

**CITY OF KETTERING, OHIO**

**Reports on Compliance and Internal Controls  
and Pursuant to OMB Circular A-133**

**For the Year Ended December 31, 2002**





**Auditor of State  
Betty Montgomery**

Honorable Mayor, City Council  
and City Manager  
City of Kettering  
3600 Shroyer Road  
Kettering, OH 45429

We have reviewed the Independent Auditor's Report of the City of Kettering, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

May 5, 2003

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**City of Kettering, Ohio**

Table of Contents

	<u>Page</u>
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	1 – 2
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and Schedule of Expenditures of Federal Awards	3 – 4
Schedule of Expenditures of Federal Awards	5
Notes to the Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7 – 8
Schedule of Prior Audit Findings and Questioned Costs	9

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**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**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, City Council  
and City Manager  
City of Kettering, Ohio

We have audited the basic financial statements of the City of Kettering, Ohio as of and for the year ended December 31, 2002, and have issued our report thereon dated March 25, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Kettering's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City of Kettering in a separate letter dated March 25, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Kettering's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of the City of Kettering in a separate letter dated March 25, 2003.

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
March 25, 2003



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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

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

**Compliance**

We have audited the compliance of the City of Kettering (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 each of its major federal programs for the year ended December 31, 2002. The City's major federal program is identified in the summary of auditor's 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 City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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, 2002.

**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 of Kettering, Ohio as of and for the year ended December 31, 2002, and have issued our report thereon dated March 25, 2003. 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 presented in all material respects in relation to the basic financial statements taken as a whole.

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

*Clark, Schaefer, Hackett & Co.*  
Springfield, Ohio  
March 25, 2003

**CITY OF KETTERING, OHIO**

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2002

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Grant Award Date</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grant	B-00-MC-39-0011	14.218	3/15/2000	\$ 329,851
Community Development Block Grant	B-01-MC-39-0011	14.218	3/9/2001	197,105
Community Development Block Grant	B-02-MC-39-0011	14.218	1/18/2002	<u>341,520</u>
				<u>868,476</u>
Passed through the Board of County Commissioners of Montgomery County:				
HOME Investment Partnerships Program	M-98-DC-39-0210	14.239	5/25/1999	224,306
HOME Investment Partnerships Program	M-99-DC-39-0208	14.239	7/23/2002	<u>50,000</u>
				<u>274,306</u>
Total U.S. Department of Housing and Urban Development				<u>1,142,782</u>
<u>U.S. Department of Health and Human Services</u>				
Block Grants for Prevention and Treatment of Substance Abuse	COMEDAWP02YX	93.959	7/18/2002	<u>20,627</u>
<u>U.S. Department of Defense</u>				
Air Force Base Conversion Agency Caretaker Agreement	Cooperative Agreement	12.xxx	5/24/1996	<u>11,105</u>
<u>U.S. Department of Justice</u>				
Public Safety Partnership & Community Policing Grants	2000SHWX0698	16.710	9/1/2000	59,109
Local Law Enforcement Block Grant Program	2000-LB-BX-2844	16.592	9/29/2000	90
Local Law Enforcement Block Grant Program	2001-LB-BX-1907	16.592	7/20/2001	21,344
Local Law Enforcement Block Grant Program	2002-LB-BX-1706	16.592	7/18/2002	<u>5,864</u>
Total U.S. Department of Justice				<u>86,407</u>
<u>U.S. Department of Transportation</u>				
State & Community Highway Safety	01-GR1-1778	20.600	10/1/2001	13,390
Highway Planning and Construction	G010335	20.205	8/1/2001	<u>119,006</u>
Total U.S. Department of Justice				<u>132,396</u>
Total Expenditures of Federal Awards				<u>\$ 1,393,317</u>

See accompanying notes to the schedule of expenditures of federal awards.

