



CITY OF KETTERING

Reports Issued Pursuant to the
OMB Circular A-133

For the year ended December 31, 1999

CITY OF KETTERING

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Two Nationwide Plaza
Columbus, OH 43215

Telephone 614 249 2300
Fax 614 249 2348

**Independent Auditors' Report on Compliance and on Internal
Control Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance With
*Government Auditing Standards***

Honorable Mayor, Members of City Council
and City Manager
City of Kettering, Ohio

and

The Honorable Jim Petro
Auditor of State

We have audited the basic financial statements of the City of Kettering, Ohio (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated March 17, 2000 which referred to the City's adoption of Governmental Accounting Standards Board Statement No. 34 "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*". We conducted our audit in accordance with generally accepted auditing standards 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 basic 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 basic 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 basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



This report is intended for the information of the City's management, the Ohio Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

KPMG LLP

March 17, 2000



Two Nationwide Plaza
Columbus, OH 43215

Telephone 614 249 2300
Fax 614 249 2348

**Independent Auditors' Report on Compliance With
Requirements Applicable to Each Major Program, Internal Control
Over Compliance in Accordance With OMB Circular A-133 and
Schedule of Expenditures of Federal Awards**

Honorable Mayor, Members of City Council
and City Manager
City of Kettering, Ohio

and

The Honorable Jim Petro
Auditor of State

Compliance

We have audited the compliance of the City of Kettering, Ohio (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.



Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City for the year ended December 31, 1999, and have issued our report thereon dated March 17, 2000 which referred to the City's adoption of Governmental Accounting Standards Board Statement No. 34 "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*". Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the City's management, the Ohio Auditor of State and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

KPMG LLP

March 17, 2000

CITY OF KETTERING, OHIO

Schedule of Expenditures of Federal Awards

For the year ended December 31, 1999

| Federal Grantor/Pass Through Grantor/Program Title | Grant Number | Federal CFDA Number | Grant Award Date | Expenditures |
|---|-----------------------|---------------------------|------------------------|-----------------------------------|
| Department of Housing and Urban Development | | | | |
| Direct Programs: | | | | |
| Community Development Block Grant | B-98MC-39-0011 | 14.218 | 4/18/98 | \$ 581,122 |
| Community Development Block Grant | B-99MC-39-0011 | 14.218 | 4/1/99 | 251,678 |
| Total CFDA # 14.218 | | | | <u>832,800</u> |
| Passed through the Board of County Commissioners of Montgomery County: | | | | |
| HOME Investments Partnerships Program | M-96-DC-39-0208 | 14.239 | 12/16/97 | 32,078 |
| HOME Investments Partnerships Program | M-97-DC-39-0209 | 14.239 | 5/25/98 | 162,750 |
| HOME Investments Partnerships Program | M-98-DC-39-0210 | 14.239 | 5/25/99 | 8,499 |
| Total CFDA # 14.239 | | | | <u>203,327</u> |
| Lead Based Paint Hazard Control in Privately-Owned Housing | OHLAG-0056-95 | 14.900 | 12/16/95 | <u>83,793</u> |
| Total Passed through the Board of County Commissioners of Montgomery County | | | | <u>287,120</u> |
| Total Department of Housing and Urban Development | | | | <u><u>1,119,920</u></u> |
| Department of Defense | | | | |
| Economic Adjustments Planning Assistance | CL-9321-97-04 | 12.607 | 4/1/97 | 4,091 |
| Economic Adjustments Planning Assistance | CL-9321-98-04 | 12.607 | 4/1/98 | 53,420 |
| Total CFDA # 12.607 | | | | <u>57,511</u> |
| AirForce Base Conversion Agency Caretaker Agreement | Cooperative Agreement | 12.000 | 5/24/96 | <u>14,365</u> |
| Total Department of Defense | | | | <u><u>71,876</u></u> |
| Department of Justice | | | | |
| COPS More | 96-CMWX-0581 | 16.710 | 12/1/95 | 21,050 |
| Local Law Enforcement Block Grant Program | 97-LBVX-2330 | 16.592 | 10/1/97 | 21,980 |
| Total Department of Justice | | | | <u><u>43,030</u></u> |
| Department of Transportation | | | | |
| State and Highway Safety | 99-GR1-0897 | 20.600 | 10/1/98 | 7,458 |
| State and Highway Safety | 99-GR1-1153 | 20.600 | 10/4/99 | 10,885 |
| State and Highway Safety | 99-GR1-1011 | 20.600 | 2/8/99 | 3,000 |
| Total Department of Transportation | | | | <u><u>21,343</u></u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | \$ <u><u>1,256,169</u></u> |

See accompanying notes to Schedule of Expenditures of Federal Awards.

CITY OF KETTERING, OHIO

Notes to Schedule of Expenditures of Federal Awards

December 31, 1999

Note A—General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City of Kettering, Ohio (the City). The City's reporting entity is defined in Note 1(a) to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included on the Schedule.

Note B—Loans Outstanding

The City of Kettering had the following loan balances outstanding at December 31, 1999.

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Amount Outstanding</u> |
|---|--------------------------------|-------------------------------|
| Community Development Block Grant | 14.218 | \$1,375,158 |
| Home Investments Partnership Program | 14.239 | 797,115 |

Note C—Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

Note D—Relationship to Basic Financial Statements

Grant expenditures are reported in the City's major and non-major special revenue funds.

CITY OF KETTERING, OHIO

Schedule of Findings and Questioned Costs

For the year ended December 31, 1999

(1) SUMMARY OF AUDITORS' RESULTS

- (a) The type of report issued on the basic financial statements: **Unqualified opinion**
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **None**
Material weaknesses: **None**
- (c) Noncompliance which is material to the basic financial statements: **None**
- (d) Reportable conditions in internal control over major programs: **None**
Material weaknesses: **None**
- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133: **None**
- (g) Major program: **Community Development Block Grant (CFDA # 14.218)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- (i) Auditee qualified as a low-risk auditee under section .530 of OMB Circular A-133:
Yes

(2) FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*:

None

(3) FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS:

None

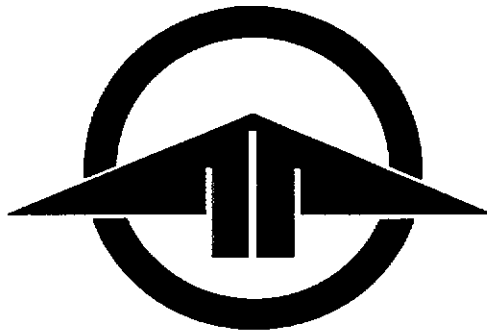
The City of Kettering, Ohio

Comprehensive Annual Financial Report
Year Ended December 31, 1999

CITY OF KETTERING, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 1999



Prepared by:
Department of Finance

Nancy H. Gregory, CPA, Director

CITY OF KETTERING, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1999

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 1999**

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INTRODUCTORY SECTION



CITY OF KETTERING



CITY OF KETTERING

April 1, 2000

Honorable Mayor, Members of City Council
and Citizens of Kettering, Ohio:

The Comprehensive Annual Financial Report for the City of Kettering for the year ended December 31, 1999, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. 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.

This Comprehensive Annual Finance Report is one of particular significance because it incorporates the recently issued Government Accounting Standards Board Statement No. 34 — Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Statement No. 34 was developed to make annual financial reports of state and local governments easier to understand and more useful to those who make decisions using governmental financial information. This Comprehensive Annual Financial Report reflects the full implementation of Statement No. 34 four years earlier than the required date of implementation. A more detailed explanation of Statement No. 34 can be found under the Management's Discussion and Analysis on page 2.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart and a list of principal officials. The Financial Section includes the independent auditors' report, the management's discussion and analysis, the basic financial statements, required supplementary information and the combining and individual fund financial statements and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a ten-year basis.

The City provides various services including police and fire protection, parks, recreation and cultural arts, street maintenance, planning, zoning and other general

governmental services. The City does not maintain utility or other operations that require the establishment of enterprise funds. In addition to general governmental activities, the City oversees the Kettering Volunteer Firefighters Pension Plan, and the activities of the Plan are included in the reporting entity. However, Montgomery County, Greene County, Beavercreek, Centerville, Kettering, and West Carrollton School Districts, Miami Conservancy District, Miami Valley Regional Transit Authority, Police and Firemen's Disability and Pension Fund and the Public Employees Retirement System of Ohio have not met the established criteria for inclusion in the reporting entity and are excluded from this report. In addition, the City is one of sixteen local cities involved in a public entity risk pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc). This separate entity does not meet the established criteria for inclusion in the reporting entity and, accordingly is not included in the City's financial report.

HISTORY AND BACKGROUND

Kettering was established as a village in 1952. Three years later, it achieved City status, adopted a Home Rule Charter and approved the Council/Manager form of government. The City of Kettering was named for its most outstanding citizen, Charles F. Kettering, a well-known philanthropist and inventor. Kettering invented the automotive self-starter, and the "Bug," the world's first robot plane.

The City operates under a Council/Manager form of government with a Mayor and six City Council members elected on a non-partisan basis for a term of four years. Kettering is known as a leader in many areas of municipal government, including financial reporting, traffic system management, police services, parks, recreation and cultural arts programs, intergovernmental cooperation and successfully structured volunteer programs. Kettering citizens are known for their community spirit and involvement. In fact, Kettering is commonly known as the "City of Volunteers."

The quality of living in any city can be measured best by the quality of services people receive. In Kettering, people like what they find: a recent survey showed that 96% of all residents were satisfied with City services and 97% were satisfied with Kettering as a place to live.

ECONOMIC CONDITION AND OUTLOOK

The economic environment for Kettering's business community continued to be one of relative stability during 1999. Kettering's unemployment rate has consistently run well below the averages for the local area, the State of Ohio and the United States. This trend continued in 1999. Kettering's unemployment rate for 1999 was 1.9% compared to rates of 3.8% for Montgomery County, 4.3% for the State of Ohio and 4.2% for the United States.

Kettering's broad range of businesses includes several major employers. The largest of these is Delphi Automotive Systems, a former division of General Motors, employing about 2,600 people in Kettering. Since spinning off from General Motors early in 1999, Delphi Automotive Systems' financial future is already looking better. The company, which makes suspension parts for automobiles, predicts that it will make a marginal profit this year, operating in the black for the first time in a long, long time. The Kettering facility will be a key manufacturing site for the company's new MagneRide suspension system. The new system utilizes the very latest in technology and will be produced for a North American customer in 2002 with a second contract to be fulfilled in 2003. Also, the company is expanding the Kettering plant's production capability for the Continuously Variable Real Time Damping System, another product that should make Kettering more competitive. It appears that the company and its employees are very serious about plans that they agreed to in 1998 to make the plants profitable again. The progress that has been made in less than a year since the spin-off have been a win-win situation for Kettering and the entire Miami Valley.

The City's second largest employer is the Kettering Medical Center (KMC) employing about 2,500 people. Three years ago, KMC and another Dayton area hospital, Grandview Hospital, formed the Alliance for Health of Southwest Ohio. During the past three years, the hospitals worked on developing and implementing several strategic plans. During 1999, Kettering Medical Center and Grandview Hospital completed a merger as the next step in the affiliation process. Hospital officials said that the public can expect more coordinated care at all of the new hospital's facilities, improved access to KMC and Grandview under the expanded system and financially stronger institutions. Both KMC and Grandview are profitable institutions and officials believe that the combined hospitals will be even more profitable in future years through the efficiencies they project will result from the merger. This merger comes on the heels of extensive renovations made at Kettering Medical Center. An investment in excess of \$25 million was made during a three year period to completely remodel and enlarge the surgical wing and to reorganize and expand outpatient services. It would appear that KMC is continuing to look to the future with an emphasis on meeting the changing needs of the healthcare industry and improving the effectiveness of all patient services.



Reynolds and Reynolds

Kettering's future economic outlook continues to look promising. The emphasis by the City through a number of different efforts on economic development both within Kettering and regionally is a high priority. The City's Economic Development Department is responsible for promoting Kettering as a good place to do business for new businesses as well as existing Kettering businesses. It seems that the business community agrees. Reynolds and Reynolds, a Fortune 1000 company based in Dayton since 1866, opened its new 250,000-square-foot facility employing over 700 in the Miami Valley Research Park. The company also broke ground on its Phase II facility which will be 350,000 square foot and will employ an additional 800 associates. The School of Advertising Arts opened its new 15,000-square-foot facility on part of the former Borden's Dairy site. The Borden's Dairy was purchased by the City and demolished using Community Development Block Grant funds resulting in another ten acres of business property that could easily be developed by future companies wanting to locate in Kettering. The other half of the Borden's site will be purchased by Circuit Pak for its new 45,000-square-foot building. Circuit Pak is a company that assembles circuit boards for computers. The company was run by the owners out of their home for about a year before leasing space behind a pizza restaurant. Five years later, they expanded to their current location, and now the company is ready to construct a permanent headquarters.

In addition to the more significant expansions and additions in the Kettering business community, over 100 small businesses opened or expanded in Kettering creating over 1,400 jobs.

MAJOR INITIATIVES

For the year: Kettering — like everywhere else in the world — spent much of 1999 preparing for Y2K, which happily went off without a hitch. Some people believe that cities and many other organizations made a big deal out of nothing, but

Kettering officials found that Y2K offered some unique opportunities. The city was able to perform an in-depth review of its computer systems and bring any outdated equipment up to date; each department updated its plan for emergency operations; and the city continued its efforts to look beyond its borders and be a leader in the region by participating in several regionwide Y2K committees.

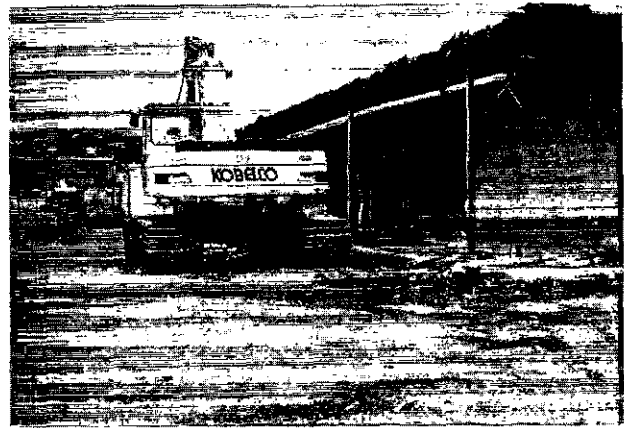
As Kettering matures, this community is working to preserve its charm and warmth, both commercially and residentially. In 1999, the City intensified its commitment to an aesthetically pleasing community by purchasing a seriously dilapidated shopping center — the former Hills and Dales Shopping Center, the western gateway to the City. While Kettering officials would have preferred a developer to come in and purchase the site, they could no longer afford to let the blighting conditions continue for that particular neighborhood. Demolition of that shopping center is complete. The City continues to seek a developer to purchase the site but if need be, we are prepared to have a consultant create a redevelopment plan for the property.

While it's important to attract new businesses and retain current ones, the City recognizes the importance of its neighborhoods as well. Neighborhood preservation is a major goal in the City's strategic plan, which was first adopted in 1998 and updated in 1999. Last year, Kettering continued its 20-year concrete curb, sidewalk and drive approach repair program, and part or all of four major thoroughfares were improved.

As part of its commitment to neighborhood preservation, the City piloted the KNIF-T program — Kettering Neighborhoods Improving for Tomorrow in 1999. KNIF-T focused on neighborhoods and businesses in the northeast corner of Kettering because that section of the City recently had undergone a lot of street improvements. Funded in part by the City and by Community Development Block Grant Funds (CDGB), KNIF-T emphasized raising the level of maintenance of both residential and commercial properties. City crews picked up litter, cut weeds and grass, edged along roadways and planted trees within KNIF-T neighborhoods.

The City's housing programs also supported neighborhood preservation. Kettering officials continued to purchase run-down properties, renovate them and then resell them to first-time homebuyers. The federally funded CDBG Purchase Rehab Program eliminates deteriorating housing, improves a neighborhood, raises property values, and offers a first-time homebuyer the opportunity to live the American dream as a homeowner.

Last year the City began to look at two rather unique challenges in the community — the youth and the elderly. The City's Parks, Recreation and Cultural Arts Department and the Board of Education spearheaded a youth summit that drew representatives from more than 200 organizations



Hills and Dales Shopping Center

servicing youth. Young people, themselves, attended the summit offering insight into the needs of their peers. As a result of the summit, the City has established a Healthy Youth Steering Committee comprised of school and community leaders as well as young people.

The City also began studying the needs of our elderly population. City officials have held meetings with elderly service providers and are looking at ways to inform our elderly population of the services available. City officials are considering becoming a clearinghouse for elderly services information.

Looking Ahead:

In the year 2000, the City of Kettering will continue to implement its strategic plan, focusing on housing and neighborhoods, the youth and the elderly of the community.

As part of its commitment to keeping Kettering a quality community, the City budgeted about \$11 million worth of capital improvements for the Year 2000. Nearly all of those funds will be used to improve and maintain our infrastructure both on our thoroughfares and in our neighborhoods. In addition, the City will continue the KNIF-T program, designating various neighborhoods for additional attention.

In 2000, the City will hold a second youth summit. Officials are looking for ways to fund identified needs for the community's youth, particularly additional counselors in the schools and counseling services for youth and their families.

Department Focus: We've long been hearing about the advantages of community-oriented policing, how it establishes a better relationship with the community it serves. The City of Kettering's Planning and Development Director believes that same idea can be applied to the government services his department provides.

“Community-oriented government gives citizens more

ownership of their neighborhood and responsibility in problem-solving," said Tom Robillard, who became the City's Planning and Development Director in early 1999. "It empowers citizens to work in partnership with local government."

This new philosophy in service is being implemented within the City's Planning and Development Department in several ways. Perhaps the most dramatic is the creation of a Neighborhood Services Manager position, which is designed to work with residents at a neighborhood level to address the issues and problems they identify.

"We want someone that residents can turn to for any kind of concern they might have, from sidewalk repair to tree-planting, neighborhood clean-up or rehabilitating homes," Mr. Robillard said.

In early 2000, Jo Scott, a former Assistant Village Manager in Yellow Springs, Ohio, was selected as the City's Neighborhood Services Manager.

This change in philosophy is far-reaching in Planning and Development, which oversees a wide range of city services. This 25-person department promotes the City's continued growth and neighborhood preservation through long-range planning, implementation of zoning, construction and property maintenance codes, and the administration of the Community Development Block Grant Program, a federally funded program that provides funds to assist homeowners, homebuyers and businesses.

As part of this philosophical change, plans call for the merging of the CDBG program with the department's property maintenance section to better integrate the services.

