754)
(125,046)	-	(125,046)
<u>(2,324,273)</u>	<u>-</u>	<u>(2,324,273)</u>
-	(170,763)	(170,763)
<u>-</u>	<u>(165,927)</u>	<u>(165,927)</u>
-	(336,690)	(336,690)
<u>\$ (2,324,273)</u>	<u>(336,690)</u>	<u>(2,660,963)</u>
343,811	-	343,811
338,341	-	338,341
723,136	-	723,136
360,557	-	360,557
-	420,365	420,365
539,582	-	539,582
725	-	725
136,163	250	136,413
342,079	97,730	439,809
218,750	-	218,750
<u>3,003,144</u>	<u>518,345</u>	<u>3,521,489</u>
678,871	181,655	860,526
<u>6,219,757</u>	<u>8,839,938</u>	<u>15,059,695</u>
<u>\$ 6,898,628</u>	<u>\$ 9,021,593</u>	<u>\$ 15,920,221</u>

City of Rittman, Ohio

Balance Sheet

Governmental Funds

December 31, 2002

	General	Emergency Medical Service	Debt Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in pooled cash and cash equivalents	\$ 758,421	\$ 139,653	\$ 135,363	\$ 209,351	\$ 434,471	\$ 1,677,259
Cash and cash equivalents:						
With fiscal agent	-	-	2,841	-	-	2,841
Receivables:						
Income tax	191,366	-	-	95,683	-	287,049
Property and other taxes	271,002	181,307	-	-	108,329	560,638
Accounts	105,275	13,873	-	5,520	-	124,668
Special assessments	-	-	89,182	-	-	89,182
Accrued interest	30,734	-	-	949	230	31,913
Due from other governments	247,040	12,019	-	-	103,518	362,577
Materials and supplies inventory	1,648	-	-	-	3,855	5,503
Prepaid items	22,888	1,503	-	-	-	24,391
Total assets	<u>\$ 1,628,374</u>	<u>\$ 348,355</u>	<u>\$ 227,386</u>	<u>\$ 311,503</u>	<u>\$ 650,403</u>	<u>\$ 3,166,021</u>
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 32,788	\$ 573	\$ -	\$ -	\$ 291	\$ 33,652
Accrued wages and benefits	45,159	11,670	-	-	5,468	62,297
Due to other governments	51,391	4,931	-	-	23,611	79,933
Deferred revenue	496,441	162,227	89,182	59,402	158,169	965,421
Income tax refunds payable	4,489	-	-	2,255	-	6,744
Matured bonds payable	-	-	2,000	-	-	2,000
Matured interest payable	-	-	841	-	-	841
Accrued interest payable	-	-	-	1,356	-	1,356
Bond anticipation notes payable	-	-	-	150,000	-	150,000
Total liabilities	<u>630,268</u>	<u>179,401</u>	<u>92,023</u>	<u>213,013</u>	<u>187,539</u>	<u>1,302,244</u>
Fund balances:						
Reserved for encumbrances	14,343	678	-	24,574	4,286	43,881
Unreserved:						
Designated for cemetery improvements	80,784	-	-	-	-	80,784
Designated for recreation center	433,947	-	-	-	-	433,947
Unreserved, undesignated,						
Reported in:						
General fund	469,032	-	-	-	-	469,032
Special revenue funds	-	168,276	-	-	458,578	626,854
Debt service funds	-	-	135,363	-	-	135,363
Capital projects funds	-	-	-	73,916	-	73,916
Total fund balances	<u>998,106</u>	<u>168,954</u>	<u>135,363</u>	<u>98,490</u>	<u>462,864</u>	<u>1,863,777</u>
Total liabilities and fund balances	<u>\$ 1,628,374</u>	<u>\$ 348,355</u>	<u>\$ 227,386</u>	<u>\$ 311,503</u>	<u>\$ 650,403</u>	<u>\$ 3,166,021</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
For the Year Ended December 31, 2002**

Total governmental fund balances \$ 1,863,777

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in funds 6,677,138

Other long-term assets are not available to pay for current-period
expenditures and therefore are deferred in the funds:

Property taxes	17,598
Income taxes	178,206
Intergovernmental	227,657
Special assessments	89,182
Charges for services	<u>20,238</u>

Total 532,881

Accrued interest payable is not due and payable in the current
period and therefore is not reported in the funds (29,246)

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds:

General obligation bonds	(1,895,000)
Special assessment bonds	(74,665)
OPWC loan	(43,650)
Compensated absences	<u>(132,607)</u>

Total (2,145,922)

Net assets of governmental activities \$ 6,898,628

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, 2002

	General	Emergency Medical Service	Debt Retirement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:						
Income tax	\$ 721,948	\$ -	\$ -	\$ 360,963	\$ -	\$ 1,082,911
Property and other taxes	353,084	212,920	-	-	125,992	691,996
Charges for services	702,898	80,663	-	93,260	-	876,821
Fines, licenses, and permits	75,346	-	-	-	2,958	78,304
Intergovernmental	519,323	42,877	-	150,914	270,433	983,547
Special assessments	-	-	22,185	-	-	22,185
Investment income	119,161	-	-	17,002	4,534	140,697
Contributions and donations	29,740	-	-	-	-	29,740
Other	166,231	-	-	11,533	-	177,764
Total revenue	<u>2,687,731</u>	<u>336,460</u>	<u>22,185</u>	<u>633,672</u>	<u>403,917</u>	<u>4,083,965</u>
Expenditures:						
Current:						
General government	566,264	3,352	146	36,519	2,003	608,284
Safety services	976,719	263,628	-	6,210	68,333	1,314,890
Public health and welfare	78,279	-	-	-	4,792	83,071
Transportation	307,823	-	-	194,806	206,358	708,987
Basic utility services	208,545	-	-	-	-	208,545
Leisure time activities	365,896	-	-	8,530	-	374,426
Capital outlay	-	19,750	-	271,175	12,705	303,630
Debt service:						
Principal retirement	-	-	135,682	-	-	135,682
Interest and fiscal charges	-	-	110,419	15,357	-	125,776
Total expenditures	<u>2,503,526</u>	<u>286,730</u>	<u>246,247</u>	<u>532,597</u>	<u>294,191</u>	<u>3,863,291</u>
Excess of revenues over (under) expenditures	<u>184,205</u>	<u>49,730</u>	<u>(224,062)</u>	<u>101,075</u>	<u>109,726</u>	<u>220,674</u>
Other financing sources (uses):						
Proceeds of notes	-	-	52,699	-	-	52,699
Proceeds of OPWC loans	-	-	-	48,500	-	48,500
Transfers - in	-	-	223,635	-	15,000	238,635
Transfers - out	(15,000)	-	-	(223,635)	-	(238,635)
Total other financing sources (uses)	<u>(15,000)</u>	<u>-</u>	<u>276,334</u>	<u>(175,135)</u>	<u>15,000</u>	<u>101,199</u>
Net change in fund balance	169,205	49,730	52,272	(74,060)	124,726	321,873
Fund balances (deficit) at						
beginning of year, as restated	828,901	119,224	83,091	172,550	338,138	1,541,904
Fund balances (deficit) at end of year	<u>\$ 998,106</u>	<u>\$ 168,954</u>	<u>\$ 135,363</u>	<u>\$ 98,490</u>	<u>\$ 462,864</u>	<u>\$ 1,863,777</u>

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, 2002**

Net change in fund balances - Total governmental funds \$ 321,873

*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	\$ 650,035	
Depreciation expense	<u>(355,738)</u>	
Excess of capital outlay over depreciation expense		294,297

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 taxes	\$ (9,844)	
Income taxes	782	
Intergovernmental revenue	(299)	
Special assessments	36,223	
Charges for services	<u>(6,319)</u>	
Net change in deferred revenues during the year		20,543

Repayment of bond principal is an expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the statement of net assets. 135,682

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

Increase in compensated absences	\$ 6,945	
Decrease in accrued interest	<u>730</u>	
Total additional expenditures		7,675

Bond and loan 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. Proceeds were received from:

OPWC loan	\$ (48,500)	
Special assessment bonds	<u>(52,699)</u>	
		(101,199)