**City of Kettering, Ohio**  
Notes to the Schedule of Expenditures of Federal Awards  
December 31, 2002

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**NOTE 1 – 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 2 – BASIS OF ACCOUNTING**

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

**NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

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

**NOTE 4 – SUBRECIPIENTS**

The City was a pass-through entity of CDBG funds to one subrecipient, Miami Valley Fair Housing Board for \$23,550.

**City of Kettering, Ohio**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

December 31, 2002

**1. SUMMARY OF AUDITORS' RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	U.S. Department of Housing and Urban Development, CDBG, CFDA #14.218
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Findings: None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Findings: None

**City of Kettering, Ohio**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

December 31, 2002

Prior Audit Findings:

None

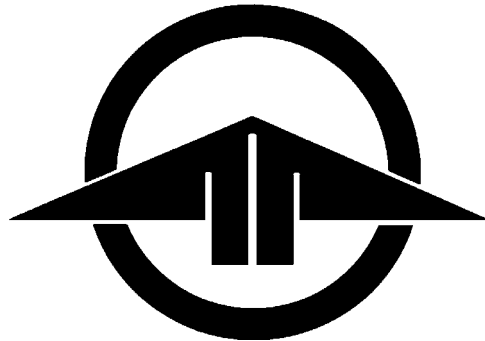




**CITY OF KETTERING, OHIO**

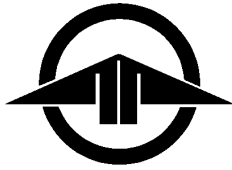
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2002**



Prepared by:  
Department of Finance

Nancy H. Gregory, CPA, Director



CITY OF KETTERING

# CITY OF KETTERING, OHIO

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2002

### TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	iii
City Officials	vi
Department of Finance Staff	vii
City Organizational Chart	viii
Certificate of Achievement for Excellence in Financial Reporting	ix
FINANCIAL SECTION	
Independent Auditors' Report	2
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Fund Balance Sheets - Governmental Funds	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Balance Sheet - Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	15
Statement of Cash Flows - Proprietary Funds	16
Statement of Fiduciary Net Assets - Fiduciary Funds	17
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	17
Notes to the Basic Financial Statements	19
Required Supplementary Information:	
Budget (GAAP Budget) to Actual Comparison Schedule - General Fund	32
Budget (GAAP Budget) to Actual Comparison Schedule - Street Maintenance Fund	34
Budget (GAAP Budget) to Actual Comparison Schedule - Parks Recreation and Cultural Arts Fund	35
Budget (GAAP Budget) to Actual Comparison Schedule - Frazee Pavilion Fund	36
Budget (GAAP Budget) to Actual Comparison Schedule - Community Development Fund	37
Notes to the Required Supplementary Information	38
SUPPLEMENTAL DATA	
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (GAAP Budget)	41
Debt Service Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Budget)	44
Capital Projects Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Budget)	45
Detailed Schedule of Expenditures Compared to Budget (GAAP Budget)	46
Internal Service Funds:	
Combining Balance Sheet	47
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	48
Combining Statement of Cash Flows	49
Agency Funds:	
Combining Statement of Changes in Assets and Liabilities	50
Miscellaneous Schedules:	
Debt Schedule	51

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2002**

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**TABLE OF CONTENTS - CONTINUED**

---

	<b>Table</b>	<b>Page</b>
STATISTICAL SECTION		
General Fund Expenditures by Function Last Ten Years	1	54
General Fund Revenues by Source Last Ten Years	2	54
Income Tax Revenues Last Ten Years	3	55
Property Tax Levies and Collections Last Ten Years	4	55
Assessed and Estimated Actual Value of Taxable Property Last Ten Years	5	56
Property Tax Rates All Direct and Overlapping Governments Last Ten Years	6	56
Special Assessment Billings and Collections Last Ten Years	7	57
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita Last Ten Years	8	57
Legal Debt Margin	9	58
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures Last Ten Years	10	58
Computation of Direct and Overlapping Debt	11	59
Demographic Statistics Last Ten Years	12	59
Construction and Bank Deposits Last Ten Years	13	60
Principal Taxpayers (Property Taxes)	14	60
Miscellaneous Statistics	15	61

## INTRODUCTORY SECTION



CITY OF KETTERING



March 31, 2003

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, 2002, 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 continues to incorporate 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. We first implemented Statement No. 34 in 1999, four years earlier than the required date of implementation. We were proud to be the first city in the State of Ohio to do so. This year's report reflects our continuing efforts to disseminate clear and useful financial information to our users.