"I want our department to be known as the best planning and development department in the state. We can provide services quickly and efficiently while retaining high quality standards," Mr. Robillard said. "Some of the issues people and businesses have to deal with us about can be adversarial, but I think we can maintain our dedication to quality and still do that in a friendly, neighborly way."

Part of promoting citizen participation is to keep citizens as informed as possible, he added. To pass along information, the Planning and Development Department is utilizing the City's latest forms of technology. That includes offering more services on the City's web site and participating frequently in the City's new daily cable TV show, "Kettering Daily."

The department has begun issuing over-the-counter permits on projects that don't require a lot of staff review.

"This emphasis on citizen participation will require some change of attitude and procedure, but I believe it is important

for our goal of community-oriented government," Mr. Robillard said. "We have a great staff dedicated to good City development, making programs work and enforcing codes. We're on the right track."

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of controls should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Budgetary Controls. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed appropriated amounts) is maintained at the department level, except for the Community Development Fund and the Capital Projects Fund which is maintained at the fund level. Budgetary control is maintained by encumbering the estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of budgeted balances are not released until additional appropriations are made available. Open encumbrances are reported as reservations of fund balance at fiscal year end.

Cash Management. Cash, temporarily idle during the year was invested in various instruments detailed below. As of December 31, 1999, the City's cash resources were divided between cash and investments as follows:

| | |
|-------------------------------------|---------------------|
| Cash and certificates of deposit | \$14,261,727 |
| Repurchase agreement | 560,165 |
| Corporate bonds | 15,799,948 |
| Pension plan pooled investment fund | 1,154,663 |
| Money market mutual funds | 1,026,170 |
| State treasurer's investment pool | <u>2,686,746</u> |
| TOTAL | <u>\$35,489,419</u> |

Interest earned on investments in 1999 was \$2,063,343 of which \$2,011,338 is accounted for in the governmental funds and \$52,005 is accounted for in the internal service funds and the fiduciary funds.

The City's investment policy is to minimize credit and market

risks while obtaining a competitive yield on its portfolio.

Risk Management. The types of insurance carried by the City include: General Liability, Public Officials Liability, Police Professional Liability, Fleet Liability, Paramedic Liability, Employee Life Insurance, Employee Medical Insurance and State of Ohio Workers Compensation.

In addition to the City's General Administrative Policies concerning risk control, each major department has their own risk control policies and programs which are designed to control exposures to risk by citizens and employees.

OTHER INFORMATION

Independent Audit. The general purpose financial statements of the City of Kettering were audited by KPMG LLP, Certified Public Accountants. Their unqualified opinion has been included in the financial section of this report.

Awards. 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 Kettering, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 1998. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Kettering has received a Certificate of Achievement for the last seventeen consecutive years (fiscal years ended 1982-1998). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the fiscal year beginning January 1, 1999. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

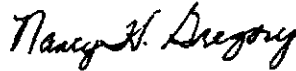
Acknowledgements. A note of sincere appreciation is extended to the many conscientious people who have contributed so much of their time and effort to the preparation of this report. The Finance Department staff, in particular, are to be commended for their commitment to professional excellence as exemplified by the contents of this report.

Finally, contributions to the financial condition of the City of Kettering by the Mayor, members of City Council, Assistant to the City Manager and Department Directors cannot be overemphasized. Their guidance and support represent invaluable factors necessary for the City to continue to manage the financial affairs and reporting requirements of municipal government within the Kettering Community.

Respectfully submitted,



Steven C. Husemann
City Manager



Nancy H. Gregory, CPA
Director of Finance

CITY OF KETTERING, OHIO

CITY OFFICIALS

Marilou W. Smith, Mayor
John J. White, Vice Mayor
Bruce E. Duke
Peggy B. Lehner
Donald E. Patterson
Keith Thompson
Raymond P. Wasky

CITY MANAGER

Steven C. Husemann

INDEPENDENT AUDITORS

KPMG LLP
Certified Public Accountants

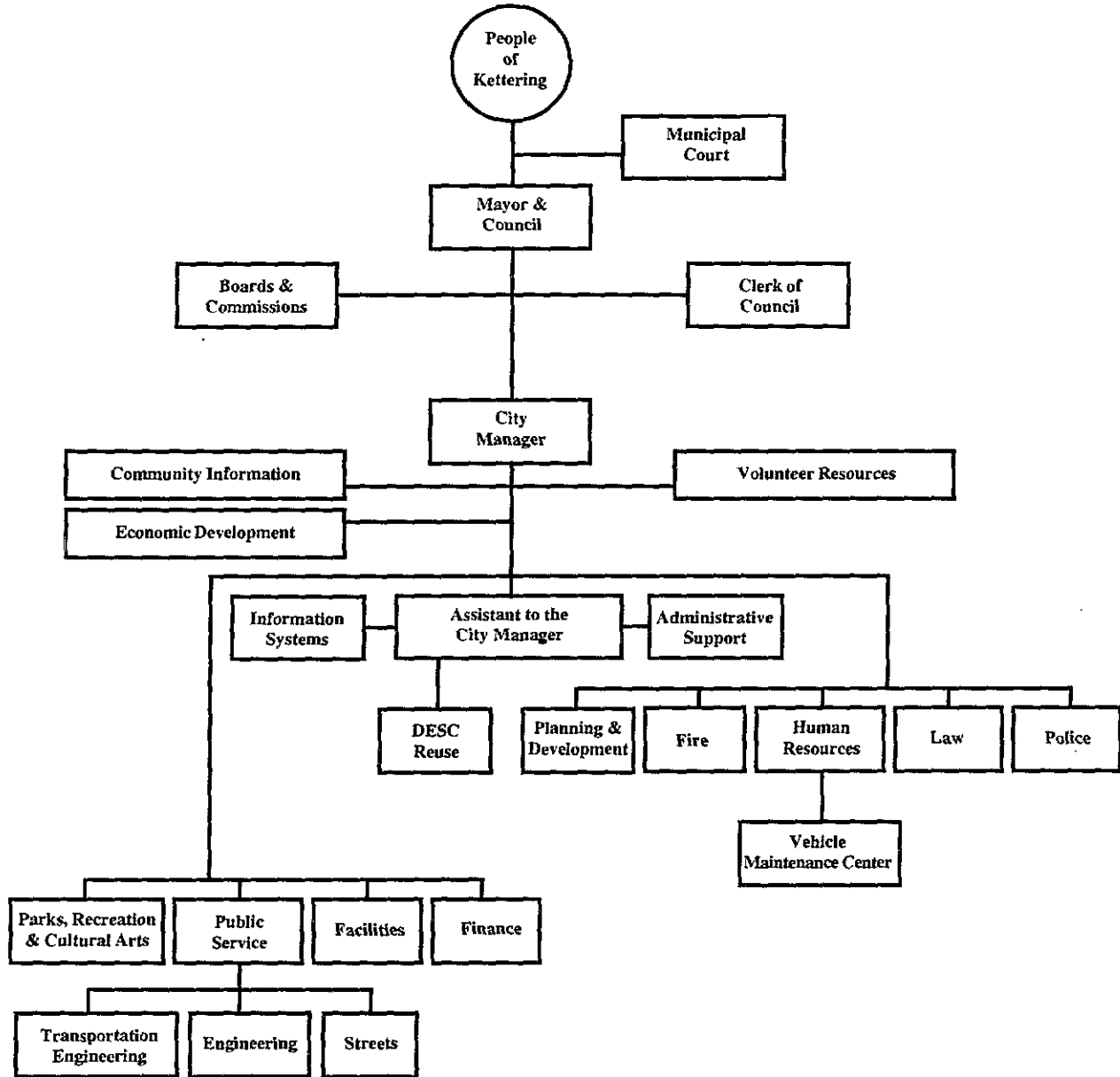
CITY OF KETTERING, OHIO

DEPARTMENT OF FINANCE

STAFF

| | |
|--------------------------|---------------------------|
| Nancy H. Gregory, CPA | Director |
| Scott J. Schwarberg, CPA | Accounting Manager |
| Kelly M. O'Connell, CPA | Budget Manager |
| Marcy K. Bare, CPA | Tax Manager |
| Estelle O. Holloway, CPA | Purchasing Manager |
| Joy J. Kuhn | Secretary |
| Kim L. Kreitzer, CPA | Financial Analyst |
| Y. Connie Cox, CPA | Financial Analyst |
| Jennifer E. Schoen | Finance Technician II |
| Barbara A. LeRoy | Finance Technician II |
| Rhonda L. South | Finance Technician II |
| Mary Anne Marshall | Finance Technician II |
| Sharin L. Day | Finance Technician II |
| Lou Ann Gubser | Finance Technician I |
| Patricia A. Siefert | Finance Technician I |
| Cheryl M. Ritchard | Finance Technician I |
| Erin E. Stewart | Finance Technician I |
| Candace M. Grooms | Finance Clerk - Part-Time |
| Joyce A. Foley | Finance Clerk - Part-Time |
| Meredith K. Baltzell | Finance Clerk - Part-Time |

City of Kettering Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting


Presented to

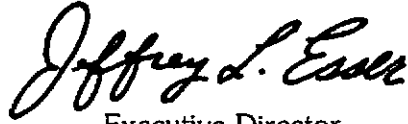
City of Kettering,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 1998

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.




Cary Brueckner
President


Jeffrey L. Essler
Executive Director



CITY OF KETTERING



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398

Members of City Council
City of Kettering

We have reviewed the Independent Auditor's Report of the City of Kettering, Montgomery County, prepared by KPMG LLP for the audit period January 1, 1999 through December 30, 1999. 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 Kettering is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

April 13, 2000

FINANCIAL SECTION



Two Nationwide Plaza
Columbus, OH 43215

Telephone 614 249 2300
Fax 614 249 2348

Independent Auditors' Report

Honorable Mayor, Members of City Council
and City Manager
City of Kettering:

We have audited the basic financial statements of the City of Kettering, Ohio (the City) as of and for the year ended December 31, 1999, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As described in Note 14 to the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*"

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2000 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The Management's Discussion and Analysis and the budgetary information on pages 2-6 and pages 31-37, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 an opinion on the basic financial statements of the City, taken as a whole. The accompanying financial information listed on pages 39-50 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the City. The supplemental data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

March 17, 2000



MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Kettering's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 1999.

FINANCIAL HIGHLIGHTS

1. The City's net assets increased by over \$7.7 million or 7.1%.
2. During the year, the City had revenues that were \$3.5 million higher (before special items) than the \$45 million in expenses incurred for all governmental programs.
3. The City received a donation of a building with a fair market value of \$4.2 million.
4. The General Fund reported a deficit of over \$4.5 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 7 and 8) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 3. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets — the difference between assets and liabilities — as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, the condition of the City's roads, the condition of the City's neighborhoods, and the reputation of the public schools to assess the overall health of the City.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 5. The fund financial statements begin on page 9 and provide detailed information about the most significant funds — not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the Finance Director establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds — governmental and proprietary — use different accounting approaches.

- **Governmental funds** — Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- **Proprietary funds** — The City uses internal service funds (a component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities. An example of an internal service fund would be the City's Administrative Operations Fund which accounts for activities of the Vehicle Maintenance Center, the Print Shop, and others. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for its volunteer firefighters pension plan. It is also responsible for other assets that — because of a trust arrangement — can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on page 16. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

This is the first year for government-wide financial statements using the full accrual basis of accounting. Therefore, comparisons with prior years is not possible. However, 1999 revenues (before special items) did exceed expenses by more than \$3.5 million dollars. Revenues generated (before special items) were \$48.5 million and expenses from all programs were \$45 million. These figures added to the \$4.2 million special item discussed below, account for the \$7.7 million dollar increase in net assets for the year. The following two tables present condensed information on Net Assets and Changes in Net Assets for the year.

NET ASSETS

| | <u>1999</u> |
|---|----------------------|
| Current and other assets | \$50,472,397 |
| Capital assets | <u>95,723,146</u> |
| Total assets | <u>146,195,543</u> |
| Long-term debt outstanding | (12,554,480) |
| Other liabilities | <u>(17,849,699)</u> |
| Total liabilities | <u>(30,404,179)</u> |
| Net assets: | |
| Invested in capital assets, net of debt | 83,168,667 |
| Restricted | 3,441,102 |
| Unrestricted | <u>29,181,595</u> |
| Total net assets | <u>\$115,791,364</u> |

CHANGES IN NET ASSETS

| | 1999 |
|---|-------------|
| Revenues | |
| Program revenues: | |
| Charges for services | \$5,501,749 |
| Federal grants | 951,147 |
| State and local grants | 892,375 |
| Special assessments | 1,168,726 |
| Sponsorships and contributions | 203,736 |
| General revenues: | |
| Income taxes | 22,512,947 |
| Property taxes | 7,363,568 |
| Other taxes | 6,181,380 |
| Investment earnings | 2,256,674 |
| Other general revenue | 1,438,076 |
| Total revenues | 48,470,378 |
| Program expenses | |
| General government | 8,882,212 |
| Police | 9,163,871 |
| Fire | 6,374,476 |
| Public works | 9,366,194 |
| Leisure services | 10,427,534 |
| Interest on long-term debt | 749,636 |
| Total expenses | 44,963,923 |
| Excess (deficiency) before special item | 3,506,455 |
| Special item | 4,200,000 |
| Increase (decrease) in net assets | \$7,706,455 |

The following table presents the cost of each of the City's four largest programs-police, fire, public works and leisure services-as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

GOVERNMENTAL ACTIVITIES

| | Total Cost of Services | Net Cost of Services |
|------------------|---------------------------|-------------------------|
| Police | \$9,163,871 | \$9,121,479 |
| Fire | 6,374,476 | 6,372,176 |
| Public works | 9,366,194 | 7,381,653 |
| Leisure services | 10,427,534 | 6,387,385 |
| All others | 8,882,212 | 6,233,861 |

The special item for 1999 is the donation of a 240,000-square-foot building with a fair market value of \$4.2 million. The City is in the final stages of converting a closed Air Force base (Gentile AFB) to private use. This building is located on the former base and was deeded over to the City during the year. The building is currently vacant and the City plans to either sell it in the near future or lease it to an income tax generating tenant. This was the only significant capital asset activity for the year.

The City issued no new debt in the current year. At December 31, 1999, the City had various debt issues outstanding, which included \$10,418,777 of general obligation bonds, \$1,378,574 of special assessment debt with city commitment and \$757,129 of non-interest bearing promissory notes. As of December 31, 1999, the City's net general obligation bonded debt of \$10,265,659 was well below the legal limit of \$97,616,917 and debt per capita equaled \$168.29.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 9 and 10) reported a combined fund balance of \$33.7 million, which is below last year's total of \$38.0 million. All of this \$4.3 million change in total fund balance is due to the deficit for the year in the City's General Fund. This deficit is primarily a result of a planned increase in transfers to other funds, due to a robust capital improvement year involving many different projects. The deficit can also be attributed to an increase in economic incentives for new business to enter the City.

The following schedule presents a summary of the governmental fund revenues for the fiscal year ended December 31, 1999, and the amounts and percentages of increases and decreases in relation to prior year.

| REVENUE SOURCE | 1999 AMOUNT | PERCENT OF TOTAL | INCREASE (DECREASE) OVER 1998 | PERCENT INCREASE (DECREASE) |
|---------------------------|---------------------|---------------------|-------------------------------------|-----------------------------------|
| Income taxes | \$22,512,947 | 46.53% | \$261,108 | 1.17% |
| Property taxes | 7,363,568 | 15.22% | 165,466 | 2.30% |
| Licenses and permits | 395,804 | 0.82% | (26,400) | (6.25%) |
| Intergovernmental revenue | 7,800,085 | 16.12% | 197,075 | 2.59% |
| Charges for services | 4,021,532 | 8.31% | 95,651 | 2.44% |
| Fines and forfeits | 1,084,413 | 2.24% | (222,013) | (16.99%) |
| Investment earnings | 2,011,338 | 4.16% | (177,342) | (8.10%) |
| Special assessments | 1,168,726 | 2.42% | 292,245 | 33.34% |
| Refunds & reimbursements | 1,371,191 | 2.83% | (1,223,885) | (47.16%) |
| Miscellaneous | 653,120 | 1.35% | (113,189) | (14.77%) |
| Total | <u>\$48,382,724</u> | <u>100.00%</u> | <u>(\$751,284)</u> | <u>(1.53%)</u> |

Revenues for all governmental funds combined were 1.5% lower than in 1998. Fines and forfeits were off 17% due to a decrease in the number of court cases. Special assessments were 33.3% higher because of an unusually high number of people who paid off their assessment in the current year rather than paying for them, over time, through their property taxes. Refunds and reimbursements were down \$1.2 million or 47.16% due to a one time refund from the Ohio Bureau of Workers Compensation in 1998. Miscellaneous revenues decreased by 14.8% primarily due to the sale of some property in the Community Development Block Grant Program in 1998.

The following schedule presents a summary of the governmental fund expenditures for the fiscal year ended December 31, 1999, and the amounts and percentages of increases and decreases in relation to prior year.

| FUNCTION | 1999 AMOUNT | PERCENT OF TOTAL | INCREASE (DECREASE) OVER 1998 | PERCENT INCREASE (DECREASE) |
|----------------------|---------------------|---------------------|-------------------------------------|-----------------------------------|
| Current: | | | | |
| General government | \$9,158,112 | 17.30% | \$1,024,234 | 12.59% |
| Police | 9,315,128 | 17.60% | 179,540 | 1.97% |
| Fire | 6,099,968 | 11.52% | 303,291 | 5.23% |
| Public works | 6,720,592 | 12.70% | 505,477 | 8.13% |
| Leisure services | 8,890,827 | 16.80% | 179,636 | 2.06% |
| Capital improvements | 10,530,621 | 19.89% | 2,656,937 | 33.74% |
| Debt service: | | | | |
| Principal | 1,523,134 | 2.88% | 80,493 | 5.58% |
| Interest | 697,513 | 1.32% | (66,937) | (8.76%) |
| Total | <u>\$52,935,895</u> | <u>100.00%</u> | <u>\$4,862,671</u> | <u>10.12%</u> |

Expenditures for all governmental funds combined were 10.1% higher than in 1998. The reasons for the above increases were discussed in the beginning of this section.

The only significant variation in the City's original General Fund budget and the final General Fund budget was for "Transfers to other funds." The variance between actual expenditures and final budgeted expenditures for "Transfers to other funds" was also significant. During the year, the City anticipated starting several new capital projects. In hindsight, the number of projects anticipated to be completed during the year was overly optimistic. Therefore, actual transfers out of the General Fund and into the Capital Projects Fund was less than budgeted.