Change in net assets of governmental activities \$ 678,871

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, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Income tax	\$ 660,000	\$ 680,000	\$ 701,512	\$ 21,512
Property and other taxes	312,300	327,300	311,853	(15,447)
Charges for services	613,700	671,800	694,347	22,547
Fines, licenses, and permits	73,500	79,300	75,910	(3,390)
Intergovernmental	451,100	466,315	443,242	(23,073)
Investment income	165,000	165,000	133,234	(31,766)
Contributions and donations	-	27,000	29,740	2,740
Other	16,400	153,706	166,231	12,525
Total revenue	<u>2,292,000</u>	<u>2,570,421</u>	<u>2,556,069</u>	<u>(14,352)</u>
<u>Expenditures:</u>				
Current:				
General government	601,425	602,540	573,396	29,144
Safety services	1,021,347	1,023,647	975,607	48,040
Public health and welfare	90,955	90,955	77,861	13,094
Transportation	314,766	325,676	311,265	14,411
Basic utility services	206,000	208,300	208,251	49
Leisure time activities	282,881	370,781	364,222	6,559
Total expenditures	<u>2,517,374</u>	<u>2,621,899</u>	<u>2,510,602</u>	<u>111,297</u>
Excess of revenues over (under) expenditures	<u>(225,374)</u>	<u>(51,478)</u>	<u>45,467</u>	<u>96,945</u>
<u>Other financing sources (uses):</u>				
Transfers - in	-	100,000	100,000	-
Transfers - out	<u>(70,000)</u>	<u>(120,000)</u>	<u>(115,000)</u>	<u>(5,000)</u>
Total other financing sources (uses)	<u>(70,000)</u>	<u>(20,000)</u>	<u>(15,000)</u>	<u>(5,000)</u>
Net change in fund balance	(295,374)	(71,478)	30,467	91,945
Fund balance at beginning of year, as restated	648,796	648,796	648,796	-
Prior year encumbrances appropriated	43,426	43,426	43,426	-
Fund balance at end of year	<u>\$ 396,848</u>	<u>\$ 620,744</u>	<u>\$ 722,689</u>	<u>\$ 91,945</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, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property and other taxes	\$ 196,300	\$ 196,300	\$ 186,183	\$ (10,117)
Charges for services	60,100	69,100	78,924	9,824
Intergovernmental	8,750	25,910	41,257	15,347
Total revenue	<u>265,150</u>	<u>291,310</u>	<u>306,364</u>	<u>15,054</u>
<u>Expenditures:</u>				
Current:				
General government	3,200	3,400	3,352	48
Safety services	275,830	305,830	296,299	9,531
Total expenditures	<u>279,030</u>	<u>309,230</u>	<u>299,651</u>	<u>9,579</u>
Net change in fund balance	(13,880)	(17,920)	6,713	24,633
Fund balance at beginning of year	118,892	118,892	118,892	-
Prior year encumbrances appropriated	13,130	13,130	13,130	-
Fund balance at end of year	<u>\$ 118,142</u>	<u>\$ 114,102</u>	<u>\$ 138,735</u>	<u>\$ 24,633</u>

See accompanying notes to the basic financial statements.

City of Rittman, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2002

	Business-Type Activities		
	Water	Sewer	Total
<u>Assets</u>			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 456,939	\$ 784,853	\$ 1,241,792
Cash and cash equivalents:			
With fiscal agent	13,930	-	13,930
Receivables:			
Income tax	95,683	-	95,683
Accounts	73,596	158,464	232,060
Accrued interest	17	-	17
Materials and supplies inventory	39,916	2,106	42,022
Prepaid items	4,708	8,338	13,046
Total current assets	<u>684,789</u>	<u>953,761</u>	<u>1,638,550</u>
Non-current assets:			
Capital assets:			
Land	31,686	40,920	72,606
Construction in progress	-	128,992	128,992
Depreciable capital assets, net	<u>3,510,573</u>	<u>7,259,252</u>	<u>10,769,825</u>
Total non-current assets	<u>3,542,259</u>	<u>7,429,164</u>	<u>10,971,423</u>
Total assets	<u>4,227,048</u>	<u>8,382,925</u>	<u>12,609,973</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	4,048	103,806	107,854
Accrued wages and benefits	4,904	5,668	10,572
Compensated absences payable	11,926	11,196	23,122
Due to other governments	10,216	10,816	21,032
Income tax refunds payable	2,255	-	2,255
Matured bonds payable	10,200	-	10,200
Matured interest payable	3,713	-	3,713
Accrued interest payable	-	12,658	12,658
OWDA loans payable	-	164,297	164,297
Mortgage revenue bonds payable	-	16,200	16,200
Total current liabilities	<u>47,262</u>	<u>324,641</u>	<u>371,903</u>
Long-term liabilities:			
Compensated absences payable	11,778	8,850	20,628
OWDA loans payable, net of current portion	-	2,041,249	2,041,249
Mortgage revenue bonds payable, net of current portion	-	1,154,600	1,154,600
Total long-term liabilities	<u>11,778</u>	<u>3,204,699</u>	<u>3,216,477</u>
Total liabilities	<u>59,040</u>	<u>3,529,340</u>	<u>3,588,380</u>
<u>Net assets</u>			
Invested in capital assets, net of related debt	3,542,259	4,052,819	7,595,078
Unrestricted	625,749	800,766	1,426,515
Total net assets	<u>\$ 4,168,008</u>	<u>\$ 4,853,585</u>	<u>\$ 9,021,593</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, 2002

	Business-Type Activities		
	Water	Sewer	Total
<u>Operating revenues:</u>			
Charges for services	\$ 433,249	\$ 964,445	\$ 1,397,694
Other	1,402	685	2,087
Total operating revenue	<u>434,651</u>	<u>965,130</u>	<u>1,399,781</u>
<u>Operating expenses:</u>			
Personal services	269,251	289,365	558,616
Contractual services	92,358	228,603	320,961
Supplies and materials	40,177	62,572	102,749
Other operating costs	84,738	92,300	177,038
Depreciation	118,890	280,264	399,154
Total operating expenses	<u>605,414</u>	<u>953,104</u>	<u>1,558,518</u>
Operating income (loss)	<u>(170,763)</u>	<u>12,026</u>	<u>(158,737)</u>
<u>Non-operating revenues (expenses):</u>			
Municipal income tax	420,365	-	420,365
Interest	250	-	250
Interest and fiscal charges	-	(177,953)	(177,953)
Total non-operating revenues (expenses):	<u>420,615</u>	<u>(177,953)</u>	<u>242,662</u>
Income (loss) before contributions	<u>249,852</u>	<u>(165,927)</u>	<u>83,925</u>
Capital contributions	34,050	63,680	97,730
Change in net assets	283,902	(102,247)	181,655
Net assets at beginning of year, as restated	3,884,106	4,955,832	8,839,938
Net assets at end of year	<u>\$ 4,168,008</u>	<u>\$ 4,853,585</u>	<u>\$ 9,021,593</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, 2002

	Business-Type Activities		
	Water	Sewer	Total
Cash flows from operating activities:			
Cash received from customers	\$ 422,615	\$ 956,518	\$ 1,379,133
Cash payments for employee services and benefits	(267,785)	(289,392)	(557,177)
Cash payments to suppliers for goods and services	(229,062)	(313,339)	(542,401)
Net cash provided by (used for) operating activities	(74,232)	353,787	279,555
Cash flows from noncapital financing activities:			
Income taxes received	350,756	-	350,756
Net cash provided by noncapital financing activities	350,756	-	350,756
Cash flows from capital and related financing activities:			
Interest paid on debt	-	(177,960)	(177,960)
Principal payment on notes and bonds	-	(194,040)	(194,040)
Acquisition of capital assets	(130,941)	(182,740)	(313,681)
Net cash used for capital and related financing activities	(130,941)	(554,740)	(685,681)
Cash flows from investing activities:			
Investment income	259	-	259
Net cash provided by investing activities	259	-	259
Net increase (decrease) in cash and cash equivalents	145,842	(200,953)	(55,111)
Cash and cash equivalents at beginning of year	325,027	985,806	1,310,833
Cash and cash equivalents at end of year	\$ 470,869	\$ 784,853	\$ 1,255,722
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (170,763)	\$ 12,026	\$ (158,737)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	118,890	280,264	399,154
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(12,036)	(8,612)	(20,648)
Inventory of supplies	(10,847)	(42)	(10,889)
Prepaid items	(896)	(2,933)	(3,829)
Increase (decrease) in liabilities:			
Accounts payable	(145)	71,845	71,700
Accrued wages	750	1,381	2,131
Compensated absences	(1,050)	(1,432)	(2,482)
Due to other governments	1,865	1,290	3,155
Net cash provided by (used for) operating activities	\$ (74,232)	\$ 353,787	\$ 279,555
Non-cash capital and related financing activities:			
Capital contributions received from contractors	\$ 34,050	\$ 63,680	\$ 97,730

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. For this year, the City has implemented GASB Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,” and other amending pronouncements. This change required restatement of beginning fund balances as explained in Note 2. 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 enterprise 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.

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

Revenues - Exchange and Non-exchange Transactions

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

Notes to the Financial Statements

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 10). 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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

City of Rittman, Ohio

D. 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 2002.

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.

E. Deposits and Investments

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

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".

F. 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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2002 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure or expense is reported in the year in which services are consumed.

H. 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 2003 basic financial statements. Only infrastructure capital assets acquired or constructed in 2002 are reflected in the basic financial statements for the fiscal year ending December 31, 2002.

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>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>

I. 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.

J. 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.

K. 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.

L. 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.

M. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as 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.

N. 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.

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

O. 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.

P. 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.

Q. Extraordinary and Special Items Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

A. Changes in Accounting Principles For 2002, the City has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,” GASB Statement No. 37, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus,” GASB Statement No. 38, “Certain Financial Statement Note Disclosures,” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB Statement No. 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Notes to the Financial Statements

The government-wide financial statements split the City's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2001, caused by the conversion to the accrual basis of accounting.

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

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

B. Restatement of Fund Balance

The implementation of these changes had the following effects on fund balances of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented. In addition to the early implementation of GASB Statement No. 34, the City increased their capitalization threshold to \$5,000. This change in their policy required a restatement of capital assets.