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 operations. 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 seventeen 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 93% of all residents were satisfied with City services and 98% 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 2002. 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 2002. Kettering's unemployment rate for 2002 was 2.8% compared to rates of 5.6% for Montgomery County, 5.7% for the State of Ohio and 5.8% for the United States.

The diversity of the employment base in Kettering has

contributed favorably to the relative stability of the economic environment. Kettering's broad range of businesses includes several major employers with headquarters or divisions located within the city's boundaries. These employers include Kettering Medical Center employing 2,900, Delphi Automotive Systems a manufacturer of automobile brake and suspension systems employing over 2,000, Victoria's Secret Catalogue with 1,500 employees and Monogram Services Co. a credit card processing center with 1,200 employees. Other major employers in the city include Kettering City Schools, Scitex Digital Printing Co. a manufacturer of digital printers, Defense Finance and Accounting Services a federal government accounting services center, a number of engineering firms and computer hardware and software related businesses.

Despite being practically landlocked, Kettering continued to thrive in terms of new economic development. A strong emphasis through a variety of efforts is placed on economic development both within Kettering and regionally.

Reynolds and Reynolds, a fortune 1000 company based in Dayton since 1866 has completed its Phase II at the Miami Valley Research Park located in Kettering. The company moved more than 700 new employees into the new site in 2002 and now employs close to 1,500 people at the Research Park campus.

The redevelopment of the former Hills and Dales Shopping Center, now called Governor's Place, continued during 2002. The City sold the remaining lots and the build out of the site should be completed one and a half years ahead of schedule. During 2002, several businesses joined Heapy Engineering and Synergy's medical building which both opened in 2001. Applebee's opened a new restaurant in 2002. AG Edwards built a new headquarters, Synergy Development began construction of a new professional office building and a retail center building scheduled to open in 2003. Finally, AOR Realty began construction of the Dayton Oncology and Hematology office which will also open in 2003.

Across from Governor's Place at Southern Hills Crossing (formerly the Stenger's Ford site), RG Properties began construction of a Super Wal-Mart, with the grocery store to be located in Kettering. The store is scheduled to open in mid summer. RG Properties also built a retail center on the site that opened in early 2003.

Miami Computer Supply, Inc. (MSCi) completed construction of its new corporate headquarters in Kettering Corporate Center. Built by the Dayton/Montgomery County Port Authority, the MCSi building will allow for 215 new jobs and retain another 150 existing jobs. Park Place III opened in Lincoln Park in 2002, and already half of the space

has been leased. This site is now completely built out with three professional office buildings. McGohan Brabender purchased the former DP&L Resource Center building on South Dixie Drive. The company provides employee benefits and group insurance services and employs more than 50 people. Trader Joe's, a specialty grocery store, opened in November in the Town & Country Shopping Center. The store is only their second in Ohio.

Kettering participates in ED/GE, a revenue sharing program that occurs among a number of communities in Montgomery County. Money from the program is distributed to the communities for economic development projects after an application for funds is filed and a board of local officials for the communities reviews and approves the projects. In 2002, the City received \$50,000 from ED/GE to study Wilmington Pike from the north corporation line to the intersection of Wilmington Pike and Woodman Drive. The money will be used to look at traffic patterns, streetscaping, ways to assist the businesses along Wilmington Pike, and generally make the area more inviting. The City also received another \$75,000 for a redevelopment plan for Woodman Drive north of Patterson Boulevard to Woodbine Avenue. This is a joint project with the cities of Kettering and Dayton and the Miami Valley Research Foundation.