7 CITY OF KETTERING, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 1999

| | <u>1999</u> |
|---|----------------------|
| ASSETS | |
| Pooled cash and investments | \$33,743,185 |
| Receivables: | |
| Income taxes - (net of allowance for \$191,297) | 3,097,017 |
| Property taxes | 7,663,780 |
| Interest | 362,384 |
| Accounts | 104,254 |
| Special assessments | 2,459,574 |
| Loans | 2,172,273 |
| Due from other governments | 402,015 |
| Prepaid expenses | 153,995 |
| Inventory | 313,920 |
| Capital assets, net (note 7) | 95,723,146 |
| Total assets | <u>146,195,543</u> |
| LIABILITIES | |
| Accounts payable | 2,715,311 |
| Salary and benefits payable | 2,084,026 |
| Accrued interest payable | 52,123 |
| Deferred revenue | 10,798,432 |
| Long-term liabilities (note 11) | |
| Due within one year | 2,865,386 |
| Due in more than one year | 11,888,901 |
| Total liabilities | <u>30,404,179</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 83,168,667 |
| Restricted for: | |
| Debt service | 153,118 |
| Community development block grant | 2,285,033 |
| Other purposes | 1,002,951 |
| Unrestricted | 29,181,595 |
| Total net assets | <u>\$115,791,364</u> |

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 1999

| Functions/Programs | Expenses | Program Revenues | | | Total Net(Expense) Revenue and Changes in Net Assets |
|---|---------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| General government | \$8,882,212 | \$1,678,418 | \$942,708 | \$27,225 | (\$6,233,861) |
| Police | 9,163,871 | | 42,392 | | (9,121,479) |
| Fire | 6,374,476 | | 2,300 | | (6,372,176) |
| Public works | 9,366,194 | | 755,380 | 1,229,161 | (7,381,653) |
| Leisure services | 10,427,534 | 3,823,331 | 216,818 | | (6,387,385) |
| Interest on long-term debt | 749,636 | | | | (749,636) |
| Total | \$44,963,923 | \$5,501,749 | \$1,959,598 | \$1,256,386 | (36,246,190) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| Income taxes | | | | | 22,512,947 |
| Property taxes, levied for general purposes | | | | | 6,164,671 |
| Property taxes, levied for debt service | | | | | 1,198,897 |
| Other taxes (note 5) | | | | | 6,181,380 |
| Investment earnings | | | | | 2,256,674 |
| Refunds and reimbursements | | | | | 1,061,974 |
| Miscellaneous | | | | | 376,102 |
| <i>Special item-- Receipt of donated building</i> | | | | | 4,200,000 |
| Total general revenues and special items | | | | | 43,952,645 |
| Change in net assets | | | | | 7,706,455 |
| Net assets--beginning | | | | | 108,084,909 |
| Net assets--ending | | | | | <u>\$115,791,364</u> |

See accompanying notes to the basic financial statements.

9 CITY OF KETTERING, OHIO

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 1999

| | General Fund | Street Maintenance | Major Special Parks, Recreation & Cultural Arts |
|---|---------------------|-----------------------|--|
| ASSETS | | | |
| Pooled cash and investments | \$25,124,118 | \$344,790 | \$317,284 |
| Receivables: | | | |
| Income taxes(net of allowance for \$191,297) | 3,097,017 | | |
| Property taxes | 6,154,111 | | |
| Interest | 117,048 | | |
| Accounts | 7,939 | 15,894 | 19,925 |
| Special assessments | 300,000 | | |
| Loans | | | |
| Due from other governments | 81,612 | 83,789 | |
| Prepaid expenditures | 119,970 | 3,741 | 21,745 |
| Inventory | | 50,886 | |
| Total assets | <u>\$35,001,815</u> | <u>\$499,100</u> | <u>\$358,954</u> |
| LIABILITIES | | | |
| Accounts payable | \$769,541 | \$38,312 | \$77,303 |
| Accrued: | | | |
| Payroll | 1,046,561 | 160,285 | 201,808 |
| Vacation and sick leave benefits | 126,749 | 19,198 | 14,307 |
| Deferred revenue | 7,013,612 | | 9,850 |
| Total liabilities | <u>8,956,463</u> | <u>217,795</u> | <u>303,268</u> |
| FUND BALANCES | | | |
| Reserved for: | | | |
| Loans receivable | | | |
| Encumbrances | 518,703 | 216,667 | 23,651 |
| Prepaid expenditures | 119,970 | 3,741 | 21,745 |
| Inventory | | 50,886 | |
| Unreserved: | | | |
| Designated for subsequent years' expenditures | 2,000,000 | | |
| Undesignated | 23,406,679 | 10,011 | 10,290 |
| Total fund balances | <u>26,045,352</u> | <u>281,305</u> | <u>55,686</u> |
| Total liabilities and fund balances | <u>\$35,001,815</u> | <u>\$499,100</u> | <u>\$358,954</u> |

See accompanying notes to the basic financial statements.

| Revenue Funds | | | | | |
|------------------|-----------------------|--------------------|--------------------|--|--------------------------|
| Fraze Pavilion | Community Development | Debt Service | Capital Projects | Other Special Revenue Governmental Funds | Total Governmental Funds |
| \$120,568 | \$258,855 | \$147,247 | \$4,702,445 | \$1,918,471 | \$32,933,778 |
| | | 1,198,872 | | 310,797 | 3,097,017 |
| 255 | | | 58,425 | 1,164 | 7,663,780 |
| | 2,172,273 | 1,559,574 | 600,000 | | 117,048 |
| | 146,343 | | | | 103,602 |
| 2,081 | | | | 90,271 | 2,459,574 |
| | | | | 678 | 2,172,273 |
| | | | | | 402,015 |
| | | | | | 148,215 |
| | | | | | 50,886 |
| <u>\$122,904</u> | <u>\$2,577,471</u> | <u>\$2,905,693</u> | <u>\$5,360,870</u> | <u>\$2,321,381</u> | <u>\$49,148,188</u> |
| \$11,483 | \$146,095 | | \$1,464,391 | \$66,026 | \$2,573,151 |
| 7,331 | | | | 254,337 | 1,670,322 |
| 299 | | | | | 160,553 |
| 27,598 | 146,343 | \$2,752,575 | 600,000 | 473,272 | 11,023,250 |
| 46,711 | 292,438 | 2,752,575 | 2,064,391 | 793,635 | 15,427,276 |
| | 2,172,273 | | | | 2,172,273 |
| 3,614 | 306,628 | | 3,085,502 | 1,225,060 | 5,379,825 |
| 2,081 | | | | 678 | 148,215 |
| | | | | | 50,886 |
| | | | | | 2,000,000 |
| 70,498 | (193,868) | 153,118 | 210,977 | 302,008 | 23,969,713 |
| 76,193 | 2,285,033 | 153,118 | 3,296,479 | 1,527,746 | 33,720,912 |
| <u>\$122,904</u> | <u>\$2,577,471</u> | <u>\$2,905,693</u> | <u>\$5,360,870</u> | <u>\$2,321,381</u> | |

Amounts reported for governmental activities in the Statement of Net Assets (page 7) are different because:

| | |
|---|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 94,894,156 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | |
| Accrued interest on investments | 245,336 |
| Grant receivable | 224,816 |
| Internal service funds are used by management to charge the costs of certain activities. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. | 1,442,360 |
| The following long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Bonds and notes payable | (12,554,480) |
| Vacation and sick leave benefits | (2,129,813) |
| Accrued interest on bonds payable | (52,123) |
| Net Assets of Governmental Activities | <u>\$115,791,364</u> |

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 1999

| | General Fund | Street Maintenance | Major Special Parks, Recreation & Cultural Arts |
|---|---------------------|-----------------------|--|
| REVENUES | | | |
| Income taxes | \$22,512,947 | | |
| Property taxes | 5,856,560 | | |
| Licenses and permits | 395,804 | | |
| Intergovernmental revenue | 1,938,355 | \$1,771,149 | \$18,712 |
| Charges for services | 7,325 | | 2,356,655 |
| Fines and forfeits | 985,659 | | |
| Investment earnings | 1,886,521 | | |
| Special assessments | 308,352 | | |
| Refunds and reimbursements | 666,500 | 196,702 | 44,394 |
| Miscellaneous | 183,005 | 5,983 | 30,989 |
| Total revenues | <u>34,741,028</u> | <u>1,973,834</u> | <u>2,450,750</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 8,111,801 | | |
| Police | 8,282,945 | | |
| Fire | 6,094,966 | | |
| Public works | 2,449,749 | 4,065,653 | |
| Leisure services | | | 6,787,586 |
| Capital improvements | | | |
| Debt service: | | | |
| Principal | | | |
| Interest | | | |
| Total expenditures | <u>24,939,461</u> | <u>4,065,653</u> | <u>6,787,586</u> |
| Excess (deficiency) of revenues over expenditures | 9,801,567 | (2,091,819) | (4,336,836) |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 20,169 | 2,085,400 | 4,243,000 |
| Operating transfers out | (14,351,029) | | |
| Net change in fund balance | <u>(4,529,293)</u> | <u>(6,419)</u> | <u>(93,836)</u> |
| Fund balances--beginning, as restated | 30,574,645 | 287,724 | 149,522 |
| Fund balances--ending | <u>\$26,045,352</u> | <u>\$281,305</u> | <u>\$55,686</u> |

See accompanying notes to the basic financial statements.

| Revenue Funds | | | | | |
|----------------|-----------------------|--------------|------------------|--|--------------------------|
| Fraze Pavilion | Community Development | Debt Service | Capital Projects | Other Special Revenue Governmental Funds | Total Governmental Funds |
| | | \$1,198,897 | | \$308,111 | \$22,512,947 |
| | \$300,398 | | \$3,078,038 | 693,433 | 7,363,568 |
| \$1,466,676 | | | | 190,876 | 395,804 |
| | | 72,941 | | 98,754 | 7,800,085 |
| | | 182,888 | 677,486 | 51,876 | 4,021,532 |
| 32,710 | | | 318,685 | 112,200 | 1,084,413 |
| 214,838 | 151,986 | | 31,832 | 34,487 | 2,011,338 |
| 1,714,224 | 452,384 | 1,454,726 | 4,106,041 | 1,489,737 | 1,168,726 |
| | | | | | 1,371,191 |
| | | | | | 653,120 |
| | | | | | 48,382,724 |
| | 681,740 | 2,916 | | 361,655 | 9,158,112 |
| | | | | 1,032,183 | 9,315,128 |
| | | | | 5,002 | 6,099,968 |
| | | | | 205,190 | 6,720,592 |
| 2,103,241 | | | | | 8,890,827 |
| | 237,605 | | 9,829,067 | 463,949 | 10,530,621 |
| | | 1,523,134 | | | 1,523,134 |
| | | 697,513 | | | 697,513 |
| 2,103,241 | 919,345 | 2,223,563 | 9,829,067 | 2,067,979 | 52,935,895 |
| (389,017) | (466,961) | (768,837) | (5,723,026) | (578,242) | (4,553,171) |
| 380,000 | | 760,000 | 5,790,000 | 1,092,629 | 14,371,198 |
| (9,017) | (466,961) | (8,837) | 66,974 | (20,169) | (14,371,198) |
| 85,210 | 2,751,994 | 161,955 | 3,229,505 | 494,218 | (4,553,171) |
| \$76,193 | \$2,285,033 | \$153,118 | \$3,296,479 | \$1,527,746 | \$33,720,912 |

Net change in Fund Balance - Governmental Funds

(\$4,553,171)

Amounts reported for governmental activities in the Statement of Activities (page 8) are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceed depreciation. 6,493,206

In the Stmt of Activities, only the gain on the sale of city assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differ from the change in fund balance by the cost of the asset sold. (101,496)

Revenues in the Stmt of Activities that do not provide current financial resources are not reported as revenues in the funds.

Grants receivable 224,816
Interest receivable 245,336
Donation of fixed asset (special item) 4,200,000

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,523,134

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Vacation and sick leave benefits (40,934)
Interest payable (52,123)

Internal service funds are used by management to charge the costs of certain activities, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (See page 14.) (232,313)

Change in Net Assets on the Statement of Activities

\$7,706,455

BALANCE SHEET
 PROPRIETARY FUNDS
 DECEMBER 31, 1999

| | Governmental Activities- Internal Service Funds |
|--|--|
| ASSETS | |
| Current assets: | |
| Pooled cash and investments | \$809,407 |
| Accounts receivable | 652 |
| Prepaid expenses | 5,780 |
| Inventory | 263,035 |
| Total current assets | <u>1,078,874</u> |
| Noncurrent assets: | |
| Buildings and improvements | 809,359 |
| Machinery and equipment | 1,863,881 |
| Less: Accumulated depreciation | <u>(1,844,250)</u> |
| Total noncurrent assets | 828,990 |
| Total assets | <u>\$1,907,864</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$142,159 |
| Accrued: | |
| Payroll | 133,632 |
| Vacation and sick leave benefits | 119,519 |
| Total current liabilities | <u>395,310</u> |
| Noncurrent liabilities: | |
| Accrued vacation and sick leave benefits | 70,194 |
| Total liabilities | <u>465,504</u> |
| NET ASSETS | |
| Invested in capital assets | 828,990 |
| Unrestricted | 613,370 |
| Total net assets | <u>1,442,360</u> |
| Total liabilities and net assets | <u>\$1,907,864</u> |

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999

| | Governmental Activities- Internal Service Funds |
|--|--|
| OPERATING REVENUES | |
| Charges for services | \$5,498,401 |
| Total operating revenues | <u>5,498,401</u> |
| OPERATING EXPENSES | |
| Personal services | 2,167,428 |
| Repairs and maintenance | 877,447 |
| Contractual services | 2,079,648 |
| Other materials and expenses | 456,118 |
| Depreciation | 216,890 |
| Total operating expenses | <u>5,797,531</u> |
| Operating income (loss) | <u>(299,130)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | 66,817 |
| Change in net assets | <u>(232,313)</u> |
| Total net assets--beginning, as restated | 1,574,673 |
| Total net assets--ending | <u>\$1,442,360</u> |

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 1999
 Increase (Decrease) in cash

| | Governmental Activities- Internal Service Funds |
|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received for services | \$5,509,364 |
| Cash paid to suppliers for goods or services | (3,386,950) |
| Cash paid to employees for services | (2,162,095) |
| Net cash provided (used) by operating activities | <u>(39,681)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of capital assets | (265,202) |
| Sale of capital assets | 9,512 |
| Net cash used by capital and related financing activities | <u>(255,690)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment earnings | 66,817 |
| Net cash provided by investing activities | <u>66,817</u> |
| Net increase (decrease) in cash | <u>(228,554)</u> |
| Cash at beginning of year | 1,037,961 |
| Cash at end of year | <u>\$809,407</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | |
| Operating income (loss) | (\$299,130) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 216,890 |
| (Increase) decrease in receivables | 12,700 |
| (Increase) decrease in inventories | (40,538) |
| Increase (decrease) in accounts payable | 62,786 |
| Net (increase) decrease in other operating net assets | 7,611 |
| Net cash provided (used) by operating activities | <u>(\$39,681)</u> |

See accompanying notes to the basic financial statements.

FIDUCIARY RESPONSIBILITIES

STATEMENT OF NET ASSETS
DECEMBER 31, 1999

| | Volunteer Firefighter Pension | Decesed Police Dependents Private Purpose Trust | Agency Funds |
|---|-------------------------------------|--|------------------|
| ASSETS | | | |
| Pooled cash and investments | | \$53,871 | \$188,486 |
| Investments with fiscal agent, at fair value: | | | |
| Unallocated insurance contracts | \$1,154,663 | | |
| Other Investments | | | 349,214 |
| Total assets | <u>1,154,663</u> | <u>53,871</u> | <u>\$537,700</u> |
| LIABILITIES | | | |
| Accounts payable | | | \$3,431 |
| Withholdings payable | | | 178,685 |
| Undistributed moneys | | | 349,214 |
| Unclaimed moneys | | | 6,370 |
| Total liabilities | | | <u>\$537,700</u> |
| NET ASSETS | | | |
| Held in trust for pension benefits and other purposes | <u>\$1,154,663</u> | <u>\$53,871</u> | |

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 1999

| | | | |
|--|--------------------|-----------------|--|
| ADDITIONS | | | |
| Employer contributions | \$40,684 | | |
| Investment earnings (loss) | (17,520) | \$2,708 | |
| Total additions | <u>23,164</u> | <u>2,708</u> | |
| DEDUCTIONS | | | |
| Pension payments | 51,940 | | |
| Total deductions | <u>51,940</u> | | |
| Net increase (decrease) | (28,776) | 2,708 | |
| Net assets--beginning of year, as restated | 1,183,439 | 51,163 | |
| Net assets--end of year | <u>\$1,154,663</u> | <u>\$53,871</u> | |

See accompanying notes to the basic financial statements.



CITY OF KETTERING

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Kettering, Ohio, (the "City") is a home rule municipal corporation under the laws of the State of Ohio and operates under its own Charter. The current Charter, which provides for a Council/Manager form of government, was adopted in 1955 and has subsequently been amended.

The City provides various services including police and fire protection, parks, recreation, street maintenance, planning, zoning, and other general government services. The City does not maintain any utility or other operations that would require the establishment of enterprise funds.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be governmental organizations for which the primary government is not financially accountable, but for which the nature and significance of their financial relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. No separate government units meet the criteria for inclusion as a component unit.

B. Basis of Presentation

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

The City's basic financial statements consists of *Government-wide financial statements* and *Fund financial statements*. The government-wide financial statements display information about the primary government as a whole except for its fiduciary activities. The fund financial statements for the primary government's governmental, proprietary and fiduciary funds are presented after the government-wide statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds. Proprietary fund statements include information about internal service funds. Fiduciary statements display information for fiduciary funds.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (expenses). The following fund types are used by the City:

Governmental Fund Types

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

Special Revenue Funds - The special revenue funds are used to account for revenues derived from specific taxes, grants, or other restricted revenue sources. The uses and limitations of each special revenue fund are specified by city ordinances, federal and state statutes or grant provisions.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general, special assessment and promissory note long-term debt principal and interest.

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

Proprietary Fund Type

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost-reimbursement basis. The City has no unbilled service receivables at year end.

Fiduciary Fund Types

Trust and Agency Funds - Trust and agency funds are used to report assets held in a fiduciary capacity for individuals, private organizations or other governments and, therefore, cannot be used to support the government's own programs. The fiduciary fund category includes pension trust funds, private-purpose trust funds and agency funds.

C. Basis of Accounting

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

Government-wide financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33. Program revenues included in the statement of activities derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues. These revenues fit into one of three categories: 1) charges for services; 2) operating grants and contributions; or 3) capital grants and contributions. Direct expenses are those that are specifically associated with a service, program or department and thus, are clearly identifiable to a particular function. Indirect expenses are included in the general government function and are not allocated. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the City's policy to first apply restricted net assets.