	<u>General</u>	<u>Emergency Medical Service</u>	<u>Debt Retirement</u>	<u>Capital Improvements</u>	<u>Nonmajor</u>	<u>Total</u>
<i>Fund balances,</i>						
<i>December 31, 2001</i>	\$ 375,777	\$ 118,649	\$ 83,091	\$ 172,550	\$ 338,012	\$ 1,088,079
<i>Fund reclassifications</i>	444,907					444,907
<i>Implementation of GASB Interpretation No. 6:</i>						
<i>Compensated absences</i>	8,217	575	-	-	126	8,918
<i>Adjusted fund balances,</i>						
<i>December 31, 2001</i>	<u>\$ 828,901</u>	<u>\$ 119,224</u>	<u>\$ 83,091</u>	<u>\$ 172,550</u>	<u>\$ 338,138</u>	1,541,904
<i><u>GASB Statement No. 34 Adjustments:</u></i>						
<i>Capital assets</i>						6,382,841
<i>Long-term liabilities</i>						(2,187,350)
<i>Accrued interest</i>						(29,976)
<i>Long-term (deferred) assets</i>						<u>512,338</u>
<i>Governmental activities net assets, December 31, 2001</i>						<u>\$ 6,219,757</u>

City of Rittman, Ohio

The adjustment in capital assets had the following effect on fund balance of the business-type activities as previously reported:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<i>Fund equity at</i>			
<i>December 31, 2001</i>	\$ 3,915,671	\$ 4,938,461	\$ 8,854,132
<i>Adjustment for capital assets</i>	<u>(31,565)</u>	<u>17,371</u>	<u>(14,194)</u>
<i>Restated net assets as of</i>			
<i>December 31, 2001</i>	<u>\$ 3,884,106</u>	<u>\$ 4,955,832</u>	<u>\$ 8,839,938</u>

NOTE 3 - 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 budgetary basis) and actual presented for the General fund and Emergency Medical Service special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (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).

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 Emergency Medical Service special revenue fund are as follows:

Notes to the Financial Statements

Net Change in Fund Balance

	<u>General</u>	<u>Emergency Medical Service</u>
<i>GAAP Basis</i>	\$ 169,205	\$ 49,730
<i>Revenue accruals</i>	(31,662)	(30,096)
<i>Expenditure accruals</i>	(71,344)	(12,003)
<i>Encumbrances (Budget Basis)</i>		
<i>Outstanding at year end</i>	<u>(35,732)</u>	<u>(918)</u>
 <i>Budget Basis</i>	 <u><u>\$ 30,467</u></u>	 <u><u>\$ 6,713</u></u>

NOTE 4 - 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 Bond issues in the name of the City. The Charter allows for 10% of funds to be invested for a maximum maturity of three years from the date of purchase. The City does not enter into reverse repurchase agreements.

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

The City has invested funds in STAR Ohio during 2002. 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.

City of Rittman, Ohio

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, 2002.

Interest earnings are distributed to the Street Maintenance and Repair and State Highway special revenue funds, the Capital Improvements capital projects fund and the Recreation expendable trust fund based on daily cash balances and the remainder is reported in the General fund. The interest earned in the Water bond escrow account is credited to the Water enterprise fund. Interest revenue credited to the General fund during fiscal year 2002 amounted to \$119,161, which includes \$89,548 assigned from other City funds.

Deposits: At year-end, the carrying amount of the City's deposits including cash on hand of \$1,050 was \$2,030,155 and the bank balances totaled \$2,200,959. Of the bank balances,

1. \$800,000 was covered by federal depository insurance.
2. \$1,400,959 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</u> <u>Amounts</u>	<u>Fair</u> <u>Value</u>
	<u>1</u>	<u>2</u>		
<u>Categorized Investments</u>				
Special assessment bonds	\$ 74,665	\$ -	\$ 74,665	\$ 74,665
U.S. Agency securities	-	200,000	200,000	200,000
Total Categorized	<u>\$ 74,665</u>	<u>\$ 200,000</u>	<u>\$ 274,665</u>	<u>\$ 274,665</u>
<u>Noncategorized Investments</u>				
State Treasurer's pool			631,002	631,002
Total Investments			<u>\$ 905,667</u>	<u>\$ 905,667</u>

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

Notes to the Financial Statements

NOTE 5 - 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.

Special assessments expected to be collected in more than one year amount to \$89,182 in the Debt Retirement fund. As of year end, there were no delinquent special assessment receivables.

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

NOTE 6 - CAPITAL ASSETS

The capital asset balances of the governmental activities have been restated due to a change in the capitalization threshold, the inclusion of construction in progress that began in 2001 and completed in 2002, and accumulated depreciation (See Note 2 for details).

<u>Governmental Activities</u>	<u>Balance</u> <u>1/1/2001</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>1/1/2001</u>
<i>Land</i>	\$ 354,981	\$ (74,532)	\$ 280,449
<i>Buildings</i>	5,718,433	(62,889)	5,655,544
<i>Equipment</i>	2,930,959	(715,246)	2,215,713
<i>Construction in progress</i>	-	393,535	393,535
<i>Less: Accumulated depreciation</i>	-	<u>(2,162,400)</u>	<u>(2,162,400)</u>
<i>Total</i>	<u>\$ 9,004,373</u>	<u>\$ (2,621,532)</u>	<u>\$ 6,382,841</u>

Capital asset activity for the year ending December 31, 2002 was as follows:

Governmental Activities: A summary of the governmental activities' capital assets as of December 31, 2002 follows:

City of Rittman, Ohio

	<i>Restated Balance 12/31/2001</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance 12/31/2002</i>
<u>Governmental activities</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 129,063	\$ -	\$ -	\$ 129,063
Construction in progress	393,535	-	(393,535)	-
<i>Total capital assets, not being depreciated</i>	<u>522,598</u>	<u>-</u>	<u>(393,535)</u>	<u>129,063</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	151,386	-	-	151,386
Buildings	5,655,544	70,724	-	5,726,268
Infrastructure	-	869,560	-	869,560
Equipment	2,215,713	103,286	(43,442)	2,275,557
<i>Total capital assets, being depreciated</i>	<u>8,022,643</u>	<u>1,043,570</u>	<u>(43,442)</u>	<u>9,022,771</u>
<i>Less accumulated depreciation:</i>				
Land improvements	(43,510)	(26,513)	-	(70,023)
Buildings	(690,407)	(138,582)	-	(828,989)
Infrastructure	-	(21,683)	-	(21,683)
Equipment	(1,428,483)	(168,960)	43,442	(1,554,001)
<i>Total accumulated depreciation</i>	<u>(2,162,400)</u>	<u>(355,738)</u>	<u>43,442</u>	<u>(2,474,696)</u>
<i>Total capital assets being depreciated, net</i>	<u>5,860,243</u>	<u>687,832</u>	<u>-</u>	<u>6,548,075</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 6,382,841</u>	<u>\$ 687,832</u>	<u>\$ (393,535)</u>	<u>\$ 6,677,138</u>

Depreciation Expense: Depreciation expense charged to governmental functions for the year ending December 31, 2002 is as follows:

<u>Depreciation Expense:</u>	
General government	\$ 4,860
Safety services	160,123
Public health	1,356
Leisure time activities	138,855
Transportation	<u>50,544</u>
<i>Total depreciation expense</i>	<u>\$ 355,738</u>

Notes to the Financial Statements

Business-type Activities: A summary of the business-type activities' capital assets as of December 31, 2002 follows:

<u>Business-type activities</u>	<i>Restated balance 12/31/2001</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance 12/31/2002</i>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 72,606	\$ -	\$ -	\$ 72,606
Construction in progress	<u>62,766</u>	<u>117,151</u>	<u>(50,925)</u>	<u>128,992</u>
Total capital assets, not being depreciated	<u>135,372</u>	<u>117,151</u>	<u>(50,925)</u>	<u>201,598</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	16,033	-	-	16,033
Buildings	5,889,558	93,053	-	5,982,611
Infrastructure	7,987,187	252,132	-	8,239,319
Equipment	<u>1,394,812</u>	<u>-</u>	<u>-</u>	<u>1,394,812</u>
Total capital assets, being depreciated	<u>15,287,590</u>	<u>345,185</u>	<u>-</u>	<u>15,632,775</u>
<i>Less accumulated depreciation:</i>				
Land improvements	(1,264)	(1,690)	-	(2,954)
Buildings	(1,709,563)	(145,606)	-	(1,855,169)
Infrastructure	(1,731,599)	(137,396)	-	(1,868,995)
Equipment	<u>(1,021,370)</u>	<u>(114,462)</u>	<u>-</u>	<u>(1,135,832)</u>
Total accumulated depreciation	<u>(4,463,796)</u>	<u>(399,154)</u>	<u>-</u>	<u>(4,862,950)</u>
Total capital assets being depreciated, net	<u>10,823,794</u>	<u>(53,969)</u>	<u>-</u>	<u>10,769,825</u>
Business-type activities capital assets, net	<u>\$ 10,959,166</u>	<u>\$ 63,182</u>	<u>\$ (50,925)</u>	<u>\$ 10,971,423</u>