The City's emphasis on economic development combined with the existing variety of businesses located within Kettering are significant factors affecting the future economic strength of this community. Promoting Kettering as a good place to do business for new businesses, as well as existing businesses, will continue to be one of our highest priorities.

For a more in-depth analysis of the City's current economic condition, please see the Management Discussion and Analysis (MD&A) portion of the report starting on page 3 of the Financial Section.

## **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 the cost of controls should not exceed the benefits likely to be



derived, and 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. For more detailed budget information, please see the Notes to the Required Supplementary Information on page 38 of this report.

**Cash Management.** Cash, temporarily idle during the year was invested in various instruments detailed below. As of December 31, 2002, the City's cash resources were divided between cash and investments as follows:

Cash and certificates of deposit	\$13,415,613
Repurchase agreement	1,134,868
Corporate bonds & stocks	16,653,249
Pension plan pooled investment fund	1,733,975
Money market mutual funds	4,113,848
<b>TOTAL</b>	<u>\$37,051,553</u>

Interest earned on investments for the year was \$1,621,527.

The City's investment policy is to minimize credit and market risks while obtaining a competitive yield on its portfolio.

## OTHER INFORMATION

**Independent Audit.** The basic financial statements of the City of Kettering were audited by Clark, Schaefer, Hackett & Co., Certified Public Accountants. See page 2 of the Financial Section of this report for their unqualified opinion.

**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, 2001. 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 reports 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 20 consecutive years (fiscal years ended 1982-2001). 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, 2002. 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 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  
Donald E. Patterson, Vice Mayor  
Michael A. Bahun  
Bruce E. Duke  
Peggy B. Lehner  
Keith Thompson  
Raymond P. Wasky