Fund financial statements use a different basis of accounting and measurement focus depending on the fund type.

All governmental funds are accounted for using a current financial resources measurement focus and are reported on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which, for the City's purposes, is considered to be 30 days after year end. Revenues considered susceptible to accrual are community development block grants, delinquent property taxes, income taxes and interest on investments. Property taxes levied before year-end are not recognized as revenue until the next calendar year. The fiscal period in which property taxes are levied at year-end in the State of Ohio is the succeeding calendar year.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on unmatured general long-term debt, and on special assessment indebtedness collateralized by special assessment levies, which are recognized when due. Inventory and prepaid expenditures are recorded in the governmental fund types and charged as expenditures when used. A portion of the fund balance is reserved in governmental funds for the amount of inventory and prepaid expenditures. The amount of vacation, vested sick

leave and other compensatory time expected to be liquidated with expendable available financial resources is accrued in governmental funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. The proprietary fund type is accounted for using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred. The City defines operating revenues for its internal service funds as individual transactions would be categorized for purposes of preparing a statement of cash flows using GASB Statement 9. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities or investing activities normally would not be reported as components of operating income. The City follows GASB Statement No. 20 in applying GASB guidance to its proprietary activities and Financial Accounting Standards Board statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Private purpose trust funds are accounted for in the same manner as governmental fund types. The pension trust fund is accounted for in the same manner as the proprietary funds. The agency funds are merely "assets equal liabilities," and thus, do not involve the measurement of results of operations. The agency funds are accounted for using the modified accrual basis of accounting.

D. Eliminations and Reclassifications

In the process of aggregating data for the government-wide statement of net assets and the statement of activities, the following types of transactions reported as interfund activity and balances were eliminated or reclassified:

Interfund receivables and payables, except those with fiduciary funds, were eliminated. Eliminations were made to remove the "doubling-up" effect of internal service fund activity. Internal events that are, in effect, allocations of overhead expenses from one function to another or within the same function were eliminated, so that the allocated expenses are reported only by the function to which they were allocated.

E. Pooled Cash and Investments and Investments with Fiscal Agent

All investments are stated at fair value which are based on quoted market prices.

F. Inventory

Inventory is valued at cost (specific identification method in the internal service funds and FIFO (first-in, first-out) method in the special revenue funds.) Inventories are recorded as expenses/expenditures when used.

G. Capital Assets

Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment, infrastructure and all other assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges and drainage systems.

All capital assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value at the time received. Interest on constructed capital assets is capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the government fund financial statements.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

| | |
|----------------------------|---------------|
| Machinery and Equipment | 3 - 20 years |
| Buildings and Improvements | 15 - 30 years |
| Infrastructure | 20 - 40 years |

H. Interfund Transactions

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers, with the exception of the internal service funds which are used to account for various supplies and services which are then charged back to the appropriate fund on an "as used" basis. The internal service funds record such charges as operating revenues; all other City funds record payments to the internal service funds as operating expenditures. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by City management.

I. Reserves and Designations

Reserves indicate portions of fund equity not appropriable for expenditures and/or legally segregated for a specific future use.

Designations indicate tentative plans for financial resource utilization in a future period. Such plans are subject to change; they may never be legally authorized or result in expenditures/expenses.

J. Grants and Other Intergovernmental Revenues

All reimbursement-type grants are recorded as intergovernmental receivables and revenues or deferred revenue when the related expenditures are incurred.

K. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. POOLED CASH AND INVESTMENTS

The City maintains a cash and investments pool that is available for use by all funds, except the pension trust fund. Each fund type's portion of this pool is displayed on the Fund Balance Sheets as "Pooled cash and investments." The deposits and investments of the pension trust fund are held separately from those of other City funds and displayed as "Unallocated insurance contracts."

Cash and cash equivalents in the internal service funds consist of cash and money market funds which can be withdrawn without prior notice or penalty.

Deposits: At year end, the carrying amount of the City's deposits was \$14,261,727 and the bank balance was \$14,556,751. The bank balance is insured or collateralized with securities held by the City or its safekeeping agent in the City's name.

Investments: All investments are reported at fair value which is based on quoted market prices. The City's investment policy authorizes investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, corporate bonds rated A or better by Standard & Poor's Corporation or Moody's Bond Ratings, bankers acceptances issued by banks ranked nationally as being in the top 50 in asset and deposit size, repurchase and reverse repurchase agreements and money market mutual funds whose portfolio consists of authorized investments. The City invests in STAROhio, an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 1999.

The City's investments are categorized to give an indication of the level of risk assumed by the entity 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 counterparty, or by its trust department or agent, but not in the City's name.

| | <u>1</u> | <u>Category 2</u> | <u>3</u> | <u>Carrying Amount and Fair Value</u> |
|-------------------------------------|----------|-----------------------|---------------------|---|
| Repurchase Agreement | | | \$560,165 | \$560,165 |
| Corporate Bonds | | | <u>15,799,948</u> | <u>15,799,948</u> |
| | | | <u>\$16,360,113</u> | <u>\$16,360,113</u> |
| Money Market Mutual Funds | | | | 1,026,170 |
| Pension Plan Pooled Investment Fund | | | | 1,154,663 |
| State Treasurer's Investment Pool | | | | <u>2,686,746</u> |
| Total Investments | | | | <u>\$21,227,692</u> |

3. INCOME TAXES

The City levies a 1.75% income tax on substantially all income earned within the City. Additional increases in the income tax rate require voter approval. City residents pay City income tax on income earned outside the City, however; a credit is allowed for income taxes paid to other municipalities.

Employers within the City withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

4. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City. Property taxes are levied each December 31 on the assessed value listed as of the prior December 31. Assessed values are established for real property at 35% of true value, for public utility property at 100% of true value, and for tangible property at 25% of true value (excluding the first \$10,000 of value). Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 1996.

The property tax calendar is as follows:

| | |
|--------------------------------|-------------------|
| Levy date | December 31, 1998 |
| Lien date | December 31, 1998 |
| Tax bill mailed | January 20, 1999 |
| First installment payment due | February 15, 1999 |
| Second installment payment due | July 15, 1999 |

The assessed values for the City at December 31, 1998, were as follows:

| | <u>Assessed Value Category</u> |
|----------------------------------|--|
| Real Estate | \$917,110,670 |
| Public Utility Real Property | 155,720 |
| Tangible Personal Property | 71,164,376 |
| Public Utility Personal Property | <u>39,022,340</u> |
| Total | <u>\$1,027,453,106</u> |

The County Treasurer collects property taxes on behalf of all taxing districts including the City of Kettering. The County periodically remits to the City its portion of taxes collected. Property taxes may be paid on either an annual or semiannual basis.

5. OTHER TAXES

The caption "Other taxes" on the Statement of Activities is comprised of taxes levied by the State or the County and distributed to the City. The components of the number are as follows:

| | |
|---------------------------|--------------------|
| Estate taxes | \$2,255,218 |
| Sales taxes | 1,783,356 |
| Gasoline taxes | 1,092,492 |
| Vehicle license taxes | 785,789 |
| Miscellaneous other taxes | <u>264,525</u> |
| | <u>\$6,181,380</u> |

6. LOANS RECEIVABLE

The City used a portion of the Federal Community Development Block Grant (CDBG) to provide low interest loans for housing rehabilitation, as well as for economic and job development. The loans are payable in installments to 2022. Fund balance has been reserved for the loans receivable at December 31, 1999, as it does not represent currently available spendable resources. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures.

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 1999, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|------------------------------------|------------------------------|---------------------|--------------------|---------------------------|
| Land | \$7,125,973 | \$3,150,703 | \$50,000 | \$10,226,676 |
| Buildings and improvements | 29,064,816 | 4,254,583 | 14,659 | 33,304,740 |
| Machinery and equipment | 12,724,362 | 1,201,968 | 692,755 | 13,233,575 |
| Infrastructure | 78,569,739 | 6,498,696 | | 85,068,435 |
| Construction in progress | | <u>560,371</u> | | <u>560,371</u> |
| Totals at historical cost | 127,484,890 | 15,666,321 | 757,414 | 142,393,797 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 12,918,899 | 1,356,394 | 14,659 | 14,260,634 |
| Machinery and equipment | 8,861,245 | 862,266 | 575,482 | 9,148,029 |
| Infrastructure | <u>20,612,464</u> | <u>2,649,524</u> | | <u>23,261,988</u> |
| Total accumulated depreciation | <u>42,392,608</u> | <u>4,868,184</u> * | <u>590,141</u> | <u>46,670,651</u> |
| Capital assets, net | <u>\$85,092,282</u> | <u>\$10,798,137</u> | <u>\$167,273</u> | <u>\$95,723,146</u> |

*Depreciation expense was charged to governmental functions as follows:

| | |
|---|--------------------|
| General government | \$88,496 |
| Police | 204,949 |
| Fire | 248,731 |
| Public works | 2,705,177 |
| Leisure services | 1,403,941 |
| In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets. | <u>216,890</u> |
| Total depreciation expense | <u>\$4,868,184</u> |

8. RISK MANAGEMENT

The City is a member of a public entity risk pool, Miami Valley Risk Management Association, Inc. (MVRMA) with fifteen other local cities. This pool covers all property, crime, liability, boiler and machinery and public official liability up to the limits stated below.

Insurance coverage is as follows:

Property — Blanket
Crime — \$1,500,000 per occurrence
Liability — \$11,000,000 per occurrence
Boiler & Machinery — Blanket
Public Official Liability — \$1,000,000 per occurrence.

The deductible per occurrence for all types is \$2,500. Pool coverage is \$2,501 - \$150,000 for Property & Boiler & Machinery and \$2,501 - \$500,000 for all other claims. Excess insurance coverage, provided by commercial companies, is either \$150,001 or \$500,001 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. MVRMA has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. An actuarial opinion issued as of December 31, 1998, indicates reserves in excess of anticipated claims.

Employee health insurance is provided through a fully insured plan and is accounted for and financed through an internal service fund.

Workers' compensation is administered by the State of Ohio. The City pays a premium per employee to the State for this coverage.

There were no significant reductions in insurance coverage from the prior year in any category of risk. Insurance coverage for each of the past three years was sufficient to cover any claims settlements.

9. PENSION PLAN OBLIGATIONS

The Police and Firemen's Disability Pension Fund, the Public Employees Retirement System and the Volunteer Firefighters Pension are reported using GASB 27.

Substantially all City employees are covered by one of two cost-sharing multiple-employer defined benefit pension plans, namely, the Police and Firemen's Disability Pension Fund or the Public Employees Retirement System of Ohio (PERS). Both funds provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

POLICE AND FIREMEN'S DISABILITY PENSION FUND

Authority to establish and amend benefits is provided by state statute per Chapter 742 of the Ohio Revised Code. The Police and Firemen's Disability Pension Fund issues a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164, or by calling (614) 228-2975.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 10% of their annual covered salary and the City is required to contribute the remaining amount necessary to pay benefits when due. For 1999, the City contributed 19.5% of annual covered salary for Police and 24% for Fire. The City's contributions to the plan for the years ending December 31, 1997, 1998, and 1999, were \$1,462,101, \$1,557,599, and \$1,617,247 respectively, equal to the required contributions for the year.

PUBLIC EMPLOYEES RETIREMENT SYSTEM

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute 13.55%. The City's contributions to the plan for the years ending December 31, 1997, 1998, and 1999, were \$1,761,914, \$1,827,140 and \$1,933,700 respectively, equal to the required contributions for the year.

VOLUNTEER FIREFIGHTERS PENSION

Principal Mutual Life Insurance Company administers a single-employer, defined benefit pension plan for the Volunteer Firefighters. At January 1, 1999, the Plan's membership consisted of the following:

| | |
|--|------------|
| Retirees and beneficiaries currently receiving benefits | 22 |
| Terminated employees entitled to benefits but not yet receiving them | 31 |
| Active members | <u>80</u> |
| Total | <u>133</u> |

All regular members of the Volunteer Fire Department are eligible for the plan upon completion of 3 years of continuous service. Members may retire at age 55 and receive a monthly benefit, payable for life. The monthly retirement benefit is equal to the sum of \$8.00 multiplied by the number of years of credited service not in excess of 10 years and \$10.00 multiplied by the number of years of credited service in excess of 10 years. Benefits vest at 15% upon 3 years of credited service plus 5% for each additional year, up to 100%. Benefits are established by and may be amended by City Ordinance.

Financial Statements of the Volunteer Firefighters Pension are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. The pension plan does not issue a stand-alone financial report

Plan investments are reported at fair value. No investment, in any one organization, exceeded five percent of net assets available for benefits.

The City's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed in dollars, are designed to accumulate sufficient assets to pay benefits when due. Costs of administering the plan are paid separately by the City and not deducted from plan assets. The City is to make all contributions required to the plan. Active members are not required to contribute.

The annual required contribution for the current year was determined as part of the January 1, 1999, actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included a 7.0% investment rate of return and that benefits will not increase after retirement. The actuarial value of assets was determined using the contract basis. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| <u>Year Ended December 31</u> | <u>Annual Required Contribution</u> | <u>Actual Contribution</u> | <u>Percent Contributed</u> |
|-----------------------------------|---|--------------------------------|--------------------------------|
| 1994 | \$0 | \$0 | 100% |
| 1995 | 0 | 0 | 100% |
| 1996 | 0 | 0 | 100% |
| 1997 | 28,603 | 28,603 | 100% |
| 1998 | 40,785 | 40,785 | 100% |
| 1999 | 40,684 | 40,684 | 100% |

For the fiscal years ended December 31, 1997, 1998 and 1999, the Annual Pension cost (APC) was \$28,603, \$40,785 and \$40,684 respectively; the Percentage of APC contributed was 100% and the net pension obligation was \$0.

The first year the City has reported the Volunteer Firefighters Pension under GASB 27 was in 1996. The pension liability was \$0 and was determined in accordance with GASB 27. The amount of pension liability at transition was \$0. The difference between the amount of pension liability and the previously reported liability to the plan was \$0.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 8, both the Public Employees Retirement System of Ohio and the Police and Firemen's Disability Pension Fund provide postretirement health care coverage, commonly referred to as OPEB (other postemployment benefits). For both systems, the Ohio Revised Code provides the authority for public employers to fund postretirement health care through their contributions.

POLICE AND FIREMEN'S DISABILITY PENSION FUND OPEB

The fund provides postretirement health care coverage to any person who receives 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 basis.

Health care funding and accounting is on a pay-as-you-go basis. The Ohio Revised Code provides that health care costs paid shall be included in the employer's contribution rate. The 1999 employer contribution rate was 19.5% of covered payroll for Police and 24% for Fire of which 7.0% was used to fund health care. The City's contribution for the year ended December 31, 1999, was \$332,773 for Police and \$201,569 for Fire to pay postemployment benefits.

The number of participants eligible to receive health care benefits as of December 31, 1998, were 11,424 for Police and 9,186 for Fire. The Fund's total health care expenses for the year ended December 31, 1998, were \$78,596,790.

PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB

The Public Employees Retirement System of Ohio provides postretirement health care coverage 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.

The 1999 employer contribution rate was 13.55%, of which 4.2% was used to fund health care. The City's contribution for the year ended December 31, 1999, was \$599,376 to fund postemployment benefits. OPEB are financed through employer contributions and investment earnings there on. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

The number of participants eligible to receive health care benefits as of December 31, 1999, were 118,062. The Fund's total health care expenses for the year ended December 31, 1999, were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641.

11. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 1999, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|--|------------------------------|------------------|--------------------|---------------------------|--|
| General obligation bonds: | | | | | |
| Fire station, 9.00% | \$320,000 | | \$45,000 | \$275,000 | \$45,000 |
| Service center, 9.00% | 385,000 | | 55,000 | 330,000 | 55,000 |
| Improvement bonds- | | | | | |
| Series 1991, 4.5%-6.65% | 428,944 | | 21,636 | 407,308 | 23,024 |
| Improvement bonds- | | | | | |
| Series 1992, 3.25%-6.45% | 811,020 | | 33,903 | 777,117 | 38,585 |
| Improvement Refunding, 2.65%-5.25% | 4,395,000 | | 465,000 | 3,930,000 | 485,000 |
| Recreation Center Refunding, 2.65%-16.9% | <u>5,444,352</u> | | <u>745,000</u> | <u>4,699,352</u> | <u>775,000</u> |
| Total general obligation bonds | 11,784,316 | | 1,365,539 | 10,418,777 | 1,421,609 |
| Special assessment bonds: | | | | | |
| 1983 David Road Improvement, 9.75% | 85,000 | | 17,000 | 68,000 | 17,000 |
| Improvement bonds- | | | | | |
| Series 1991, 4.5%-6.65% | 1,346,056 | | 63,365 | 1,282,691 | 66,976 |
| Improvement bonds- | | | | | |
| Series 1992, 3.7%-5.9% | <u>33,980</u> | | <u>6,097</u> | <u>27,883</u> | <u>6,415</u> |
| Total special assessment bonds | 1,465,036 | | 86,462 | 1,378,574 | 90,391 |
| Other: | | | | | |
| Accrued vacation and sick leave benefits | 2,085,948 | \$113,859 | | 2,199,807 | 1,282,252 |
| Ohio Public Works Commission Long-Term Promissory Notes, 0% | <u>828,262</u> | | <u>71,133</u> | <u>757,129</u> | <u>71,134</u> |
| Total other | 2,914,210 | 113,859 | 71,133 | 2,956,936 | 1,353,386 |
| Total long-term liabilities | <u>\$16,163,562</u> | <u>\$113,859</u> | <u>\$1,523,134</u> | <u>\$14,754,287</u> | <u>\$2,865,386</u> |

The accrued vacation and sick leave benefits recorded above represent the noncurrent portion of the liability. The current portion has been recorded in the appropriate governmental fund type. The liability will be liquidated by several of the City's governmental and internal service funds. In the past, approximately 72% has been paid by the General Fund, 11% by the Street Maintenance Fund and the remainder by the other governmental and internal service funds. The City uses the "vesting method" to determine the appropriate liability.

In the event of delinquencies related to special assessment bonds, the City is required to use other resources until foreclosure proceeds are received to satisfy debt service. The City does not have a sinking fund or reserve established to cover defaults by property owners because foreclosure proceeds would eliminate any outstanding liability.