NOTE 7 - COMPENSATED ABSENCES

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

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

City of Rittman, Ohio

NOTE 8 - BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

A listing of changes in the bonds and other long-term obligations of the City for the year ended December 31, 2002, 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>Business-type activities</u>					
<u>Revenue bonds</u>					
1993 Mortgage Revenue Bonds 5.25%	\$ 1,186,200	\$ -	\$ (15,400)	\$ 1,170,800	\$ 16,200
<u>Loans</u>					
1977 OWDA loan 5.25%	22,261	-	(22,261)	-	-
1993 OWDA loan 5.00%	2,361,925	-	(156,379)	2,205,546	164,297
Total loans	2,384,186	-	(178,640)	2,205,546	164,297
<u>Other obligations</u>					
Compensated absences	46,233	26,847	(29,330)	43,750	23,122
Total business-type activities	\$ 3,616,619	\$ 26,847	\$ (223,370)	\$ 3,420,096	\$ 203,619
<u>Governmental activities</u>					
<u>General obligation bonds</u>					
1993 Safety Building Bonds 3.00 - 5.85%	\$ 550,000	\$ -	\$ (65,000)	\$ 485,000	\$ 70,000
2000 Recreation Center Bonds 5.30%	1,456,000	-	(46,000)	1,410,000	49,000
Total general obligation bonds	2,006,000	-	(111,000)	1,895,000	119,000
<u>Loans</u>					
2002 OPWC loan	-	48,500	(4,850)	43,650	9,700
<u>Special assessment bonds</u>					
1992 W. Sunset Street 6.00%	11,321	-	(11,321)	-	-
1995 Ritter Drive 6.50%	19,662	-	(3,453)	16,209	3,678
1996 Street Improvement 6.50%	1,517	-	(1,517)	-	-
1997 Street Improvement 6.50%	3,978	-	(1,927)	2,051	2,051
1998 Street Improvement 6.00%	1,548	-	(752)	796	796
1999 Metzger Avenue 6.00%	3,772	-	(862)	2,910	914
2002 Rufener Street 5.50%	-	52,699	-	52,699	4,093
Total special assessment bonds	41,798	52,699	(19,832)	74,665	11,532
<u>Other obligations</u>					
Compensated absences	139,552	40,516	(47,461)	132,607	73,631
Total governmental activities	\$ 2,187,350	\$ 141,715	\$ (183,143)	\$ 2,145,922	\$ 213,863

Notes to the Financial Statements

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.

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. Additions and deletions of accrued vacation and sick leave are shown "net" since it is impractical for the City to determine these amounts separately.

The annual requirements to amortize all bonded debt and loans as of December 31, 2002, including interest payments of \$2,781,318 are as follows:

City of Rittman, Ohio

	<i>General</i>		<i>Special</i>		<i>OPWC & OWDA Loans</i>		<i>Revenue Bonds</i>		<i>Total</i>
	<i>Obligation Bond</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>					
2003	\$ 119,000	101,968	11,533	4,308	173,997	108,248	16,200	60,004	595,258
2004	126,000	95,823	9,203	3,608	182,314	99,931	17,000	59,173	593,052
2005	134,000	88,835	9,754	3,057	191,052	91,193	17,900	58,302	594,093
2006	137,000	81,533	9,249	2,474	200,234	82,011	18,800	57,385	588,686
2007	145,000	73,992	5,070	1,921	205,029	72,366	19,800	56,421	579,599
2008-2012	446,000	272,492	29,856	5,102	1,163,568	199,163	115,000	265,833	2,497,014
2013-2017	454,000	163,158	-	-	133,002	3,271	147,800	233,172	1,134,403
2018-2022	334,000	36,003	-	-	-	-	189,600	191,229	750,832
2023-2027	-	-	-	-	-	-	243,600	137,381	380,981
2028-2032	-	-	-	-	-	-	312,600	68,245	380,845
2033	-	-	-	-	-	-	72,500	3,717	76,217
	<u>\$ 1,895,000</u>	<u>913,804</u>	<u>74,665</u>	<u>20,469</u>	<u>2,249,196</u>	<u>656,183</u>	<u>1,170,800</u>	<u>1,190,862</u>	<u>8,170,979</u>

NOTE 9 - SHORT TERM OBLIGATION

Bond anticipation notes reported as fund liabilities on the balance sheet consist of the following:

		<i>Beginning</i>		<i>Deletions</i>	<i>Ending</i>
		<i>Balance</i>	<i>Additions</i>		
<i>Capital Improvements Fund</i>	\$	400,000	\$ 150,000	\$ (400,000)	\$ 150,000

During 2002, bond anticipation notes were issued in the amount of \$150,000 for the purpose of financing a portion of a street improvement project. Payment of principal and interest on the notes will be made from income tax revenues.

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, 2002 was \$7.5 and \$6.2 per \$1,000 of assessed valuation in Wayne and Medina Counties, respectively. For 2002, only 2.4% of the total valuations were attributed to property in Medina County. The assessed values upon which the 2002 taxes were collected are as follows:

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
<u>Real Property</u>		
<i>Residential and agricultural</i>	\$ 58,518,950	66.10 %
<i>Commercial and industrial</i>	10,094,870	11.40
<i>Public utilities</i>	11,080	0.01
<u>Tangible Personal Property</u>		
<i>General</i>	17,821,512	20.13
<i>Public utilities</i>	<u>2,087,540</u>	<u>2.36</u>
<i>Total</i>	<u>\$ 88,533,952</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, 2002. However, since these tax collections will not be received during the available period nor are they intended to finance 2002 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, 2002, for the Sludge Dewatering Improvement Project in the amount of \$503,225. 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 2002, the employer pension contribution rate for the City was 8.55% of covered payroll. The 2002 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, 2002, 2001, and 2000 were \$139,476, \$134,495, and \$89,775, respectively. The full amount has been contributed for 2001 and 2000. Approximately 55% had been contributed for 2002 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 11.75% and 16.25%, respectively, for police officers and firefighters. Contributions are authorized by state statute. The City's required contributions to OP&F for the years ending December 31, 2002, 2001, and 2000 were \$44,192, \$46,149, and \$45,276, respectively. The full amount has been contributed for 2001 and 2000. Approximately 63% has been contributed for 2002 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 2002 employer contribution rate was 13.55% for covered payroll; 5% was the portion that was used to fund health care for 2002. For 2001, the contribution rate was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, 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.

The number of active participants was 402,041. The City's actual contributions for 2002 which were used to fund post-employment benefits were \$70,145. The actual contribution and the actuarially-required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially-accrued liability and the unfunded actuarially-accrued liability were \$16.4 billion and \$4.8 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 2002. For 2001 the percent used to fund healthcare was 7.5%. 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 2002 that were used to fund post-employment benefits were \$27,268. The OP&F total health care expense for the year ended December 31, 2001, the last actuarial valuation available, was \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 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. During the fiscal year, the City contracted for the following insurance coverage:

<i>Type</i>	<i>Deductible</i>	<i>Coverage Amount</i>
<i>Comprehensive General Liability</i>		
<i>Per Occurrence</i>	\$ -	\$ 1,000,000
<i>Aggregate</i>	-	2,000,000
<i>Commercial Property</i>	2,500	1,000,000
<i>Inland Marine</i>	1,000	2,000,000
<i>Business Auto</i>	-	1,000,000
<i>Boiler & Machinery</i>	500	1,000,000
<i>Public Officials Liability</i>	2,500	1,000,000
<i>Police Professional Liability</i>	5,000	1,000,000
<i>Umbrella Liability</i>	-	5,000,000
<i>Public Officials Bonds (2)</i>	-	100,000

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

City of Rittman, Ohio

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.

NOTE 16 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2002, 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>	\$ -	\$ 223,635	\$ 223,635
<i>Nonmajor Governmental Funds</i>	15,000	-	15,000
<i>Total</i>	<u>\$ 15,000</u>	<u>\$ 223,635</u>	<u>\$ 238,635</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, 2002, the City made a one-time transfer of \$223,635 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 \$15,000 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, 2002, the COPS Grant special revenue fund had a deficit of \$2,718. This deficit was the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficits in other funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 18 - SUBSEQUENT EVENTS

The City entered into a lease-purchase agreement on January 31, 2003, for the purchase of a fire truck in the amount of \$410,600. Payments including principal and interest are scheduled on February 1, 2003, 2004, and 2005 in the amounts of \$150,000, \$135,366, and \$135,366, respectively.



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Combining Statements

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Combining Statements – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

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

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.

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.