### CITY MANAGER

Steven C. Husemann

### INDEPENDENT AUDITORS

Clark, Schaefer, Hackett & Co.  
Certified Public Accountants

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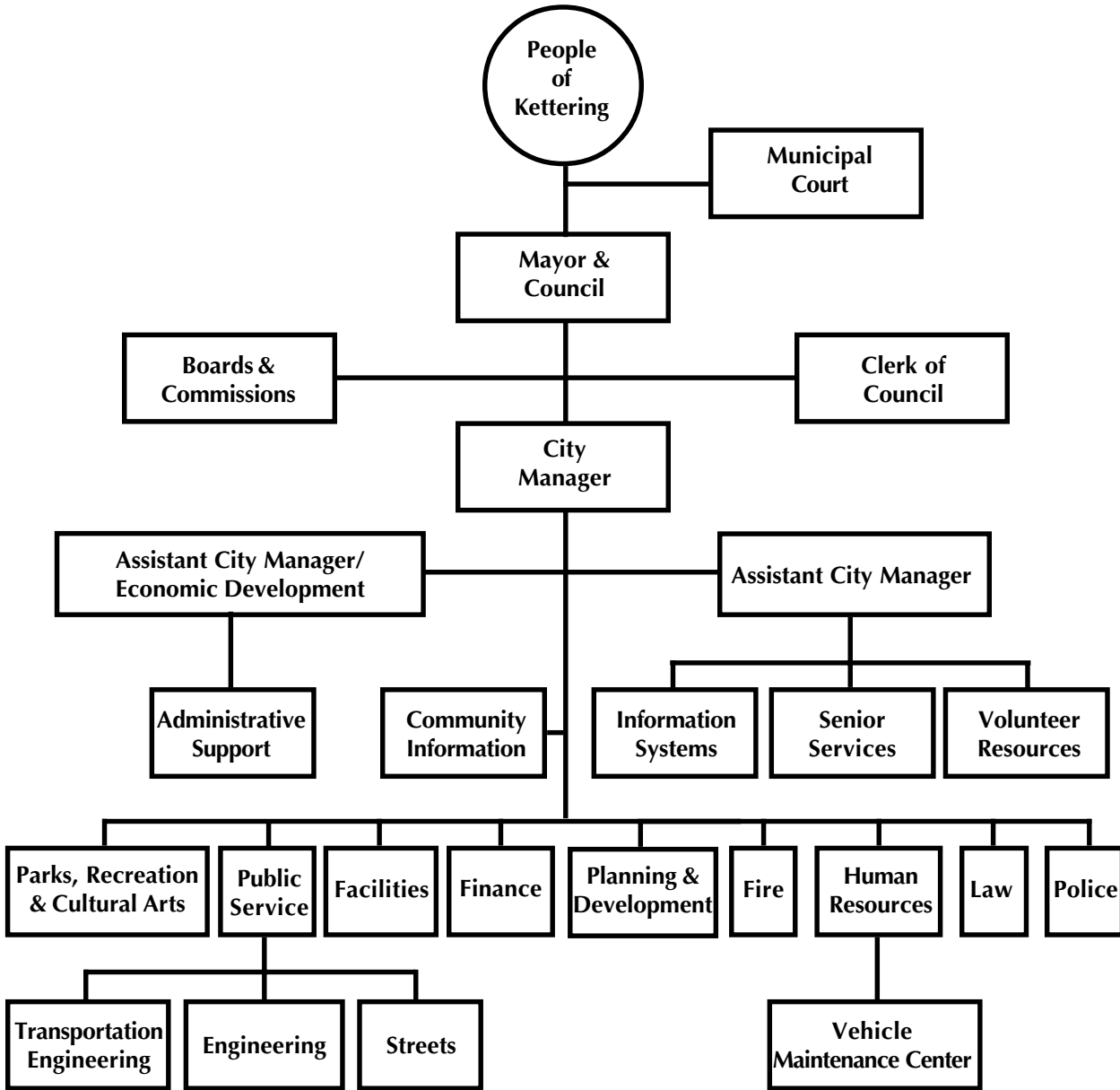
## CITY OF KETTERING, OHIO

### DEPARTMENT OF FINANCE

#### STAFF

Nancy H. Gregory, CPA	Finance Director
Scott J. Schwarberg, CPA	Assistant Finance Director
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
Martin J. Van Oss, CPA	Financial Analyst
Rhonda L. South	Finance Technician II
Mary Anne Marshall	Finance Technician II
Sharin L. Day	Finance Technician II
Jennifer E. Schoen, CPA	Finance Technician II
Lynn A. Blumenshein	Finance Technician II
Kimberly Koogler	Finance Technician II
Lou Ann Gubser	Finance Technician I
Patricia A. Siefert	Finance Technician I
Cheryl M. Ritchard	Finance Technician I
Barbara L. Huffman	Finance Technician I
Candace M. Grooms	Finance Clerk - Part-Time
Joyce A. Foley	Finance Clerk - Part-Time
Nicholas G. Toerner	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, 2001

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



President

Executive Director



CITY OF KETTERING

## FINANCIAL SECTION



Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of and for the year ended December 31, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kettering's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2003 on our consideration of the City of Kettering's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 7 and 32 through 38 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 of principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Clark, Schaefer, Hackett & Co.*  
Springfield, Ohio  
March 27, 2003



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2002.

### FINANCIAL HIGHLIGHTS

1. The City's net assets increased by over \$3.1 million or 2.4%, however, unrestricted net assets decreased \$1.3 million.
2. The General Fund reported a deficit of over \$1.1 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 8 and 9) 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 10. 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 5. 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.

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## Reporting the City's Most Significant Funds

### *Fund Financial Statements*

Our analysis of the City's major funds begins on page 6. The fund financial statements begin on page 10 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. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described 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 17. 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

For both 2002 and 2001, the City has shown a 2.4% and 4.4 % respective increase in Total net assets. Revenues generated were \$55.5 million and expenses from all programs were \$52.3 million resulting in a surplus for the year of over \$3.1 million. The unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — decreased \$1.3 million.