The annual requirements to pay principal and interest on long-term obligations at December 31, 1999, are as follows:

| | General Obligation | | Promissory | | Special Assessment | |
|-----------|---------------------|--------------------|------------------|-----------------|--------------------|------------------|
| | Bonds | | Notes | | Bonds | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2000 | \$1,421,609 | \$534,642 | \$71,134 | \$0 | \$90,391 | \$90,839 |
| 2001 | 1,482,375 | 462,983 | 71,134 | 0 | 94,625 | 84,948 |
| 2002 | 1,547,816 | 387,057 | 71,134 | 0 | 99,184 | 78,730 |
| 2003 | 1,617,858 | 306,420 | 71,134 | 0 | 104,142 | 72,115 |
| 2004 | 1,705,564 | 220,866 | 71,134 | 0 | 84,436 | 65,157 |
| 2005-2016 | <u>2,643,555</u> | <u>3,884,347</u> | <u>401,459</u> | <u>0</u> | <u>905,796</u> | <u>290,940</u> |
| Total | <u>\$10,418,777</u> | <u>\$5,796,315</u> | <u>\$757,129</u> | <u>\$0</u> | <u>\$1,378,574</u> | <u>\$682,729</u> |

The Ohio Revised Code (ORC) provides that the total net debt (as defined in the ORC) of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. At December 31, 1999, the City had a legal debt margin for total debt of \$97,616,917 and a legal debt margin for unvoted debt of \$50,943,614.

12. LEASES AND CONSTRUCTION COMMITMENTS

There are no operating leases, in which the City is a lessee, in excess of one year. Operating lease payments in 1999 were \$168,400.

Construction and other commitments at December 31, 1999, were approximately \$4,550,000.

13. CONTINGENT LIABILITIES

The City is the defendant in various lawsuits and subject to various claims over which litigation has not commenced. Although the outcome of these matters is not presently determinable, in the opinion of the Law Director the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City participates in several federally assisted programs which are subject to program compliance audits by the grantors or their representatives. A single financial and compliance audit of the City has been completed with no findings for recovery. The grantor agencies, at their option, may perform economy and efficiency audits, program results audits or conduct monitoring visits. Such audits and visits could lead to reimbursement to the grantor agencies. Management believes such reimbursements, if any, would be immaterial.

14. PRIOR YEAR RESTATEMENTS

In 1999, the City adopted GASB Statement No. 34, "Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments." This statement established new financial reporting requirements for all state and local governments and consists of the following:

- Management's discussion and analysis;
- Basic Financial Statements:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on governments major governmental funds and enterprise funds;
 - Notes to the financial statements;
- Required supplementary information, which requires budgetary comparison schedules to be presented.

Additionally, this new statement narrowed the definition for the fiduciary fund types and required the recording of infrastructure assets. As a result, the City's expendable trust funds were reclassified into special revenue funds, agency funds and private purpose trust funds while infrastructure was recorded in the government-wide financial statements. In addition, the City has elected to change its capitalization threshold for all capital assets from \$1,000 to \$5,000. The City has elected to retroactively apply the effect on the statements.

The impact of these restatements are as follows:

| | <u>Expendable Trust Funds</u> | <u>Private Purpose Trust Funds</u> | <u>Other Special Revenue Governmental Funds</u> | <u>Internal Service Funds</u> |
|--|-----------------------------------|--|---|---------------------------------------|
| Fund balance at the beginning of the year | \$455,713 | \$0 | \$739,673 | \$1,788,152 |
| Restatement for GASB No. 34 | (455,713) | 51,163 | 293,855 | |
| Restatement for Capitalization | <u> </u> | <u> </u> | <u> </u> | <u>(113,479)</u> |
| Fund balance at the beginning of the year, as restated | <u>\$0</u> | <u>\$51,163</u> | <u>\$1,033,528</u> | <u>\$1,674,673</u> |
| Agency fund assets/liabilities at the beginning of the year | | | \$728,694 | |
| Restatement for GASB No. 34 | | | 110,695 | |
| Agency fund assets/liabilities at the beginning of the year, as restated | | | \$839,389 | |

15. SPECIAL ITEM

The City is in the final stages of converting a closed Air Force base (Gentile AFB) to private use. In 1999, the U.S. Government deeded over to the City a building located on the former base. The fair market value at the time of donation was \$4.2 million.

31 CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

| | 1999 | | | Variance with Final Budget |
|--------------------------------------|------------------|--------------|--------------|-------------------------------|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| Fund balance, January 1 | \$30,574,645 | \$30,574,645 | \$30,574,645 | |
| Resources (inflows) | | | | |
| Income taxes | 22,566,000 | 22,121,000 | 22,512,947 | \$391,947 |
| Property taxes | 5,725,000 | 5,725,000 | 5,856,560 | 131,560 |
| Licenses and permits | 440,000 | 380,000 | 395,804 | 15,804 |
| Intergovernmental revenue | 1,957,000 | 1,957,000 | 1,938,355 | (18,645) |
| Charges for services | 6,000 | 15,000 | 7,325 | (7,675) |
| Fines and forfeits | 1,100,000 | 1,014,000 | 985,659 | (28,341) |
| Investment earnings | 1,600,000 | 1,800,000 | 1,886,521 | 86,521 |
| Special assessments | 300,000 | 308,000 | 308,352 | 352 |
| Refunds and reimbursements | 600,000 | 600,000 | 666,500 | 66,500 |
| Miscellaneous | 70,000 | 144,000 | 183,005 | 39,005 |
| Transfer from other funds | | 20,300 | 20,169 | (131) |
| Amounts available for appropriation | 64,938,645 | 64,658,945 | 65,335,842 | 676,897 |
| Charges to appropriations (outflows) | | | | |
| General government: | | | | |
| Mayor and Council: | | | | |
| Personal services | 180,240 | 180,240 | 178,393 | 1,847 |
| Operating expenditures | 76,398 | 77,244 | 65,779 | 11,465 |
| Capital outlay | 1,000 | | | |
| Total mayor and council | 257,638 | 257,484 | 244,172 | 13,312 |
| Municipal court: | | | | |
| Personal services | 539,000 | 539,000 | 528,246 | 10,754 |
| Operating expenditures | 121,692 | 270,558 | 117,428 | 153,130 |
| Capital outlay | 25,000 | 10,000 | | 10,000 |
| Total municipal court | 685,692 | 819,558 | 645,674 | 173,884 |
| Clerk of courts: | | | | |
| Personal services | 510,000 | 510,000 | 498,155 | 11,845 |
| Operating expenditures | 103,533 | 107,404 | 78,425 | 28,979 |
| Capital outlay | 4,000 | | | |
| Total clerk of courts | 617,533 | 617,404 | 576,580 | 40,824 |
| Office of City Manager: | | | | |
| Personal services | 411,760 | 421,760 | 408,610 | 13,150 |
| Operating expenditures | 57,165 | 58,950 | 58,596 | 354 |
| Capital outlay | 2,000 | | | |
| Total office of city manager | 470,925 | 480,710 | 467,206 | 13,504 |
| Law department: | | | | |
| Personal services | 494,970 | 464,970 | 486,077 | (21,107) |
| Operating expenditures | 105,316 | 193,309 | 238,317 | (45,008) |
| Capital outlay | 8,125 | | | |
| Total law department | 608,411 | 658,279 | 724,394 | (66,115) |
| Finance department: | | | | |
| Personal services | 1,053,320 | 1,053,320 | 1,013,646 | 39,674 |
| Operating expenditures | 433,866 | 444,130 | 400,480 | 43,650 |
| Capital outlay | 14,000 | | | |
| Total finance department | 1,501,186 | 1,497,450 | 1,414,126 | 83,324 |
| Administrative support: | | | | |
| Personal services | 330,910 | 330,910 | 323,403 | 7,507 |
| Operating expenditures | 71,396 | 78,876 | 70,155 | 8,721 |
| Capital outlay | 7,800 | | | |
| Total administrative support | 410,106 | 409,786 | 393,558 | 16,228 |

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON STATEMENT - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999**

| | 1999 | | | Variance with Final Budget |
|----------------------------------|------------------------------|---------------------|---------------------|-------------------------------|
| | Budgeted Amounts Original | Final | Actual | |
| General government: | | | | |
| Human resources department: | | | | |
| Personal services | \$459,310 | \$459,310 | \$454,886 | \$4,424 |
| Operating expenditures | 270,432 | 262,637 | 223,523 | 39,114 |
| Capital outlay | 4,500 | | | |
| Total human resources department | <u>734,242</u> | <u>721,947</u> | <u>678,409</u> | <u>43,538</u> |
| Planning and development: | | | | |
| Personal services | 1,267,920 | 1,293,120 | 1,214,664 | 78,436 |
| Operating expenditures | 321,762 | 354,190 | 291,205 | 62,985 |
| Capital outlay | 25,000 | | | |
| Total planning and development | <u>1,614,682</u> | <u>1,647,310</u> | <u>1,505,869</u> | <u>141,421</u> |
| Economic development: | | | | |
| Personal services | 108,370 | 78,870 | 69,379 | 9,491 |
| Operating expenditures | 198,189 | 881,644 | 792,703 | 88,941 |
| Capital outlay | 1,000 | | | |
| Total economic development | <u>307,559</u> | <u>960,514</u> | <u>862,082</u> | <u>98,432</u> |
| Miscellaneous: | | | | |
| Operating expenditures | 691,476 | 691,076 | 599,711 | 91,365 |
| Total miscellaneous | <u>691,476</u> | <u>691,076</u> | <u>599,711</u> | <u>91,365</u> |
| Total general government | <u>7,899,450</u> | <u>8,761,518</u> | <u>8,111,801</u> | <u>649,717</u> |
| Police: | | | | |
| Personal services | 6,598,090 | 6,598,090 | 6,528,653 | 69,437 |
| Operating expenditures | 1,411,836 | 1,428,253 | 1,311,759 | 116,494 |
| Capital outlay | 492,238 | 525,513 | 442,533 | 82,980 |
| Total police | <u>8,502,164</u> | <u>8,551,856</u> | <u>8,282,945</u> | <u>268,911</u> |
| Fire: | | | | |
| Personal services | 4,259,580 | 4,335,580 | 4,335,321 | 259 |
| Operating expenditures | 2,020,242 | 2,065,621 | 1,738,216 | 327,405 |
| Capital outlay | 808,200 | 685,800 | 21,429 | 664,371 |
| Total fire | <u>7,088,022</u> | <u>7,087,001</u> | <u>6,094,966</u> | <u>992,035</u> |
| Public works: | | | | |
| Transportation department: | | | | |
| Personal services | 619,300 | 619,300 | 600,047 | 19,253 |
| Operating expenditures | 286,593 | 292,559 | 240,036 | 52,523 |
| Capital outlay | 6,600 | | | |
| Total transportation department | <u>912,493</u> | <u>911,859</u> | <u>840,083</u> | <u>71,776</u> |
| Engineering department: | | | | |
| Personal services | 914,310 | 934,310 | 918,288 | 16,022 |
| Operating expenditures | 159,539 | 172,400 | 167,544 | 4,856 |
| Capital outlay | 28,349 | 14,849 | 14,849 | |
| Total engineering department | <u>1,102,198</u> | <u>1,121,559</u> | <u>1,100,681</u> | <u>20,878</u> |
| Street lighting: | | | | |
| Operating expenditures | 666,867 | 666,867 | 508,985 | 157,882 |
| Total street lighting | <u>666,867</u> | <u>666,867</u> | <u>508,985</u> | <u>157,882</u> |
| Total public works | <u>2,681,558</u> | <u>2,700,285</u> | <u>2,449,749</u> | <u>250,536</u> |
| Transfers to other funds | 16,890,000 | 19,082,500 | 14,351,029 | 4,731,471 |
| Total charges to appropriations | <u>43,061,194</u> | <u>46,183,160</u> | <u>39,290,490</u> | <u>6,892,670</u> |
| Fund balance, December 31 | <u>\$21,877,451</u> | <u>\$18,475,785</u> | <u>\$26,045,352</u> | <u>\$7,569,567</u> |

See accompanying notes to the required supplementary information.

33 CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON STATEMENT - STREET MAINTENANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

| | 1999 | | | Variance with Final Budget |
|--------------------------------------|-------------------|------------------|------------------|-------------------------------|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| Fund balance, January 1 | \$287,724 | \$287,724 | \$287,724 | |
| Resources (inflows) | | | | |
| Intergovernmental revenue | 1,649,000 | 1,800,000 | 1,771,149 | (\$28,851) |
| Refunds and reimbursements | 200,000 | 216,000 | 196,702 | (19,298) |
| Miscellaneous | | | 5,983 | 5,983 |
| Transfer from the general fund | 2,200,000 | 2,200,000 | 2,085,400 | (114,600) |
| Amounts available for appropriation | <u>4,336,724</u> | <u>4,503,724</u> | <u>4,346,958</u> | <u>(156,766)</u> |
| Charges to appropriations (outflows) | | | | |
| Public works: | | | | |
| Street department: | | | | |
| Personal services | 2,677,930 | 2,677,930 | 2,669,305 | 8,625 |
| Operating expenditures | 1,126,731 | 1,139,490 | 1,101,984 | 37,506 |
| Capital outlay | 568,680 | 555,280 | 294,364 | 260,916 |
| Total charges to appropriations | <u>4,373,341</u> | <u>4,372,700</u> | <u>4,065,653</u> | <u>307,047</u> |
| Fund balance, December 31 | <u>(\$36,617)</u> | <u>\$131,024</u> | <u>\$281,305</u> | <u>\$150,281</u> |

See accompanying notes to the required supplementary information.

CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON STATEMENT -
PARKS, RECREATION AND CULTURAL ARTS FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

| | 1999 | | | Variance with Final Budget |
|---|------------------|------------------|------------------|-------------------------------|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| Fund balance, January 1 | \$149,522 | \$149,522 | \$149,522 | |
| Resources (inflows) | | | | |
| Intergovernmental revenue | 16,000 | 19,000 | 18,712 | (\$288) |
| Charges for services | 2,316,000 | 2,235,000 | 2,356,655 | 121,655 |
| Refunds and reimbursements | 1,000 | 40,000 | 44,394 | 4,394 |
| Miscellaneous | 160,000 | 171,000 | 30,989 | (140,011) |
| Transfer from the general fund | 4,500,000 | 4,525,000 | 4,243,000 | (282,000) |
| Amounts available for appropriation | <u>7,142,522</u> | <u>7,139,522</u> | <u>6,843,272</u> | <u>(296,250)</u> |
| Charges to appropriations (outflows) | | | | |
| Leisure services: | | | | |
| Parks, recreation and cultural arts department: | | | | |
| Personal services | 3,799,330 | 3,799,330 | 3,652,724 | 146,606 |
| Operating expenditures | 3,123,375 | 3,151,490 | 3,051,491 | 99,999 |
| Capital outlay | 169,058 | 130,258 | 83,371 | 46,887 |
| Total charges to appropriations | <u>7,091,763</u> | <u>7,081,078</u> | <u>6,787,586</u> | <u>293,492</u> |
| Fund balance, December 31 | <u>\$50,759</u> | <u>\$58,444</u> | <u>\$55,686</u> | <u>(\$2,758)</u> |

See accompanying notes to the required supplementary information.

35 CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

**BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON STATEMENT - FRAZE PAVILION FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

| | 1999 | | | Variance with Final Budget |
|--------------------------------------|------------------|------------------|------------------|-------------------------------|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| Fund balance, January 1 | \$85,210 | \$85,210 | \$85,210 | |
| Resources (inflows) | | | | |
| Charges for services | 1,156,000 | 1,182,000 | 1,466,676 | \$284,676 |
| Refunds and reimbursements | 25,000 | 33,000 | 32,710 | (290) |
| Miscellaneous | 465,000 | 507,000 | 214,838 | (292,162) |
| Transfer from the general fund | 500,000 | 500,000 | 380,000 | (120,000) |
| Amounts available for appropriation | <u>2,231,210</u> | <u>2,307,210</u> | <u>2,179,434</u> | <u>(127,776)</u> |
| Charges to appropriations (outflows) | | | | |
| Leisure services: | | | | |
| Fraze pavilion: | | | | |
| Personal services | 412,870 | 420,870 | 417,319 | 3,551 |
| Operating expenditures | 1,688,358 | 1,742,019 | 1,685,922 | 56,097 |
| Capital outlay | 13,600 | | | |
| Total charges to appropriations | <u>2,114,828</u> | <u>2,162,889</u> | <u>2,103,241</u> | <u>59,648</u> |
| Fund balance, December 31 | <u>\$116,382</u> | <u>\$144,321</u> | <u>\$76,193</u> | <u>(\$68,128)</u> |

See accompanying notes to the required supplementary information.

CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON STATEMENT -

COMMUNITY DEVELOPMENT FUND

FOR THE YEAR ENDED DECEMBER 31, 1999

| | 1999 | | Actual | Variance with Final Budget |
|--------------------------------------|------------------------------|-------------|-------------|-------------------------------|
| | Budgeted Amounts Original | Final | | |
| Fund balance, January 1 | \$2,751,994 | \$2,751,994 | \$2,751,994 | |
| Resources (inflows) | | | | |
| Intergovernmental revenue | 648,993 | 759,713 | 300,398 | (\$459,315) |
| Miscellaneous | 666,000 | 666,000 | 151,986 | (514,014) |
| Amounts available for appropriation | 4,066,987 | 4,177,707 | 3,204,378 | (973,329) |
| Charges to appropriations (outflows) | | | | |
| General government | 779,104 | 992,548 | 681,740 | 310,808 |
| Capital improvements | 302,715 | 552,653 | 237,605 | 315,048 |
| Total charges to appropriations | 1,081,819 | 1,545,201 | 919,345 | 625,856 |
| Fund balance, December 31 | \$2,985,168 | \$2,632,506 | \$2,285,033 | (\$347,473) |

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1999**

1. BUDGETS AND BUDGETARY ACCOUNTING

An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings are held, by July 15 of each year, and submitted to the County Budget Commission by July 20 of each year.

The County Budget Commission certifies its actions relative to the annual budget to the City by September 1. As part of this certification, the City receives an official certificate of estimated resources which states the projected receipts by fund. On or about January 1, this certificate is amended to include any unencumbered fund balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations ordinance.

A temporary appropriations ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriations ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriations ordinance generally controls expenditures at the level of personal services, operating expenditures and capital improvements on a department level, except for the state highway fund, cemetery fund, police pension fund, DESC (Defense Electronics Supply Center) reuse fund, special safety grants and programs fund, community development fund and the capital projects fund which are controlled at the fund level. The City Manager has the authority to amend appropriations within the department at the levels of personal service, operating expenditures and capital improvements; amendments above this level require council approval. The ordinance may be amended or supplemented by Council during the year as required. Amendments to the appropriations ordinance made during the year were not material in relation to the original appropriations. Total expenditures in any fund do not exceed the estimated resources for that fund. Unencumbered appropriations lapse at year-end, while encumbered amounts are reappropriated in the following year's budget. Revenues are estimated by the Finance Director in conjunction with the annual budgeting process. However, these estimates are not included or required in the budget ordinance.