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

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

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

City of Rittman, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2002

	Street Maintenance and Repair Fund	State Highway Fund	Permissive Tax Fund	Police Pension Fund
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 80,146	\$ 36,867	\$ 23,488	\$ 19,318
Receivables:				
Property and other taxes	-	-	-	23,752
Accrued interest	152	78	-	-
Due from other governments	90,187	7,312	-	1,488
Materials and supplies inventory	1,421	2,434	-	-
Total assets	<u>\$ 171,906</u>	<u>\$ 46,691</u>	<u>\$ 23,488</u>	<u>\$ 44,558</u>
Liabilities and fund balances				
<u>Liabilities:</u>				
Accounts payable	\$ 291	\$ -	\$ -	\$ -
Accrued wages and benefits	4,193	-	-	-
Due to other governments	5,866	-	-	16,024
Deferred revenue	57,425	5,126	-	20,740
Total liabilities	<u>67,775</u>	<u>5,126</u>	<u>-</u>	<u>36,764</u>
<u>Fund balances:</u>				
Reserved for encumbrances	1,566	1,710	-	-
Unreserved, undesignated,	102,565	39,855	23,488	7,794
Total fund balances	<u>104,131</u>	<u>41,565</u>	<u>23,488</u>	<u>7,794</u>
Total liabilities and fund balances	<u>\$ 171,906</u>	<u>\$ 46,691</u>	<u>\$ 23,488</u>	<u>\$ 44,558</u>

Law Enforcement and Education Fund	Law Enforcement Fund	COPS Grant Fund	Miscellaneous Grants Fund	Education and Recreation Assistance Fund	Fire Department Levy Fund	Total Nonmajor Special Revenue Funds
\$ 2,649	\$ 1,855	\$ 278	\$ -	\$ 5,208	\$ 264,662	\$ 434,471
-	-	-	-	-	84,577	108,329
-	-	-	-	-	-	230
230	-	-	-	-	4,301	103,518
-	-	-	-	-	-	3,855
<u>\$ 2,879</u>	<u>\$ 1,855</u>	<u>\$ 278</u>	<u>\$ -</u>	<u>\$ 5,208</u>	<u>\$ 353,540</u>	<u>\$ 650,403</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 291
-	-	1,275	-	-	-	5,468
-	-	1,721	-	-	-	23,611
-	-	-	-	-	74,878	158,169
-	-	2,996	-	-	74,878	187,539
-	-	-	-	-	1,010	4,286
2,879	1,855	(2,718)	-	5,208	277,652	458,578
2,879	1,855	(2,718)	-	5,208	278,662	462,864
<u>\$ 2,879</u>	<u>\$ 1,855</u>	<u>\$ 278</u>	<u>\$ -</u>	<u>\$ 5,208</u>	<u>\$ 353,540</u>	<u>\$ 650,403</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, 2002

	Street Maintenance and Repair Fund	State Highway Fund	Permissive Tax Fund	Police Pension Fund
<u>Revenues:</u>				
Property and other taxes	\$ -	\$ -	\$ -	\$ 27,886
Fines, licenses, and permits	-	-	-	-
Intergovernmental	208,204	16,411	16,843	2,966
Investment income	2,980	1,554	-	-
Total revenue	<u>211,184</u>	<u>17,965</u>	<u>16,843</u>	<u>30,852</u>
<u>Expenditures:</u>				
Current:				
General government	-	-	-	440
Safety services	-	-	-	21,127
Public health and welfare	-	-	-	-
Transportation	189,707	16,069	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>189,707</u>	<u>16,069</u>	<u>-</u>	<u>21,567</u>
Excess of revenues over (under) expenditures	<u>21,477</u>	<u>1,896</u>	<u>16,843</u>	<u>9,285</u>
<u>Other financing sources (uses):</u>				
Transfers - in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	21,477	1,896	16,843	9,285
Fund balances (deficit) at beginning of year, as restated	<u>82,654</u>	<u>39,669</u>	<u>6,645</u>	<u>(1,491)</u>
Fund balances (deficit) at end of year	<u>\$ 104,131</u>	<u>\$ 41,565</u>	<u>\$ 23,488</u>	<u>\$ 7,794</u>

Enforcement and Education Fund	Law Enforcement Fund	COPS Grant Fund	Miscellaneous Grants Fund	Education and Recreation Assistance Fund	Fire Department Levy Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,106	\$ 125,992
1,434	1,524	-	-	-	-	2,958
-	-	16,250	-	-	9,759	270,433
-	-	-	-	-	-	4,534
<u>1,434</u>	<u>1,524</u>	<u>16,250</u>	<u>-</u>	<u>-</u>	<u>107,865</u>	<u>403,917</u>
-	-	-	-	-	1,563	2,003
700	1,675	40,222	-	-	4,609	68,333
-	-	-	-	4,792	-	4,792
-	-	-	582	-	-	206,358
-	-	-	-	-	12,705	12,705
<u>700</u>	<u>1,675</u>	<u>40,222</u>	<u>582</u>	<u>4,792</u>	<u>18,877</u>	<u>294,191</u>
<u>734</u>	<u>(151)</u>	<u>(23,972)</u>	<u>(582)</u>	<u>(4,792)</u>	<u>88,988</u>	<u>109,726</u>
-	-	15,000	-	-	-	15,000
-	-	15,000	-	-	-	15,000
<u>734</u>	<u>(151)</u>	<u>(8,972)</u>	<u>(582)</u>	<u>(4,792)</u>	<u>88,988</u>	<u>124,726</u>
<u>2,145</u>	<u>2,006</u>	<u>6,254</u>	<u>582</u>	<u>10,000</u>	<u>189,674</u>	<u>338,138</u>
<u>\$ 2,879</u>	<u>\$ 1,855</u>	<u>\$ (2,718)</u>	<u>\$ -</u>	<u>\$ 5,208</u>	<u>\$ 278,662</u>	<u>\$ 462,864</u>

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

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, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Income tax	\$ 660,000	\$ 680,000	\$ 701,512	\$ 21,512
Property and other taxes	312,300	327,300	311,853	(15,447)
Charges for services	613,700	671,800	694,347	22,547
Fines, licenses, and permits	73,500	79,300	75,910	(3,390)
Intergovernmental	451,100	466,315	443,242	(23,073)
Investment income	165,000	165,000	133,234	(31,766)
Contributions and donations	-	27,000	29,740	2,740
Other	16,400	153,706	166,231	12,525
Total revenue	<u>2,292,000</u>	<u>2,570,421</u>	<u>2,556,069</u>	<u>(14,352)</u>
<u>Expenditures:</u>				
Current:				
General government				
Office of city council				
Personal services	37,700	37,700	35,889	1,811
Contractual services	5,000	5,000	4,469	531
Total office of city council	<u>42,700</u>	<u>42,700</u>	<u>40,358</u>	<u>2,342</u>
Department of mayor and administration				
Personal services	203,877	203,877	199,083	4,794
Contractual services	109,409	113,809	98,461	15,348
Supplies and materials	12,950	12,950	11,959	991
Total department of mayor and administration	<u>326,236</u>	<u>330,636</u>	<u>309,503</u>	<u>21,133</u>
Department of finance and tax				
Personal services	144,650	144,650	142,891	1,759
Contractual services	300	300	145	155
Other operating costs	10,000	10,000	7,318	2,682
Total department of finance and tax	<u>154,950</u>	<u>154,950</u>	<u>150,354</u>	<u>4,596</u>
Division of lands and buildings				
Personal services	13,400	13,400	13,326	74
Contractual services	3,000	4,400	4,371	29
Supplies and materials	4,608	4,608	4,416	192
Total division of lands and buildings	<u>21,008</u>	<u>22,408</u>	<u>22,113</u>	<u>295</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, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Department of law				
Personal services	23,000	23,100	23,100	-
Contractual services	10,000	10,000	9,928	72
Total department of law	33,000	33,100	33,028	72
Miscellaneous				
Personal services	8,000	2,200	2,182	18
Contractual services	15,531	16,546	15,858	688
Total miscellaneous	23,531	18,746	18,040	706
Total general government	601,425	602,540	573,396	29,144
Safety services				
Division of police				
Personal services	783,468	783,468	749,555	33,913
Contractual services	59,526	66,026	64,900	1,126
Supplies and materials	35,072	28,572	26,469	2,103
Other operating costs	200	200	-	200
Total division of police	878,266	878,266	840,924	37,342
Division of fire				
Personal services	67,700	80,400	80,138	262
Contractual services	26,330	26,330	24,914	1,416
Supplies and materials	20,785	20,785	16,393	4,392
Total division of fire	114,815	127,515	121,445	6,070
Division of communications				
Personal services	2,500	2,500	2,497	3
Division of street lighting				
Contractual services	23,266	12,866	10,134	2,732
Supplies and materials	2,500	2,500	607	1,893
Total division of street lighting	25,766	15,366	10,741	4,625
Total safety services	1,021,347	1,023,647	975,607	48,040

(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, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Public health and welfare				
Cemetery board				
Personal services	44,075	44,075	43,371	704
Contractual services	905	905	762	143
Supplies and materials	3,000	3,000	1,974	1,026
Capital outlay	11,000	11,000	962	10,038
Total cemetery board	58,980	58,980	47,069	11,911
Board of health				
Contractual services	23,300	23,300	23,269	31
Division of pest and animal control				
Personal services	2,175	2,175	1,303	872
Contractual services	3,500	3,500	3,400	100
Supplies and materials	3,000	3,000	2,820	180
Total division of pest and animal control	8,675	8,675	7,523	1,152
Total public health and welfare	90,955	90,955	77,861	13,094
Transportation				
Division of street maintenance				
Personal services	141,882	143,207	142,244	963
Contractual services	39,828	46,413	43,934	2,479
Supplies and materials	33,520	33,520	23,999	9,521
Total division of street maintenance	215,230	223,140	210,177	12,963
Division of vehicle maintenance				
Personal services	80,400	81,700	81,486	214
Contractual services	3,200	3,200	2,224	976
Supplies and materials	15,936	17,636	17,378	258
Total division of vehicle maintenance	99,536	102,536	101,088	1,448
Total transportation	314,766	325,676	311,265	14,411
Basic utility services				
Division of waste management				
Contractual services	206,000	208,300	208,251	49

(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, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Leisure time activities				
Division of parks				
Personal services	61,125	65,525	65,314	211
Contractual services	6,057	6,057	4,856	1,201
Supplies and materials	6,500	6,500	5,751	749
Total division of parks	<u>73,682</u>	<u>78,082</u>	<u>75,921</u>	<u>2,161</u>
Recreation center				
Personal services	121,050	152,050	151,989	61
Contractual services	56,402	88,902	88,836	66
Supplies and materials	30,747	50,747	47,244	3,503
Other operating costs	500	500	204	296
Recreation center	<u>208,699</u>	<u>292,199</u>	<u>288,273</u>	<u>3,926</u>
Other leisure time activities				
Other operating costs	500	500	28	472
Total leisure time activities	<u>282,881</u>	<u>370,781</u>	<u>364,222</u>	<u>6,559</u>
Total expenditures	<u>2,517,374</u>	<u>2,621,899</u>	<u>2,510,602</u>	<u>111,297</u>
Excess of revenues over (under) expenditures	<u>(225,374)</u>	<u>(51,478)</u>	<u>45,467</u>	<u>96,945</u>
<u>Other financing sources (uses):</u>				
Transfers - in	-	100,000	100,000	-
Transfers - out	<u>(70,000)</u>	<u>(120,000)</u>	<u>(115,000)</u>	<u>(5,000)</u>
Total other financing sources (uses)	<u>(70,000)</u>	<u>(20,000)</u>	<u>(15,000)</u>	<u>(5,000)</u>
Net change in fund balance	(295,374)	(71,478)	30,467	91,945
Fund balance at beginning of year, as restated	648,796	648,796	648,796	-
Prior year encumbrances appropriated	43,426	43,426	43,426	-
Fund balance at end of year	<u>\$ 396,848</u>	<u>\$ 620,744</u>	<u>\$ 722,689</u>	<u>\$ 91,945</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, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property and other taxes	\$ 196,300	\$ 196,300	\$ 186,183	\$ (10,117)
Charges for services	60,100	69,100	78,924	9,824
Intergovernmental	8,750	25,910	41,257	15,347
Total revenue	<u>265,150</u>	<u>291,310</u>	<u>306,364</u>	<u>15,054</u>
<u>Expenditures:</u>				
Current:				
General government				
Miscellaneous				
Other operating costs	<u>3,200</u>	<u>3,400</u>	<u>3,352</u>	<u>48</u>
Safety services				
Division of emergency services				
Personal services	197,481	227,481	221,565	5,916
Contractual services	22,148	22,148	21,656	492
Supplies and materials	16,501	20,401	17,554	2,847
Other operating costs	9,700	9,700	9,506	194
Capital outlay	<u>30,000</u>	<u>26,100</u>	<u>26,018</u>	<u>82</u>
Total safety services	<u>275,830</u>	<u>305,830</u>	<u>296,299</u>	<u>9,531</u>
Total expenditures	<u>279,030</u>	<u>309,230</u>	<u>299,651</u>	<u>9,579</u>
Net change in fund balance	(13,880)	(17,920)	6,713	24,633
Fund balance at beginning of year	118,892	118,892	118,892	-
Prior year encumbrances appropriated	<u>13,130</u>	<u>13,130</u>	<u>13,130</u>	<u>-</u>
Fund balance at end of year	<u>\$ 118,142</u>	<u>\$ 114,102</u>	<u>\$ 138,735</u>	<u>\$ 24,633</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, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Special assessments	\$ 20,000	\$ 20,000	\$ 22,185	\$ 2,185
<u>Expenditures:</u>				
Current:				
Miscellaneous				
Other operating costs	200	200	146	54
Intergovernmental				
Debt service:				
Principal retirement	530,833	535,683	535,682	1
Interest and fiscal charges	124,420	124,420	124,419	1
Total expenditures	655,453	660,303	660,247	56
Excess of revenues over (under) expenditures	(635,453)	(640,303)	(638,062)	2,241
<u>Other financing sources (uses):</u>				
Proceeds of notes	-	52,698	52,699	1
Transfers - in	632,786	632,786	637,635	4,849
Total other financing sources (uses)	632,786	685,484	690,334	4,850
Net change in fund balance	(2,667)	45,181	52,272	7,091
Fund balance at beginning of year	83,091	83,091	83,091	-
Fund balance at end of year	\$ 80,424	\$ 128,272	\$ 135,363	\$ 7,091

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, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Income tax	\$ 330,000	\$ 340,000	\$ 350,756	\$ 10,756
Charges for services	20,000	20,000	87,740	67,740
Intergovernmental	128,250	251,370	219,289	(32,081)
Investment income	50,000	50,000	19,984	(30,016)
Other	-	-	11,533	11,533
Total revenue	528,250	661,370	689,302	27,932
Expenditures:				
Current:				
Miscellaneous				
Other operating costs	15,000	33,281	31,939	1,342
Capital outlay	6,290	7,190	4,580	2,610
Total miscellaneous	21,290	40,471	36,519	3,952
Safety services				
Division of police				
Capital outlay	25,000	26,427	26,331	96
Division of street construction				
Contractual services	2,607	11,807	11,237	570
Capital outlay	467,487	432,237	361,017	71,220
Total division of street construction	470,094	444,044	372,254	71,790
Leisure time activities				
Division of parks				
Capital outlay	130,461	150,761	106,710	44,051
Total expenditures	646,845	661,703	541,814	119,889
Excess of revenues over (under) expenditures	(118,595)	(333)	147,488	147,821
Other financing sources (uses):				
Proceeds of notes	-	150,000	150,000	-
Proceeds of OPWC loans	-	48,500	48,500	-
Transfers - in	50,000	50,000	-	(50,000)
Transfers - out	(632,786)	(637,636)	(637,636)	-
Total other financing sources (uses)	(582,786)	(389,136)	(439,136)	(50,000)
Net change in fund balance	(701,381)	(389,469)	(291,648)	97,821
Fund balance at beginning of year	475,135	475,135	475,135	-
Prior year encumbrances appropriated	1,290	1,290	1,290	-
Fund balance at end of year	\$ (224,956)	\$ 86,956	\$ 184,777	\$ 97,821

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, 2002

	Budgeted Amounts			Variance with Final budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Municipal income tax	\$ 330,000	\$ 340,000	\$ 350,756	\$ 10,756
Charges for services	421,100	421,100	421,213	113
Investment income	700	700	259	(441)
Other	1,500	1,500	1,402	(98)
Total revenue	<u>753,300</u>	<u>763,300</u>	<u>773,630</u>	<u>10,330</u>
<u>Expenses:</u>				
Basic utility services				
Division of water supply				
Personal services	41,500	44,500	43,113	1,387
Contractual services	16,242	21,242	16,325	4,917
Supplies and materials	24,961	24,961	18,376	6,585
Capital outlay	5,000	14,000	-	14,000
Total division of water supply	<u>87,703</u>	<u>104,703</u>	<u>77,814</u>	<u>26,889</u>
Division of water distribution				
Personal services	66,500	71,500	69,551	1,949
Contractual services	10,000	10,000	4,951	5,049
Supplies and materials	18,887	18,887	13,400	5,487
Capital outlay	326,781	326,781	113,236	213,545
Total division of water distribution	<u>422,168</u>	<u>427,168</u>	<u>201,138</u>	<u>226,030</u>
Office of superintendent				
Personal services	162,159	162,159	155,291	6,868
Contractual services	130,136	130,136	91,935	38,201
Supplies and materials	29,092	29,092	24,797	4,295
Other operating costs	86,300	86,300	84,738	1,562
Capital outlay	2,500	2,500	58,948	(56,448)
Total office of superintendent	<u>410,187</u>	<u>410,187</u>	<u>415,709</u>	<u>(5,522)</u>
Total expenses	<u>920,058</u>	<u>942,058</u>	<u>694,661</u>	<u>247,397</u>
Net change in fund equity	<u>(166,758)</u>	<u>(178,758)</u>	<u>78,969</u>	<u>257,727</u>
Fund equity (deficit) at beginning of year	219,275	219,275	219,275	-
Prior year encumbrances appropriated	95,214	95,214	95,214	-
Fund equity (deficit) at end of year	<u>\$ 147,731</u>	<u>\$ 135,731</u>	<u>\$ 393,458</u>	<u>\$ 257,727</u>

City of Rittman, Ohio
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Sewer Fund
For the Year Ended December 31, 2002