The City, being a home rule municipal corporation, has adopted, through ordinance, GAAP (generally accepted accounting principles) as its budgetary basis.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The Law Department within the General Fund had expenditures exceed appropriation in 1999 by \$66,115.

**FINANCIAL STATEMENTS
OF
INDIVIDUAL FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET DECEMBER 31, 1999

| | State Highway | Cemetery | Police Pension | DESC Reuse | Special Safety Grants & Programs | Total Governmental Funds |
|-------------------------------------|------------------|------------------|-------------------|------------------|--|--------------------------------|
| ASSETS | | | | | | |
| Pooled cash and investments | \$435,194 | \$202,801 | \$264,743 | \$236,767 | \$778,966 | \$1,918,471 |
| Receivables: | | | | | | |
| Property taxes | | | 310,797 | | | 310,797 |
| Accounts | | | | | 1,164 | 1,164 |
| Due from other governments | 4,430 | | 1,185 | | 84,656 | 90,271 |
| Prepaid expenditures | | | | 678 | | 678 |
| Total assets | <u>\$439,624</u> | <u>\$202,801</u> | <u>\$576,725</u> | <u>\$237,445</u> | <u>\$864,786</u> | <u>\$2,321,381</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$752 | | | \$47,246 | \$18,028 | \$66,026 |
| Accrued payroll | | | \$253,863 | 474 | | 254,337 |
| Deferred revenue | | | 309,000 | 80,058 | 84,214 | 473,272 |
| Total liabilities | <u>752</u> | | <u>562,863</u> | <u>127,778</u> | <u>102,242</u> | <u>793,635</u> |
| FUND BALANCES | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | 7,031 | | | 47,356 | 1,170,673 | 1,225,060 |
| Prepaid expenditures | | | | 678 | | 678 |
| Unreserved | 431,841 | \$202,801 | 13,862 | 61,633 | (408,129) | 302,008 |
| Total fund balances | <u>438,872</u> | <u>202,801</u> | <u>13,862</u> | <u>109,667</u> | <u>762,544</u> | <u>1,527,746</u> |
| Total liabilities and fund balances | <u>\$439,624</u> | <u>\$202,801</u> | <u>\$576,725</u> | <u>\$237,445</u> | <u>\$864,786</u> | <u>\$2,321,381</u> |

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 1999

| | State Highway | | | Cemetery | | |
|--|------------------|------------------|------------------|------------------|------------------|-----------------|
| | Final Budget | Actual | Variance | Final Budget | Actual | Variance |
| REVENUES | | | | | | |
| Property taxes | | | | | | |
| Intergovernmental revenue | \$107,000 | \$111,621 | \$4,621 | | | |
| Charges for services | | | | \$9,000 | \$14,095 | \$5,095 |
| Fines and forfeits | | | | | | |
| Investment earnings | 20,000 | 23,571 | 3,571 | 6,000 | 10,430 | 4,430 |
| Refunds and reimbursements | | 17,360 | 17,360 | | | |
| Miscellaneous | | | | 1,000 | 570 | (430) |
| Total revenues | <u>127,000</u> | <u>152,552</u> | <u>25,552</u> | <u>16,000</u> | <u>25,095</u> | <u>9,095</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | | | | 11,800 | 8,429 | 3,371 |
| Police | | | | | | |
| Fire | | | | | | |
| Public works | 96,920 | 81,542 | 15,378 | | | |
| Capital improvements | 520,512 | 34,220 | 486,292 | | | |
| Total expenditures | <u>617,432</u> | <u>115,762</u> | <u>501,670</u> | <u>11,800</u> | <u>8,429</u> | <u>3,371</u> |
| Excess (deficiency) of revenues over expenditures | (490,432) | 36,790 | 527,222 | 4,200 | 16,666 | 12,466 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | 200,000 | | (200,000) | | | |
| Operating transfers out | | | | | | |
| Net change in fund balance | (290,432) | 36,790 | 327,222 | 4,200 | 16,666 | 12,466 |
| Fund balances--beginning, as restated | 402,082 | 402,082 | | 186,135 | 186,135 | |
| Fund balances--ending | <u>\$111,650</u> | <u>\$438,872</u> | <u>\$327,222</u> | <u>\$190,335</u> | <u>\$202,801</u> | <u>\$12,466</u> |

41 **CITY OF KETTERING, OHIO**

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL (GAAP BUDGET) - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 1999

| | Police Pension | | | DESC Reuse | | |
|--|----------------|-----------------|-----------------|--------------------|------------------|------------------|
| | Final Budget | Actual | Variance | Final Budget | Actual | Variance |
| REVENUES | | | | | | |
| Property taxes | \$301,000 | \$308,111 | \$7,111 | | | |
| Intergovernmental revenue | | | | \$106,658 | \$488,125 | \$382,467 |
| Charges for services | | | | 160,000 | 176,781 | 16,781 |
| Fines and forfeits | | | | | | |
| Investment earnings | | | | | | |
| Refunds and reimbursements | | | | 60,000 | 94,840 | 34,840 |
| Miscellaneous | | | | | | |
| Total revenues | <u>301,000</u> | <u>308,111</u> | <u>7,111</u> | <u>325,658</u> | <u>759,746</u> | <u>434,088</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | | | | 432,043 | 298,175 | 133,868 |
| Police | 935,000 | 929,884 | 5,116 | | | |
| Fire | | | | | | |
| Public works | | | | | | |
| Capital Improvements | | | | | | |
| Total expenditures | <u>935,000</u> | <u>929,884</u> | <u>5,116</u> | <u>432,043</u> | <u>298,175</u> | <u>133,868</u> |
| Excess (deficiency) of revenues over expenditures | (634,000) | (621,773) | 12,227 | (106,385) | 461,571 | 567,956 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | 615,000 | 615,000 | | | | |
| Operating transfers out | | | | (20,300) | (20,169) | 131 |
| Net change in fund balance | (19,000) | (6,773) | 12,227 | (126,685) | 441,402 | 568,087 |
| Fund balances--beginning, as restated | 20,635 | 20,635 | | (331,735) | (331,735) | |
| Fund balances--ending | <u>\$1,635</u> | <u>\$13,862</u> | <u>\$12,227</u> | <u>(\$458,420)</u> | <u>\$109,667</u> | <u>\$568,087</u> |

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL (GAAP BUDGET) - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 1999

| | Special Safety Grants & Programs | | | Total 1999 | | |
|--|----------------------------------|------------------|--------------------|--------------------|--------------------|--------------------|
| | Final Budget | Actual | Variance | Final Budget | Actual | Variance |
| REVENUES | | | | | | |
| Property taxes | | | | \$301,000 | \$308,111 | \$7,111 |
| Intergovernmental revenue | \$240,405 | \$93,687 | (\$146,718) | 453,063 | 693,433 | 240,370 |
| Charges for services | | | | 169,000 | 190,876 | 21,876 |
| Fines and forfeits | 96,000 | 98,754 | 2,754 | 96,000 | 98,754 | 2,754 |
| Investment earnings | 8,000 | 17,875 | 9,875 | 34,000 | 51,876 | 17,876 |
| Refunds and reimbursements | | | | 60,000 | 112,200 | 52,200 |
| Miscellaneous | 38,000 | 33,917 | (4,083) | 39,000 | 34,487 | (4,513) |
| Total revenues | <u>382,405</u> | <u>244,233</u> | <u>(138,172)</u> | <u>1,152,063</u> | <u>1,489,737</u> | <u>337,674</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 106,000 | 55,051 | 50,949 | 549,843 | 361,655 | 188,188 |
| Police | 169,110 | 102,299 | 66,811 | 1,104,110 | 1,032,183 | 71,927 |
| Fire | 7,000 | 5,002 | 1,998 | 7,000 | 5,002 | 1,998 |
| Public works | 128,262 | 123,648 | 4,614 | 225,182 | 205,190 | 19,992 |
| Capital improvements | 1,672,013 | 429,729 | 1,242,284 | 2,192,525 | 463,949 | 1,728,576 |
| Total expenditures | <u>2,082,385</u> | <u>715,729</u> | <u>1,366,656</u> | <u>4,078,660</u> | <u>2,067,979</u> | <u>2,010,681</u> |
| Excess (deficiency) of revenues over expenditures | (1,699,980) | (471,496) | 1,228,484 | (2,926,597) | (578,242) | 2,348,355 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | 476,500 | 477,629 | 1,129 | 1,291,500 | 1,092,629 | (198,871) |
| Operating transfers out | | | | (20,300) | (20,169) | 131 |
| Net change in fund balance | (1,223,480) | 6,133 | 1,229,613 | (1,655,397) | 494,218 | 2,149,615 |
| Fund balances--beginning, as restated | 756,411 | 756,411 | | 1,033,528 | 1,033,528 | |
| Fund balances--ending | <u>(\$467,069)</u> | <u>\$762,544</u> | <u>\$1,229,613</u> | <u>(\$621,869)</u> | <u>\$1,527,746</u> | <u>\$2,149,615</u> |

DEBT SERVICE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 1999

| | Final Budget | 1999 Actual | Variance |
|--|------------------|------------------|-----------------|
| REVENUES | | | |
| Property taxes | \$1,123,000 | \$1,198,897 | \$75,897 |
| Investment earnings | 60,000 | 72,941 | 12,941 |
| Special assessments | 183,000 | 182,888 | (112) |
| Total revenues | <u>1,366,000</u> | <u>1,454,726</u> | <u>88,726</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 5,000 | 2,916 | 2,084 |
| Debt service: | | | |
| Principal | 1,523,134 | 1,523,134 | |
| Interest | 697,513 | 697,513 | |
| Total expenditures | <u>2,225,647</u> | <u>2,223,563</u> | <u>2,084</u> |
| Deficiency of revenues over expenditures | (859,647) | (768,837) | 90,810 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 800,000 | 760,000 | (40,000) |
| Net change in fund balance | <u>(59,647)</u> | <u>(8,837)</u> | <u>50,810</u> |
| Fund balances--beginning | 161,955 | 161,955 | |
| Fund balances--ending | <u>\$102,308</u> | <u>\$153,118</u> | <u>\$50,810</u> |

CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 1999

| | Final Budget | 1999 Actual | Variance |
|--|--------------------|--------------------|--------------------|
| REVENUES | | | |
| Intergovernmental | \$3,210,000 | \$3,078,038 | \$131,962 |
| Special assessments | 678,000 | 677,486 | 514 |
| Refunds and reimbursements | 300,000 | 318,685 | (18,685) |
| Miscellaneous | 100,000 | 31,832 | 68,168 |
| Total revenues | <u>4,288,000</u> | <u>4,106,041</u> | <u>181,959</u> |
| EXPENDITURES | | | |
| Capital improvements | 16,646,873 | 9,829,067 | 6,817,806 |
| Total expenditures | <u>16,646,873</u> | <u>9,829,067</u> | <u>6,817,806</u> |
| Deficiency of revenues over expenditures | (12,358,873) | (5,723,026) | 6,635,847 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | 9,766,000 | 5,790,000 | (3,976,000) |
| Net change in fund balance | <u>(2,592,873)</u> | <u>66,974</u> | <u>2,659,847</u> |
| Fund balances--beginning | 3,229,505 | 3,229,505 | |
| Fund balances--ending | <u>\$636,632</u> | <u>\$3,296,479</u> | <u>\$2,659,847</u> |

CAPITAL PROJECTS FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 1999

| | <u>Final Budget</u> | <u>1999 Actual</u> | <u>Variance</u> |
|-------------------------------|---------------------|------------------------|--------------------|
| Capital improvements: | | | |
| Traffic controls | \$350,350 | \$196,813 | \$153,537 |
| Street construction | 8,859,017 | 5,363,293 | 3,495,724 |
| Drainage | 231,632 | 111,732 | 119,900 |
| Parks and recreation | 1,277,109 | 820,530 | 456,579 |
| Tree planting and landscaping | 80,890 | 70,784 | 10,106 |
| Other | 5,847,875 | 3,265,915 | 2,581,960 |
| Total capital projects fund | <u>\$16,646,873</u> | <u>\$9,829,067</u> | <u>\$6,817,806</u> |

INTERNAL SERVICE FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 1999

| | Administrative Operations | Health Insurance | Totals 1999 |
|--|------------------------------|---------------------|--------------------|
| ASSETS | | | |
| Current assets: | | | |
| Pooled cash and investments | \$348,165 | \$461,242 | \$809,407 |
| Accounts receivable | 652 | | 652 |
| Prepaid expenses | 5,780 | | 5,780 |
| Inventory | 263,035 | | 263,035 |
| Total current assets | <u>617,632</u> | <u>461,242</u> | <u>1,078,874</u> |
| Noncurrent assets: | | | |
| Buildings and improvements | 809,359 | | 809,359 |
| Machinery and equipment | 1,863,881 | | 1,863,881 |
| Less: Accumulated depreciation | (1,844,250) | | (1,844,250) |
| Total noncurrent assets | <u>828,990</u> | | <u>828,990</u> |
| Total assets | <u>\$1,446,622</u> | <u>\$461,242</u> | <u>\$1,907,864</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$142,159 | | \$142,159 |
| Accrued: | | | |
| Payroll | 133,632 | | 133,632 |
| Vacation and sick leave benefits | 119,519 | | 119,519 |
| Total current liabilities | <u>395,310</u> | | <u>395,310</u> |
| Noncurrent liabilities: | | | |
| Accrued vacation and sick leave benefits | 70,194 | | 70,194 |
| Total liabilities | <u>465,504</u> | | <u>465,504</u> |
| NET ASSETS | | | |
| Invested in capital assets | 828,990 | | 828,990 |
| Unrestricted | 152,128 | \$461,242 | 613,370 |
| Total net assets | <u>981,118</u> | <u>461,242</u> | <u>1,442,360</u> |
| Total liabilities and net assets | <u>\$1,446,622</u> | <u>\$461,242</u> | <u>\$1,907,864</u> |

47 CITY OF KETTERING, OHIO

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 1999

| | Administrative Operations | Health Insurance | Totals 1999 |
|--|------------------------------|---------------------|--------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$4,135,489 | \$1,362,912 | \$5,498,401 |
| Total operating revenues | <u>4,135,489</u> | <u>1,362,912</u> | <u>5,498,401</u> |
| OPERATING EXPENSES | | | |
| Personal services | 2,167,428 | | 2,167,428 |
| Repairs and maintenance | 877,447 | | 877,447 |
| Contractual services | 449,562 | 1,630,086 | 2,079,648 |
| Other materials and expenses | 456,118 | | 456,118 |
| Depreciation | 216,890 | | 216,890 |
| Total operating expenses | <u>4,167,445</u> | <u>1,630,086</u> | <u>5,797,531</u> |
| Operating income (loss) | <u>(31,956)</u> | <u>(267,174)</u> | <u>(299,130)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment earnings | 27,970 | 38,847 | 66,817 |
| Change in net assets | (3,986) | (228,327) | (232,313) |
| Total net assets--beginning, as restated | 985,104 | 689,569 | 1,674,673 |
| Total net assets--ending | <u>\$981,118</u> | <u>\$461,242</u> | <u>\$1,442,360</u> |

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 1999
 Increase (Decrease) in cash

| | Administrative Operations | Health Insurance | Totals 1999 |
|--|------------------------------|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received for services | \$4,146,452 | \$1,362,912 | \$5,509,364 |
| Cash paid to suppliers for goods or services | (1,756,864) | (1,630,086) | (3,386,950) |
| Cash paid to employees for services | (2,162,095) | | (2,162,095) |
| Net cash provided (used) by operating activities | <u>227,493</u> | <u>(267,174)</u> | <u>(39,681)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (265,202) | | (265,202) |
| Sale of capital assets | 9,512 | | 9,512 |
| Net cash used by capital and related financing activities | <u>(255,690)</u> | | <u>(255,690)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment earnings | 27,970 | 38,847 | 66,817 |
| Net cash provided by investing activities | <u>27,970</u> | <u>38,847</u> | <u>66,817</u> |
| Net increase (decrease) in cash | (227) | (228,327) | (228,554) |
| Cash at beginning of year | 348,392 | 689,569 | 1,037,961 |
| Cash at end of year | <u>\$348,165</u> | <u>\$461,242</u> | <u>\$809,407</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | (\$31,956) | (\$267,174) | (\$299,130) |
| <i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i> | | | |
| Depreciation | 216,890 | | 216,890 |
| (Increase) decrease in receivables | 12,700 | | 12,700 |
| (Increase) decrease in inventories | (40,538) | | (40,538) |
| Increase (decrease) in accounts payable | 62,786 | | 62,786 |
| Net (increase) decrease in other operating net assets | 7,611 | | 7,611 |
| Net cash provided (used) by operating activities | <u>\$227,493</u> | <u>(\$267,174)</u> | <u>(\$39,681)</u> |

49 CITY OF KETTERING, OHIO

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 1999

| | Balance December 31 1998, as restated | Additions | Deductions | Balance December 31 1999 |
|---|---|--------------|--------------|--------------------------------|
| <u>PAYROLL WITHHOLDING FUND</u> | | | | |
| ASSETS - Cash | \$157,472 | \$7,407,009 | \$7,385,796 | \$178,685 |
| LIABILITIES - Withholdings payable | \$157,472 | \$7,407,009 | \$7,385,796 | \$178,685 |
| <u>MUNICIPAL COURT FUND</u> | | | | |
| ASSETS - Investments with fiscal agent | \$571,222 | \$3,299,317 | \$3,521,325 | \$349,214 |
| LIABILITIES - Undistributed moneys | \$571,222 | \$3,299,317 | \$3,521,325 | \$349,214 |
| <u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u> | | | | |
| ASSETS - Cash | \$110,695 | \$66,351 | \$167,245 | \$9,801 |
| LIABILITIES | | | | |
| Accounts payable | \$81,796 | \$59,981 | \$138,346 | \$3,431 |
| Unclaimed moneys | 28,899 | 6,370 | 28,899 | 6,370 |
| Total liabilities | \$110,695 | \$66,351 | \$167,245 | \$9,801 |
| <u>TOTALS - ALL AGENCY FUNDS</u> | | | | |
| ASSETS | | | | |
| Cash | \$268,167 | \$7,473,360 | \$7,553,041 | \$188,486 |
| Investments with fiscal agent | 571,222 | 3,299,317 | 3,521,325 | 349,214 |
| Total assets | \$839,389 | \$10,772,677 | \$11,074,366 | \$537,700 |
| LIABILITIES | | | | |
| Accounts payable | \$81,796 | \$59,981 | \$138,346 | \$3,431 |
| Withholdings payable | 157,472 | 7,407,009 | 7,385,796 | 178,685 |
| Undistributed moneys | 571,222 | 3,299,317 | 3,521,325 | 349,214 |
| Unclaimed moneys | 28,899 | 6,370 | 28,899 | 6,370 |
| Total liabilities | \$839,389 | \$10,772,677 | \$11,074,366 | \$537,700 |

DEBT SCHEDULE
DECEMBER 31, 1999

Schedule of Bonds and Notes

| PURPOSE | Date Issued | Interest Rate | Maturity Date | Amount Issued | Amount Outstanding | Payments Due in 2000 | |
|--------------------------------|-------------|---------------|---------------|---------------|--------------------|----------------------|-----------|
| | | | | | | Principal | Interest |
| General Obligation Bonds: | | | | | | | |
| Fire station | 09/01/1985 | 9.00% | 12/01/2005 | \$855,000 | \$275,000 | \$45,000 | \$24,750 |
| Service center | 09/01/1985 | 9.00 | 12/01/2005 | 1,050,000 | 330,000 | 55,000 | 29,700 |
| Improvement bonds-series 1991 | 12/01/1991 | 4.5-6.65 | 12/01/2012 | 524,921 | 407,308 | 23,024 | 26,199 |
| Improvement bonds-series 1992 | 11/01/1992 | 3.25-6.45 | 12/01/2012 | 994,303 | 777,117 | 38,585 | 48,483 |
| Improvement refunding | 08/01/1993 | 2.65-5.25 | 12/01/2006 | 6,845,000 | 3,930,000 | 485,000 | 196,335 |
| Recreation center refunding | 08/01/1993 | 2.65-16.9 | 12/01/2008 | 9,289,352 | 4,699,352 | 775,000 | 209,175 |
| Total general obligation bonds | | | | | 10,418,777 | 1,421,609 | 534,642 |
| Special Assessment Bonds: | | | | | | | |
| David road project | 09/01/1983 | 9.75 | 12/01/2003 | 340,000 | 68,000 | 17,000 | 6,630 |
| Improvement bonds-series 1991 | 12/01/1991 | 4.5-6.65 | 12/01/2012 | 1,665,079 | 1,282,691 | 66,976 | 82,617 |
| Improvement bonds-series 1992 | 11/01/1992 | 3.7-5.90 | 12/01/2003 | 60,697 | 27,883 | 6,415 | 1,592 |
| Total special assessment bonds | | | | | 1,378,574 | 90,391 | 90,839 |
| Promissory Notes: | | | | | | | |
| Ohio public works commission: | | | | | | | |
| Bridge replacements | 12/01/1994 | 0.00 | 07/01/2015 | 280,393 | 219,565 | 14,020 | 0 |
| Rushland drive improvement | 07/01/1996 | 0.00 | 07/01/2016 | 122,577 | 104,191 | 6,129 | 0 |
| Dorothy lane resurfacing | 01/01/1998 | 0.00 | 01/01/2008 | 509,850 | 433,373 | 50,985 | 0 |
| Total promissory notes | | | | | 757,129 | 71,134 | 0 |
| Total | | | | | \$12,554,480 | \$1,583,134 | \$625,481 |



CITY OF KETTERING

STATISTICAL SECTION

STATISTICAL TABLES

The following unaudited statistical tables reflect social and economic data, financial trends and fiscal capacity of the City.

GENERAL FUND EXPENDITURES BY FUNCTION LAST TEN YEARS

| Year | General Government | Police | Fire | Public Works | Total |
|------|--------------------|-------------|-------------|--------------|--------------|
| 1990 | \$5,084,468 | \$6,384,865 | \$3,686,802 | \$2,431,417 | \$17,587,552 |
| 1991 | 5,047,580 | 6,184,434 | 3,868,633 | 2,364,353 | 17,465,000 |
| 1992 | 5,389,103 | 6,546,244 | 4,187,416 | 2,372,035 | 18,494,798 |
| 1993 | 5,513,493 | 6,690,210 | 4,718,823 | 2,360,820 | 19,283,346 |
| 1994 | 5,825,863 | 6,726,297 | 4,452,656 | 2,457,186 | 19,462,002 |
| 1995 | 6,021,347 | 7,025,655 | 4,515,232 | 2,351,286 | 19,913,520 |
| 1996 | 6,397,684 | 6,846,440 | 4,849,644 | 2,426,320 | 20,520,088 |
| 1997 | 6,837,321 | 7,389,255 | 5,952,310 | 2,476,005 | 22,654,891 |
| 1998 | 7,032,117 | 8,144,972 | 5,796,677 | 2,564,389 | 23,538,155 |
| 1999 | 8,111,801 | 8,282,945 | 6,094,966 | 2,449,749 | 24,939,461 |

Source: City of Kettering, Ohio, Finance Department

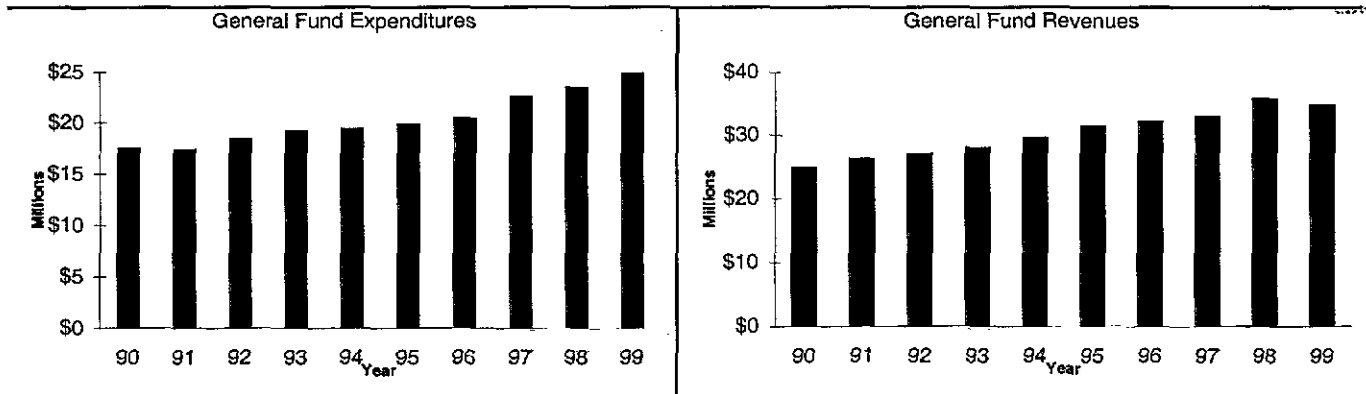


TABLE 2

GENERAL FUND REVENUES BY SOURCE LAST TEN YEARS

| Year | Taxes(1) | Licenses and Permits | Intergovernmental Revenue | Charges for Services | Fines and Forfeits | Miscellaneous(2) | Total |
|------|--------------|----------------------|---------------------------|----------------------|--------------------|------------------|--------------|
| 1990 | \$20,383,511 | \$311,045 | \$1,413,202 | \$10,190 | \$591,789 | \$2,139,185 | \$24,848,922 |
| 1991 | 22,065,417 | 250,323 | 1,392,537 | 10,442 | 580,075 | 1,924,354 | 26,223,148 |
| 1992 | 23,037,668 | 264,301 | 1,405,136 | 8,006 | 507,478 | 1,786,244 | 27,008,833 |
| 1993 | 23,708,029 | 288,795 | 1,529,688 | 8,369 | 658,983 | 1,753,307 | 27,947,171 |
| 1994 | 24,707,151 | 309,874 | 1,635,308 | 9,526 | 672,562 | 2,174,181 | 29,508,602 |
| 1995 | 25,873,657 | 317,865 | 1,688,634 | 6,419 | 812,396 | 2,660,042 | 31,359,013 |
| 1996 | 26,167,848 | 366,175 | 1,722,082 | 4,207 | 964,953 | 2,841,089 | 32,066,354 |
| 1997 | 26,418,288 | 479,108 | 1,776,530 | 4,661 | 1,002,608 | 3,220,117 | 32,901,312 |
| 1998 | 27,956,308 | 422,204 | 1,933,745 | 6,601 | 1,198,264 | 4,199,220 | 35,716,342 |
| 1999 | 28,369,507 | 395,804 | 1,938,355 | 7,325 | 985,659 | 3,044,378 | 34,741,028 |

Source: City of Kettering, Ohio, Finance Department

(1) Includes property taxes and income taxes

(2) Includes investment earnings, special assessments and refunds and reimbursements

TABLE 3

INCOME TAX REVENUES LAST TEN YEARS

| Year | Amount |
|------|--------------|
| 1990 | \$16,287,792 |
| 1991 | 17,291,839 |
| 1992 | 18,129,495 |
| 1993 | 18,787,082 |
| 1994 | 19,610,464 |
| 1995 | 20,612,658 |
| 1996 | 20,988,312 |
| 1997 | 20,670,634 |
| 1998 | 22,251,839 |
| 1999 | 22,512,947 |

Source: City of Kettering, Ohio, Finance Department

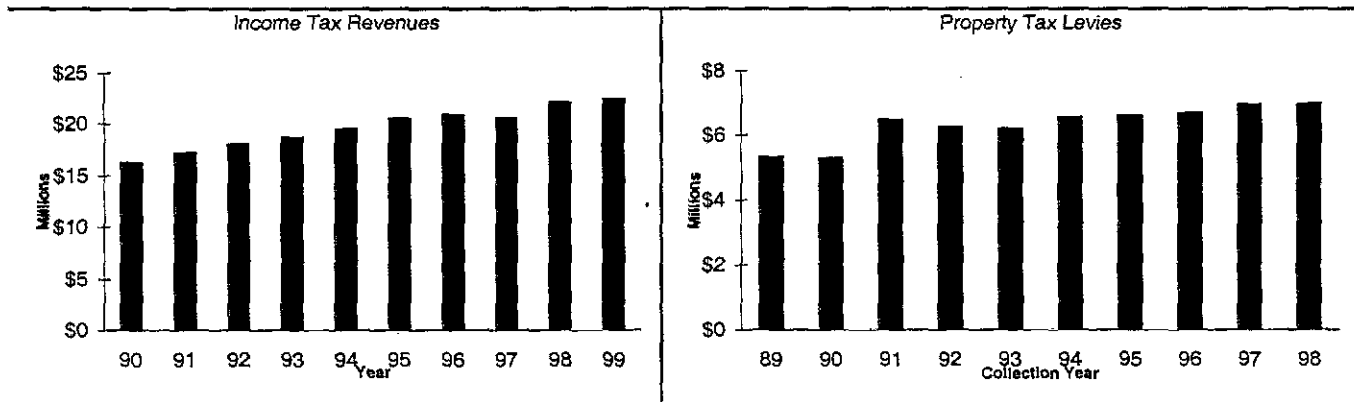


TABLE 4

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN YEARS

| Tax Year | Collection Year | Current Tax Levy | Current Tax Collections | Percent of Levy Collected | Delinquent Tax Collections | Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes | Percent of Delinquent Taxes to Tax Levy |
|----------|-----------------|------------------|-------------------------|---------------------------|----------------------------|-----------------------|--|------------------------------|---|
| 1988 | 1989 | \$5,343,420 | \$5,200,261 | 97.3% | \$88,697 | \$5,288,958 | 99.0% | \$187,565 | 3.5% |
| 1989 | 1990 | 5,321,831 | 5,191,210 | 97.5% | 140,500 | 5,331,710 | 100.2% | 177,686 | 3.3% |
| 1990 | 1991 | 6,520,584 | 6,192,375 | 95.0% | 110,760 | 6,303,135 | 96.7% | 395,135 | 6.1% |
| 1991 | 1992 | 6,292,453 | 6,104,645 | 97.0% | 186,993 | 6,291,638 | 100.0% | 395,950 | 6.3% |
| 1992 | 1993 | 6,232,635 | 6,025,984 | 96.7% | 177,423 | 6,203,407 | 99.5% | 425,178 | 6.8% |
| 1993 | 1994 | 6,594,502 | 6,463,440 | 98.0% | 213,058 | 6,676,498 | 101.2% | 343,182 | 5.2% |
| 1994 | 1995 | 6,656,424 | 6,483,653 | 97.4% | 229,479 | 6,713,132 | 100.9% | 286,474 | 4.3% |
| 1995 | 1996 | 6,721,527 | 6,480,204 | 96.4% | 212,488 | 6,692,692 | 99.6% | 315,309 | 4.7% |
| 1996 | 1997 | 6,986,031 | 6,897,817 | 98.7% | 159,073 | 7,056,890 | 101.0% | 225,631 | 3.2% |
| 1997 | 1998 | 7,003,538 | 6,832,172 | 97.6% | 166,231 | 6,998,403 | 99.9% | 231,866 | 3.3% |

Source: Montgomery County, Ohio, Auditor's Office
 As of date of publication, 1998/1999 data was not available

TABLE 5

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN YEARS

| Tax Year | Collection Year | Assessed Value | | | | Estimated Actual Value Total |
|----------|-----------------|----------------|-------------------------|----------------------------|---------------|------------------------------|
| | | Real Property | Public Utility Property | Tangible Personal Property | Total | |
| 1989 | 1990 | \$599,945,390 | \$32,835,360 | \$91,261,377 | \$724,042,127 | \$2,072,898,535 |
| 1990 | 1991 | 745,231,550 | 32,790,340 | 76,617,617 | 854,639,507 | 2,445,792,292 |
| 1991 | 1992 | 750,810,090 | 34,621,670 | 71,633,577 | 857,065,337 | 2,455,307,113 |
| 1992 | 1993 | 753,928,010 | 35,585,710 | 67,181,541 | 856,695,261 | 2,458,391,903 |
| 1993 | 1994 | 808,688,600 | 36,012,530 | 67,119,616 | 911,820,746 | 2,615,029,851 |
| 1994 | 1995 | 807,499,470 | 36,222,690 | 69,928,626 | 913,650,786 | 2,623,078,537 |
| 1995 | 1996 | 812,138,430 | 34,017,380 | 69,339,517 | 915,495,327 | 2,631,770,962 |
| 1996 | 1997 | 898,480,630 | 35,886,430 | 70,425,059 | 1,004,792,119 | 2,884,674,180 |
| 1997 | 1998 | 901,762,550 | 36,848,300 | 73,300,040 | 1,011,910,890 | 2,906,512,889 |
| 1998 | 1999 | 917,110,670 | 39,178,060 | 71,164,376 | 1,027,453,106 | 2,944,151,764 |

Source: Montgomery County, Ohio, Auditor's Office

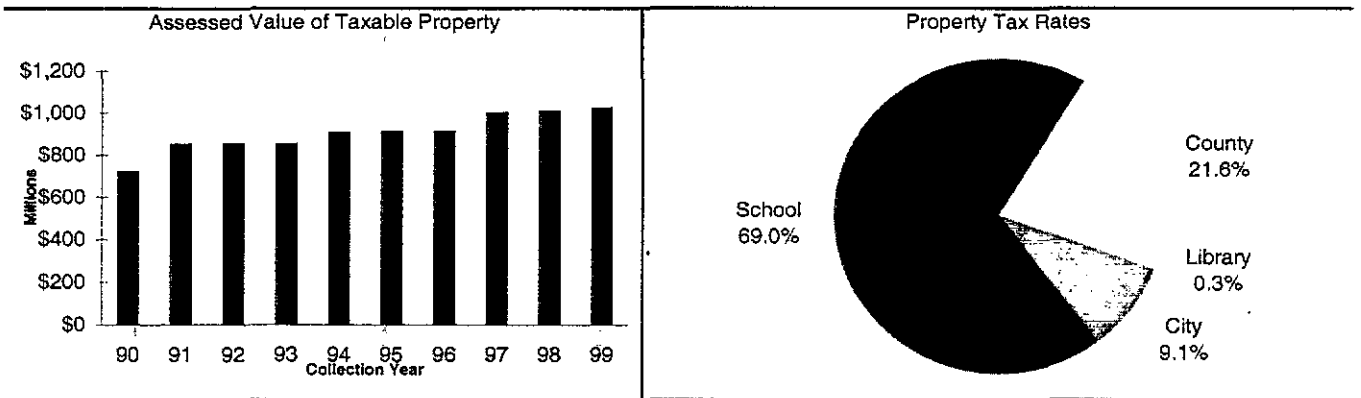


TABLE 6

PROPERTY TAX RATES ALL DIRECT AND OVERLAPPING GOVERNMENTS (PER \$1,000 OF ASSESSED VALUE) LAST TEN YEARS

| Tax Year | Collection Year | General Fund | Debt Retirement | Police Pension | Total | School | County | Library | Rate |
|----------|-----------------|--------------|-----------------|----------------|-------|--------|--------|---------|-------|
| 1989 | 1990 | 5.70 | 1.41 | 0.30 | 7.41 | 42.20 | 13.69 | | 63.30 |
| 1990 | 1991 | 5.70 | 1.41 | 0.30 | 7.41 | 48.90 | 13.65 | | 69.96 |
| 1991 | 1992 | 5.70 | 1.25 | 0.30 | 7.25 | 48.90 | 13.65 | | 69.80 |
| 1992 | 1993 | 5.70 | 1.17 | 0.30 | 7.17 | 48.90 | 13.65 | | 69.72 |
| 1993 | 1994 | 5.70 | 1.17 | 0.30 | 7.17 | 49.81 | 16.14 | | 73.12 |
| 1994 | 1995 | 5.70 | 1.17 | 0.30 | 7.17 | 49.80 | 16.64 | 0.72 | 74.33 |
| 1995 | 1996 | 5.70 | 1.17 | 0.30 | 7.17 | 53.10 | 16.64 | 0.72 | 77.63 |
| 1996 | 1997 | 5.70 | 1.00 | 0.30 | 7.00 | 53.10 | 16.64 | 0.72 | 77.46 |
| 1997 | 1998 | 5.70 | 1.00 | 0.30 | 7.00 | 53.10 | 16.64 | 0.26 | 77.00 |
| 1998 | 1999 | 5.70 | 0.98 | 0.30 | 6.98 | 53.10 | 16.64 | 0.26 | 76.98 |

Source: Montgomery County, Ohio, Auditor's Office

TABLE 7

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS LAST TEN YEARS

| Fiscal Year | Total Assessments Due | Total Assessments Collected | Ratio of Collections to Amount Due | Total Outstanding Assessments |
|-------------|-----------------------|-----------------------------|------------------------------------|-------------------------------|
| 1989 | \$333,052 | \$328,799 | 98.7% | \$4,253 |
| 1990 | 399,440 | 387,165 | 96.9% | 12,275 |
| 1991 | 445,549 | 422,324 | 94.8% | 23,225 |
| 1992 | 491,047 | 477,107 | 97.2% | 13,940 |
| 1993 | 661,266 | 639,597 | 96.7% | 21,669 |
| 1994 | 834,659 | 789,793 | 94.6% | 44,866 |
| 1995 | 875,666 | 808,362 | 92.3% | 67,304 |
| 1996 | 893,792 | 884,674 | 99.0% | 9,118 |
| 1997 | 894,868 | 857,338 | 95.8% | 37,530 |
| 1998 | 898,529 | 865,006 | 96.3% | 33,523 |