	Budgeted Amounts			Variance with Final budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Charges for services	\$ 910,500	\$ 955,366	\$ 955,833	\$ 467
Other	500	500	685	185
Total revenue	911,000	955,866	956,518	652
<u>Expenses:</u>				
Basic utility services				
Office of superintendent				
Personal services	160,034	160,034	155,206	4,828
Contractual services	155,303	155,303	148,000	7,303
Supplies and materials	42,307	32,307	27,589	4,718
Other operating costs	92,300	92,300	92,300	-
Capital outlay	3,000	3,000	1,900	1,100
Total office of superintendent	452,944	442,944	424,995	17,949
Division of sewer maintenance				
Personal services	63,000	66,000	64,692	1,308
Contractual services	53,517	58,917	25,370	33,547
Supplies and materials	12,838	12,838	8,920	3,918
Capital outlay	93,085	89,585	69,893	19,692
Total division of sewer maintenance	222,440	227,340	168,875	58,465
Division of wastewater treatment				
Personal services	68,500	70,100	69,609	491
Contractual services	126,068	126,068	111,495	14,573
Supplies and materials	37,248	37,248	21,408	15,840
Capital outlay	400,000	513,500	512,773	727
Total division of wastewater treatment	631,816	746,916	715,285	31,631
Total basic utility services	1,307,200	1,417,200	1,309,155	108,045
Intergovernmental				
Debt service:				
Principal retirement	194,050	194,050	194,040	10
Interest and fiscal charges	177,963	177,963	177,960	3
Total expenses	1,679,213	1,789,213	1,681,155	108,058
Excess of revenues over (under) expenses	(768,213)	(833,347)	(724,637)	108,710

(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, 2002

	<u>Budgeted Amounts</u>			Variance with Final budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Other financing sources (uses):</u>				
Transfers - in	863,817	863,817	733,817	(130,000)
Transfers - out	<u>(780,000)</u>	<u>(780,000)</u>	<u>(733,817)</u>	<u>(46,183)</u>
Total other financing sources (uses)	<u>83,817</u>	<u>83,817</u>	<u>-</u>	<u>(176,183)</u>
Net change in fund equity	<u>(684,396)</u>	<u>(749,530)</u>	<u>(724,637)</u>	<u>(67,473)</u>
Fund equity (deficit) at beginning of year	843,132	843,132	843,132	-
Prior year encumbrances appropriated	<u>142,675</u>	<u>142,675</u>	<u>142,675</u>	<u>-</u>
Fund equity (deficit) at end of year	<u>\$ 301,411</u>	<u>\$ 236,277</u>	<u>\$ 261,170</u>	<u>\$ (67,473)</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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$ 177,000	\$ 177,000	\$ 178,578	\$ 1,578
Investment income	4,000	4,000	3,088	(912)
Total revenue	<u>181,000</u>	<u>181,000</u>	<u>181,666</u>	<u>666</u>
<u>Expenditures:</u>				
Current:				
Transportation				
Division of street maintenance				
Personal services	163,865	163,865	157,154	6,711
Contractual services	30,000	30,000	8,289	21,711
Supplies and materials	31,660	31,660	23,246	8,414
Total expenditures	<u>225,525</u>	<u>225,525</u>	<u>188,689</u>	<u>36,836</u>
Net change in fund balance	(44,525)	(44,525)	(7,023)	37,502
Fund balance at beginning of year	85,397	85,397	85,397	-
Prior year encumbrances appropriated	160	160	160	-
Fund balance at end of year	<u>\$ 41,032</u>	<u>\$ 41,032</u>	<u>\$ 78,534</u>	<u>\$ 37,502</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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$ 14,300	\$ 14,300	\$ 14,479	\$ 179
Investment income	1,800	1,800	1,574	(226)
Total revenue	<u>16,100</u>	<u>16,100</u>	<u>16,053</u>	<u>(47)</u>
<u>Expenditures:</u>				
Current:				
General government				
Transportation				
Division of street maintenance				
Personal services	3,000	7,000	6,535	465
Supplies and materials	25,355	21,355	9,114	12,241
Total expenditures	<u>28,355</u>	<u>28,355</u>	<u>15,649</u>	<u>12,706</u>
Net change in fund balance	(12,255)	(12,255)	404	12,659
Fund balance at beginning of year	34,598	34,598	34,598	-
Prior year encumbrances appropriated	155	155	155	-
Fund balance at end of year	<u>\$ 22,498</u>	<u>\$ 22,498</u>	<u>\$ 35,157</u>	<u>\$ 12,659</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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$ 16,000	\$ 16,000	\$ 16,843	\$ 843
<u>Expenditures:</u>				
Total expenditures	-	-	-	-
Net change in fund balance	16,000	16,000	16,843	843
Fund balance at beginning of year	6,645	6,645	6,645	-
Fund balance at end of year	<u>\$ 22,645</u>	<u>\$ 22,645</u>	<u>\$ 23,488</u>	<u>\$ 843</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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property and other taxes	\$ 25,700	\$ 25,700	\$ 24,406	\$ (1,294)
Intergovernmental	-	-	2,966	2,966
Total revenue	<u>25,700</u>	<u>25,700</u>	<u>27,372</u>	<u>1,672</u>
<u>Expenditures:</u>				
Current:				
Miscellaneous				
Other operating costs	<u>500</u>	<u>500</u>	<u>440</u>	<u>60</u>
Safety services				
Division of police				
Personal services	<u>26,400</u>	<u>26,400</u>	<u>26,400</u>	<u>-</u>
Total expenditures	<u>26,900</u>	<u>26,900</u>	<u>26,840</u>	<u>60</u>
Net change in fund balance	(1,200)	(1,200)	532	1,732
Fund balance at beginning of year	<u>18,786</u>	<u>18,786</u>	<u>18,786</u>	<u>-</u>
Fund balance at end of year	<u>\$ 17,586</u>	<u>\$ 17,586</u>	<u>\$ 19,318</u>	<u>\$ 1,732</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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Fines, licenses, and permits	\$ 1,000	\$ 1,000	\$ 1,309	\$ 309
<u>Expenditures:</u>				
Current:				
Safety services				
Division of police				
Supplies and materials	844	844	-	844
Capital outlay	700	700	700	-
Total expenditures	1,544	1,544	700	844
Net change in fund balance	(544)	(544)	609	1,153
Fund balance at beginning of year	1,496	1,496	1,496	-
Prior year encumbrances appropriated	544	544	544	-
Fund balance at end of year	\$ 1,496	\$ 1,496	\$ 2,649	\$ 1,153

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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Fines, licenses, and permits	\$ 1,500	\$ 1,500	\$ 1,587	\$ 87
<u>Expenditures:</u>				
Current:				
Safety services				
Division of police				
Supplies and materials	500	325	-	325
Capital outlay	1,500	1,675	1,675	-
Total expenditures	2,000	2,000	1,675	325
Net change in fund balance	(500)	(500)	(88)	412
Fund balance at beginning of year	1,943	1,943	1,943	-
Fund balance at end of year	\$ 1,443	\$ 1,443	\$ 1,855	\$ 412

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, 2002

	<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	\$ 10,000	\$ 11,250	\$ 16,250	\$ 5,000
<u>Expenditures:</u>				
Current:				
Safety services				
Division of police				
Personal services	30,000	38,200	38,175	25
Excess of revenues over (under) expenditures	(20,000)	(26,950)	(21,925)	5,025
<u>Other financing sources (uses):</u>				
Transfers - in	20,000	20,000	15,000	(5,000)
Net change in fund balance	-	(6,950)	(6,925)	25
Fund balance at beginning of year	7,203	7,203	7,203	-
Fund balance at end of year	\$ 7,203	\$ 253	\$ 278	\$ 25

City of Rittman, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Miscellaneous Grants Fund
For the Year Ended December 31, 2002

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Total revenue	\$ -	\$ -	\$ -	\$ -
<u>Expenditures:</u>				
Current:				
Transportation				
Division of street maintenance				
Contractual services	-	582	582	-
Net change in fund balance	-	(582)	(582)	-
Fund balance at beginning of year	582	582	582	-
Fund balance at end of year	\$ 582	\$ -	\$ -	\$ -

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, 2002**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Total revenue	\$ -	\$ -	\$ -	\$ -
<u>Expenditures:</u>				
Current:				
Board of health				
Contractual services	-	9,500	4,776	4,724
Supplies and materials	-	500	201	299
Total expenditures	-	10,000	4,977	5,023
Net change in fund balance	-	(10,000)	(4,977)	5,023
Fund balance at beginning of year	10,000	10,000	10,000	-
Fund balance at end of year	\$ 10,000	\$ -	\$ 5,023	\$ 5,023

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, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property and other taxes	\$ 91,300	\$ 91,300	\$ 87,268	\$ (4,032)
Intergovernmental	-	-	9,759	9,759
Total revenue	<u>91,300</u>	<u>91,300</u>	<u>97,027</u>	<u>5,727</u>
<u>Expenditures:</u>				
Current:				
Miscellaneous				
Other operating costs	<u>2,000</u>	<u>2,000</u>	<u>1,563</u>	<u>437</u>
Safety services				
Division of fire				
Capital outlay	<u>49,154</u>	<u>49,154</u>	<u>18,324</u>	<u>30,830</u>
Total expenditures	<u>51,154</u>	<u>51,154</u>	<u>19,887</u>	<u>31,267</u>
Net change in fund balance	40,146	40,146	77,140	36,994
Fund balance at beginning of year	182,358	182,358	182,358	-
Prior year encumbrances appropriated	<u>4,154</u>	<u>4,154</u>	<u>4,154</u>	<u>-</u>
Fund balance at end of year	<u>\$ 226,658</u>	<u>\$ 226,658</u>	<u>\$ 263,652</u>	<u>\$ 36,994</u>