Source: Montgomery County, Ohio, Auditor's Office
As of date of publication, 1999 data was not available

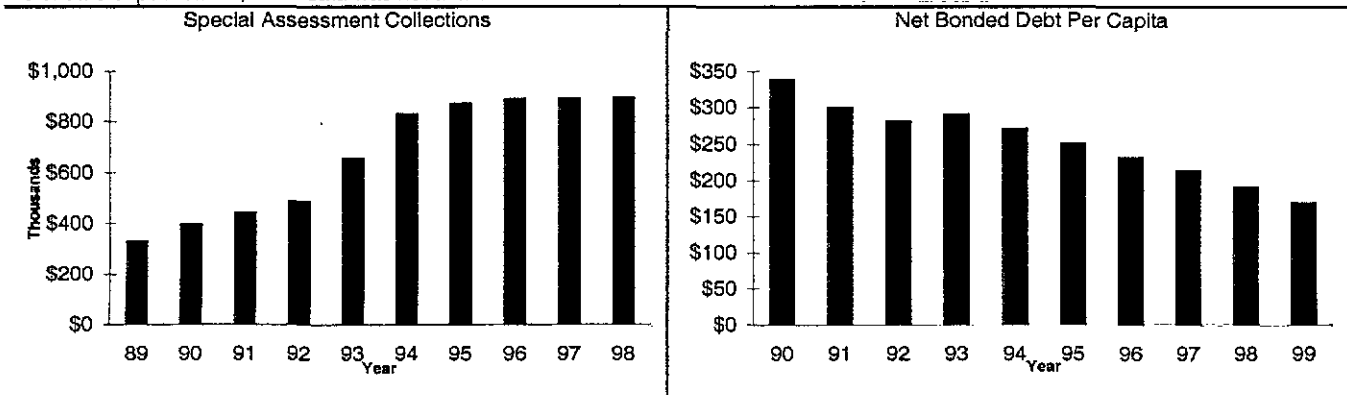


TABLE 8

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN YEARS

| Year | Population(1) | Assessed Value(2) | Gross Bonded Debt(3)(4) | Debt Service Moneys Available(3) | Net Bonded Debt(3) | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
|------|---------------|-------------------|-------------------------|----------------------------------|--------------------|--|----------------------------|
| 1990 | 60,569 | \$724,042,127 | \$23,180,000 | \$2,685,480 | \$20,494,520 | 2.83% | \$338.37 |
| 1991 | 60,525 | 854,639,507 | 22,884,921 | 4,780,000 | 18,104,921 | 2.12% | 299.13 |
| 1992 | 60,471 | 857,065,337 | 18,064,224 | 1,138,253 | 16,925,971 | 1.97% | 279.90 |
| 1993 | 60,205 | 856,695,261 | 17,880,681 | 439,561 | 17,441,120 | 2.04% | 289.70 |
| 1994 | 60,400 | 911,820,746 | 16,744,832 | 413,403 | 16,331,429 | 1.79% | 270.39 |
| 1995 | 61,000 | 913,650,786 | 15,576,504 | 339,289 | 15,237,215 | 1.67% | 249.79 |
| 1996 | 61,000 | 915,495,327 | 14,355,963 | 251,309 | 14,104,654 | 1.54% | 231.22 |
| 1997 | 61,000 | 1,004,792,119 | 13,098,471 | 129,069 | 12,969,402 | 1.29% | 212.61 |
| 1998 | 61,000 | 1,011,910,890 | 11,784,316 | 161,955 | 11,622,361 | 1.15% | 190.53 |
| 1999 | 61,000 | 1,027,453,106 | 10,418,777 | 153,118 | 10,265,659 | 1.00% | 168.29 |

Sources:

- (1) 1990 United States Census Bureau; other years estimated by City of Kettering, Ohio, Department of Planning and Development.
- (2) Montgomery County, Ohio, Auditor's Office.
- (3) City of Kettering, Ohio, Department of Finance.
- (4) Includes General Obligation Bond Anticipation Notes.

TABLE 9

LEGAL DEBT MARGIN
DECEMBER 31, 1999

| | 10-1/2% of Assessed Valuation(1) | 5-1/2% of Assessed Valuation(2) |
|--|----------------------------------|---------------------------------|
| Overall Debt Limitations | \$107,882,576 | \$56,509,921 |
| Gross Indebtedness | 12,554,480 | 12,554,480 |
| Less debt outside limitations: | | |
| Voted debt | | 4,699,352 |
| Special assessment debt | 1,378,574 | 1,378,574 |
| Promissory notes | 757,129 | 757,129 |
| Less debt service available fund balance | 153,118 | 153,118 |
| Net debt within limitations | 10,265,659 | 5,566,307 |
| Legal debt margin within limitations | \$97,616,917 | \$50,943,614 |

Source: City of Kettering, Ohio, Finance Department

(1) Applies to both voted and unvoted debt.

(2) Applies only to unvoted debt.

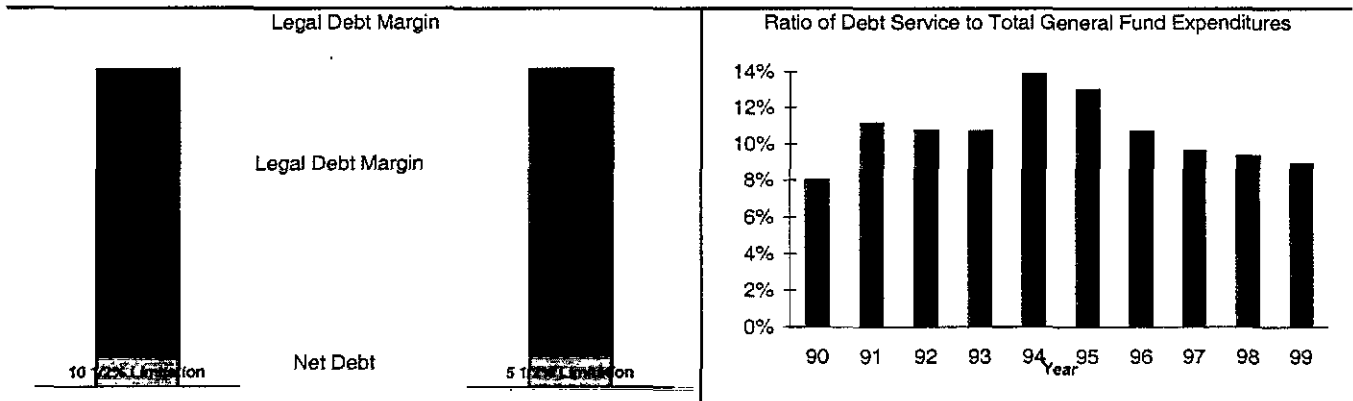


TABLE 10

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES LAST TEN YEARS

| Year | Principal(1) | Interest | Total Debt Service | Total General Fund Expenditures | Ratio of Debt Service to Total General Fund Expenditures |
|------|--------------|-------------|--------------------|---------------------------------|--|
| 1990 | \$345,000 | \$1,057,725 | \$1,402,725 | \$17,587,552 | 8.0% |
| 1991 | 650,000 | 1,291,195 | 1,941,195 | 17,465,000 | 11.1% |
| 1992 | 685,000 | 1,298,004 | 1,983,004 | 18,494,798 | 10.7% |
| 1993 | 1,077,895 | 980,703 | 2,058,598 | 19,283,346 | 10.7% |
| 1994 | 1,662,000 | 1,029,617 | 2,691,617 | 19,462,002 | 13.8% |
| 1995 | 1,626,750 | 956,002 | 2,582,752 | 19,913,520 | 13.0% |
| 1996 | 1,311,020 | 884,630 | 2,195,650 | 20,520,088 | 10.7% |
| 1997 | 1,357,148 | 826,868 | 2,184,016 | 22,654,891 | 9.6% |
| 1998 | 1,442,641 | 764,450 | 2,207,091 | 23,538,155 | 9.4% |
| 1999 | 1,523,134 | 697,513 | 2,220,647 | 24,939,461 | 8.9% |

Source: City of Kettering, Ohio, Finance Department

(1) Principal payments shown net of refinanced debt.

TABLE 11

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 1999

| Jurisdiction | Net Debt Outstanding | Percentage Applicable to City of Kettering | Amount Applicable to City of Kettering |
|-----------------------------------|----------------------|--|--|
| State of Ohio | | | |
| City of Kettering | \$10,265,659 | 100.0% | \$10,265,659 |
| Kettering City School District | 13,862,055 | 91.3% | 12,656,056 |
| Montgomery County | 36,517,374 | 12.2% | 4,455,120 |
| Beavercreek Local School District | 43,878,580 | 0.6% | 263,271 |
| Total | \$104,523,668 | | \$27,640,106 |

Source: Individual jurisdictions.

The City has a charter tax rate and therefore, the City is not subject to the 10 mill limitation of General Obligation debt. Individual jurisdictions with immaterial amounts of overlapping debt are excluded from this table.

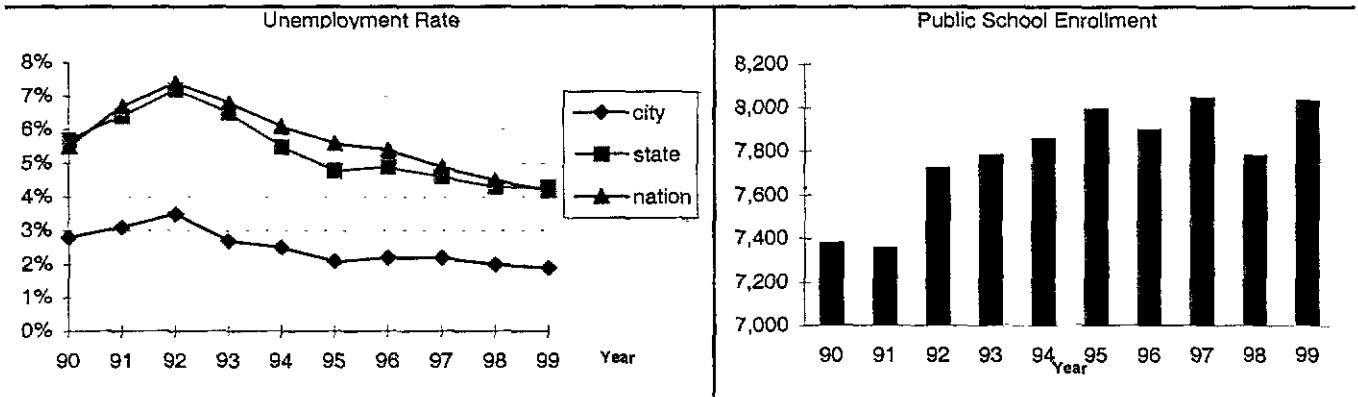


TABLE 12

DEMOGRAPHIC STATISTICS LAST TEN YEARS

| Year | Population(1)(3) | Per Capita Income(3)(5) | Unemployment Rate(4) | Public School Enrollment(2) |
|------|------------------|-------------------------|----------------------|-----------------------------|
| 1990 | 60,569 | \$18,349 | 2.8% | 7,378 |
| 1991 | 60,525 | 19,229 | 3.1% | 7,353 |
| 1992 | 60,471 | 20,853 | 3.5% | 7,721 |
| 1993 | 60,205 | 21,478 | 2.7% | 7,779 |
| 1994 | 60,400 | 22,186 | 2.5% | 7,853 |
| 1995 | 61,000 | 23,066 | 2.1% | 7,991 |
| 1996 | 61,000 | 23,988 | 2.2% | 7,896 |
| 1997 | 61,000 | 24,948 | 2.2% | 8,044 |
| 1998 | 61,000 | 25,447 | 2.0% | 7,778 |
| 1999 | 61,000 | 25,956 | 1.9% | 8,031 |

Sources:

- (1) 1990 United States Census Bureau; other years estimated by City of Kettering, Ohio, Finance Department and The Miami Valley Regional Planning Commission.
- (2) Kettering City School Board, Department of Pupil Personnel.
- (3) Prior years' amounts have been restated to reflect current available information.
- (4) Ohio Bureau of Employment services.
- (5) City of Kettering, Ohio, Finance Department estimate.

TABLE 13

CONSTRUCTION AND BANK DEPOSITS LAST TEN YEARS

| Year | Commercial Construction(1) | | Residential Construction(1) | | Bank Deposits(2) |
|------|----------------------------|--------------|-----------------------------|-------------|------------------|
| | Number of Permits | Value | Number of Permits | Value | |
| 1990 | 194 | \$11,379,143 | 163 | \$5,789,405 | \$5,701,107,000 |
| 1991 | 174 | 10,748,963 | 140 | 2,874,578 | 6,728,755,000 |
| 1992 | 184 | 9,112,603 | 164 | 5,385,151 | 4,068,798,000 |
| 1993 | 260 | 12,563,963 | 177 | 7,008,075 | 3,834,335,000 |
| 1994 | 238 | 28,871,108 | 145 | 4,431,111 | 4,034,766,000 |
| 1995 | 178 | 26,306,619 | 143 | 7,777,188 | 3,995,114,000 |
| 1996 | 172 | 40,184,215 | 147 | 8,555,747 | 3,899,145,000 |
| 1997 | 178 | 82,833,051 | 164 | 8,889,562 | 3,530,314,000 |
| 1998 | 137 | 25,430,152 | 213 | 10,590,067 | 3,264,705,000 |
| 1999 | 118 | 24,932,701 | 152 | 8,569,914 | 2,994,378,000 |

Sources:

(1) City of Kettering, Ohio, Department of Planning and Development.

(2) Federal Reserve Bank of Cleveland - amounts are for Montgomery County.

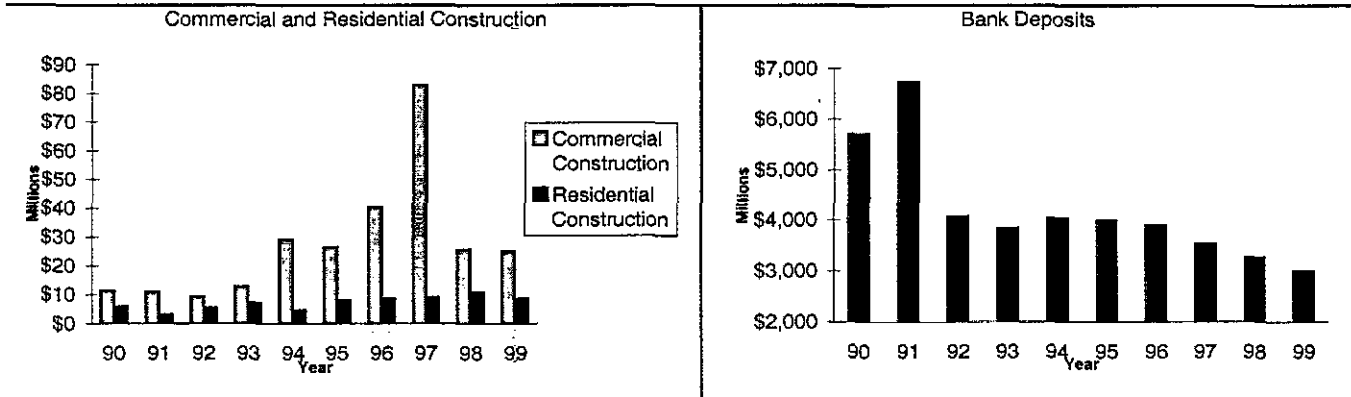


TABLE 14

PRINCIPAL TAXPAYERS (PROPERTY TAXES) DECEMBER 31, 1999

| Taxpayer | Type of Business | 1999 Assessed Valuation | % of Total Assessed Valuation |
|----------------------------------|-------------------------------|-------------------------|-------------------------------|
| Dayton Power and Light Co. | Gas & electric utility | \$25,060,180 | 2.44% |
| Ohio Bell Telephone Co. | Telephone utility | 14,542,160 | 1.42% |
| Delphi Automotive | Automotive parts manufacturer | 9,121,810 | 0.89% |
| Kettering Medical Center | Healthcare | 7,594,190 | 0.74% |
| Dayton Town & Country, Inc. | Property management | 4,382,110 | 0.43% |
| W B Apartment Association | Property management | 4,310,390 | 0.42% |
| Lincoln Park Associates, Ltd. | Retirement facility | 3,920,250 | 0.38% |
| Meijer, Inc. | Retail sales | 3,874,990 | 0.38% |
| Beerman Corp. | Property management | 3,301,740 | 0.32% |
| Miami Valley Research Foundation | Government contracts | 3,219,660 | 0.31% |
| Total | | 79,327,480 | 7.72% |
| All others | | \$948,125,626 | 92.28% |
| Total | | \$1,027,453,106 | 100.00% |

Source: Montgomery County, Ohio, Auditor's Office

MISCELLANEOUS STATISTICS
DECEMBER 31, 1999

| | |
|---|---------------------|
| DATE OF INCORPORATION | 1955 |
| FORM OF GOVERNMENT | Council - Manager |
| AREA | 18,407 Square Miles |
| MILES OF STREETS | 242.41 |
| FIRE PROTECTION: | |
| Number of stations | 7 |
| Number of firefighters and officers (exclusive of volunteer firefighters) | 47 |
| POLICE PROTECTION: | |
| Number of stations | 1 |
| Number of police officers | 81 |
| EDUCATION (PUBLIC ONLY): | |
| Attendance centers | 12 |
| Number of classrooms | 511 |
| Number of teachers | 444 |
| Number of students | 8,031 |
| BUILDING PERMITS ISSUED | 4,248 |
| RECREATION AND CULTURE: | |
| Number of parks | 21 with 408 acres |
| Recreation complex square footage | 145,000 sq ft |
| Annual attendance at recreation complex | 920,273 |
| Number of libraries | 2 |
| EMPLOYEES (FULL-TIME ONLY): | |
| Classified service | 260 |
| Exempt | 123 |

Sources:

City of Kettering, Ohio, Department of Planning and Development
 City of Kettering, Ohio, Human Resources Department
 City of Kettering, Ohio, Parks, Recreation and Cultural Arts Department
 City of Kettering, Ohio, Engineering Department
 Kettering City School Board, Department of Personnel



CITY OF KETTERING



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF KETTERING
MONTGOMERY 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.

By: Susan Babbitt

Date: MAY 2, 2000