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STATISTICAL SECTION

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

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>REVENUES</u>										
Taxes	\$ 1,217	1,262	1,403	1,364	1,459	1,403	1,529	1,498	1,643	1,775
Intergovernmental revenues	567	677	666	851	709	873	1,002	1,022	992	983
Charges for services	423	395	424	456	431	435	503	472	539	877
Special assessments	44	70	64	63	25	20	25	24	20	22
Fines, licenses and permits	54	58	69	66	60	63	73	68	133	78
Investment income	91	138	299	276	311	307	247	416	267	141
Miscellaneous	-	-	3	8	9	44	87	9	41	208
Total	<u>\$ 2,396</u>	<u>2,600</u>	<u>2,928</u>	<u>3,084</u>	<u>3,004</u>	<u>3,145</u>	<u>3,466</u>	<u>3,509</u>	<u>3,635</u>	<u>4,084</u>

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>EXPENDITURES</u>										
79 Safety services	\$ 650	796	730	915	970	1,039	1,121	1,170	1,258	1,315
Public health and welfare	172	181	179	70	72	68	72	71	81	83
Leisure time activities	65	66	67	72	99	95	93	195	223	374
Community environment	5	3	5	-	-	3	-	-	-	-
Basic utility services	216	204	206	198	197	197	198	524	201	208
Transportation	433	387	387	390	617	390	456	441	497	709
General government	370	420	401	418	470	472	539	624	569	608
Capital outlay	673	1,115	328	414	88	745	646	880	3,040	304
Debt service										
Principal retirement	244	81	75	71	73	71	75	81	128	136
Interest and fiscal charges	36	59	56	53	51	48	46	82	117	126
Total	<u>\$ 2,864</u>	<u>3,312</u>	<u>2,434</u>	<u>2,601</u>	<u>2,637</u>	<u>3,128</u>	<u>3,246</u>	<u>4,068</u>	<u>6,114</u>	<u>3,863</u>

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

(1) Includes general, special revenue, debt service and capital projects funds for fiscal year 2002. Fiscal years 1993-2001 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>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>PROPERTY TAX</u>										
Net tax levy	\$ 335	288	322	328	312	339	362	382	413	490
Taxes collected	\$ 319	282	288	287	315	324	355	375	406	459
Percentage collected	95%	98%	89%	88%	101%	96%	98%	98%	98%	94%
<u>TANGIBLE TAX</u>										
Billed	\$ 109	122	130	140	161	125	147	133	132	147
Collected	\$ 107	116	126	134	155	125	147	133	132	145
Percentage collected	98%	95%	97%	96%	96%	100%	100%	100%	100%	99%
Delinquent	2	2	3	5	5	-	-	-	-	-
<u>SPECIAL ASSESSMENTS</u>										
Billed	\$ 30	50	48	35	29	22	25	24	21	21
Collected	\$ 47	45	33	30	30	21	25	24	20	21
Percentage collected	94%	90%	68%	85%	104%	96%	100%	100%	95%	100%
Delinquent	3	3	2	1	-	1	1	-	2	-
<u>COMMUNITY ECONOMIC INDICATORS</u>										
Commercial										
Number of building permits issued	2	-	2	-	4	7	11	17	10	10
Value of building permits issued	\$ 1,300	-	534	-	1,961	2,043	280	4,114	591	938
Residential										
Number of building permits issued	18	30	8	9	7	14	118	67	148	191
Value of building permits issued	\$ 1,710	2,316	642	704	610	1,161	1,312	2,242	4,469	6,405
<u>Unemployment rates</u>										
Wayne County	4.8	3.9	3.5	4.3	4.2	3.2	3.5	3.1	3.9	4.7
State of Ohio	6.5	6.3	4.8	4.9	4.6	4.3	4.3	3.9	4.8	5.7
United States	6.8	7.0	5.2	5.4	4.4	4.3	4.2	4.0	5.8	5.8
Registered voters, November election (City of Rittman)										
	2,657	2,748	2,835	3,022	3,087	3,867	3,073	3,265	2,939	3,089
Financial Institution Deposits	\$ 786	962	936	857	1,786	1,834	1,599	916	1,028	1,189

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>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>ASSESSED VALUATION</u>										
Real property	\$ 44,089	43,171	45,035	46,619	58,945	58,253	66,668	66,685	66,703	68,614
Public utility property	3,704	3,612	3,645	3,363	3,253	3,335	2,968	2,956	3,021	2,099
Tangible personal property	15,011	15,011	16,060	17,357	18,670	19,632	20,340	20,345	18,441	17,822
Total	<u>\$ 62,804</u>	<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>ESTIMATED VALUATION</u>										
Total	<u>\$ 189,717</u>	<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>

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

Wayne County	7.35	7.35	8.35	8.35	8.35	8.35	8.35	8.75	8.75	8.75
Medina County	7.42	7.45	7.28	7.27	7.25	7.25	7.22	7.20	7.19	7.06
School	46.20	46.20	46.20	54.80	54.80	54.80	54.80	54.80	54.80	54.80
Vocational school	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Milton Township	5.10	5.10	6.60	6.60	6.60	6.60	6.60	6.60	6.60	6.60
Chippewa Township	6.70	6.70	6.70	6.70	6.70	6.70	4.00	6.70	6.70	6.70
Mental Health	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City of Rittman	7.10	6.90	7.10	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Wayne County Library	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total	<u>84.97</u>	<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>

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, 2002**

<u>LEGAL DEBT MARGIN</u>	<u>Unvoted</u>	<u>Overall</u>
Total assessed valuation	\$ 88,534,000	88,534,000
Debt limitation - 5.5% of assessed valuation	<u>4,869,370</u>	
Debt limitation - 10.5% of assessed valuation		<u>9,296,070</u>
Debt applicable to limitation:		
Gross indebtedness	5,389,661	5,389,661
Exempt debt:		
Sewer revenue bonds	1,170,800	1,170,800
OWDA loans	2,205,546	2,205,546
OPWC loans	43,650	43,650
Special assessment bonds	<u>74,665</u>	<u>74,665</u>
Total debt applicable to limitation	1,895,000	1,895,000
Legal debt margin	<u>\$ 2,974,370</u>	<u>7,401,070</u>

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	\$ 88,534	\$ 1,895	100%	\$ 1,895
Rittman Exempted Village School District	96,734	-	91.5%	-
Wayne County, Ohio	1,797,608	11,743	4.9%	578

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

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Assessed value (\$000 omitted)	\$ 62,804	62,703	64,740	67,338	80,868	81,221	89,975	89,986	88,165	88,534
Population	6,143	6,143	6,143	6,143	6,143	6,143	6,143	6,314	6,314	6,314
Debt outstanding (\$000 omitted)	\$ 1,136	1,110	988	1,043	1,210	1,055	900	2,229	2,006	1,895
Ratio of debt to assessed value	1.81	1.77	1.53	1.55	1.50	1.30	1.00	2.48	2.28	2.14
Debt per capita (full \$)	\$ 185	181	161	170	197	172	147	353	318	300

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>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>GENERAL BONDED DEBT</u>										
Debt service	\$ 280	140	131	124	124	120	120	162	245	135
General governmental expenditures	\$ 2,864	3,312	2,434	2,600	2,637	3,128	3,246	4,068	6,114	3,863
Ratio of debt service to general governmental expenditures	9.78	4.23	5.38	4.77	4.70	3.84	3.70	3.98	4.01	3.49
<u>REVENUE BOND COVERAGE</u>										
Sewer:										
Direct revenue	\$ 3,480	940	935	909	870	915	882	909	921	965
Operating expense (1)	\$ 669	398	410	457	838	637	476	652	681	673
Net available	\$ 2,811	542	525	452	32	278	406	257	240	292
Principal	\$ 2,665	10	11	11	12	13	13	13	14	15
Interest	\$ 95	66	65	65	64	64	63	196	187	178
Total debt service	\$ 2,760	76	76	76	76	77	76	209	201	193
Coverage	1.02	7.13	6.91	5.95	0.42	3.61	5.34	1.23	1.19	1.51

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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 TAXPAYERS

	Taxable Valuation (1)	Percentage of Taxable Valuation
Carastar Paperboard	\$ 9,244,310	10.49%
Morton International	5,725,730	6.49%
Lara Chevrolet Buick	887,230	1.01%
Ohio Edison	787,950	0.89%
Northern Health Facilities	597,940	0.68%
Imperial Plastics, Inc.	563,350	0.64%
Rittman Associates	516,720	0.59%
Premier Pontiac GMC	473,850	0.54%
United Telephone	456,580	0.52%
Oscar & Christine Gross	<u>432,290</u>	<u>0.49%</u>
Total of above	<u>\$ 19,685,950</u>	<u>22.33%</u>
Total City	<u>\$ 88,165,000</u>	

MISCELLANEOUS STATISTICS

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

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>
1993	6,143	1,382
1994	6,143	1,376
1995	6,143	1,364
1996	6,143	1,380
1997	6,143	1,373
1998	6,143	1,344
1999	6,143	1,307
2000	6,314	1,273
2001	6,314	1,209
2002	6,314	1,239

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

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

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

We have audited the financial statements of the City of Rittman, Ohio, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated September 26, 2003. 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.

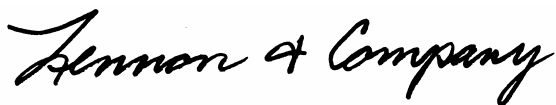
Compliance

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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended 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
September 26, 2003





**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

CITY OF RITTMAN

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2003**