Explanations for the larger fluctuations between years are as follows:

- Federal grant revenue was lower in 2002 because a grant to fund a roadway project ended in 2001.
- State grant revenue was much higher this year than in 2001 because the City applied for more grants to fund roadway projects.
- Last year saw a \$1.0 million infrastructure (street) contribution while 2002 did not.
- Income taxes were up \$1.7 million over 2001 due to the health of Kettering's economic climate.
- The decrease in Other taxes is primarily due to a decrease in estate taxes. 2001 saw elevated estate tax revenues of \$2.9 million while 2002 returned to more normal levels of \$2.4 million.
- Investment earnings were significantly lower in 2002 because of lower interest rates.
- Other general revenues were higher in 2001 because of a statewide, one-time Bureau of Workers' Compensation refund, Anthem Insurance Company demutualization, and several reimbursements for street projects by Montgomery County.
- A large portion of the expense increase in Public Works can be attributed to the increase of 2002 depreciation expense because of our large infrastructure additions in 2001.

The following two tables present condensed information on Net Assets and Changes in Net Assets for the year.

### NET ASSETS

	2002	2001
Current and other assets	\$55,134,017	\$55,566,074
Capital assets	110,588,870	107,240,163
Total assets	<u>165,722,887</u>	<u>162,806,237</u>
Long-term debt outstanding	(13,452,771)	(14,025,420)
Other liabilities	<u>(15,564,709)</u>	<u>(15,242,502)</u>
Total liabilities	<u>(29,017,480)</u>	<u>(29,267,922)</u>
Net assets:		
Invested in capital assets, net of debt	100,065,903	95,986,319
Restricted	3,602,467	3,231,630
Unrestricted	<u>33,037,037</u>	<u>34,320,366</u>
Total net assets	<u>\$136,705,407</u>	<u>\$133,538,315</u>

### CHANGES IN NET ASSETS

	2002	2001
Revenues		
Program revenues:		
Charges for services	\$6,862,381	\$6,115,386
Federal grants	1,037,864	1,879,000
State and local grants	2,407,595	1,456,265
Special assessments	1,308,754	1,251,362
Sponsorships and contributions	768,987	1,282,904
General revenues:		
Income taxes	25,341,919	23,660,299
Property taxes	7,898,720	7,787,277
Other taxes	6,432,237	6,992,076
Investment earnings	1,381,779	2,071,226
Other general revenue	2,030,648	2,630,097
Total revenues	55,470,884	55,125,892
Program expenses		
General government	11,179,273	10,716,604
Police	10,626,973	10,270,530
Fire	7,569,675	7,349,117
Public works	10,803,744	9,812,828
Leisure services	11,665,610	10,832,180
Interest on long-term debt	458,517	541,085
Total expenses	52,303,792	49,522,344
Increase (decrease) in net assets	\$3,167,092	\$5,603,548

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	
	2002	2001	2002	2001
Police	\$10,626,973	\$10,270,530	\$10,534,263	\$10,198,837
Fire	7,569,675	7,349,117	7,569,335	7,319,277
Public works	10,803,744	9,812,828	6,971,161	5,477,029
Leisure services	11,665,610	10,832,180	6,769,165	6,409,456
All others	11,179,273	10,716,604	7,615,770	7,591,743

The capital asset activity for the year was typical of most years. The City ended 2002 with total net capital assets of \$110,588,870. Of this total, \$10,342,570 was not being depreciated and the capital assets being depreciated totaled \$162,592,886 with accumulated depreciation of \$62,346,586.

The City issued new debt in the current year in the form of Ohio Public Works Commission(OPWC) promissory notes and Montgomery County 800mhz promissory notes. The OPWC notes were for roadway improvements. \$738,168 were issued for 20 years at 0% interest and \$49,087 were issued for 20 years at 3% interest. At December 31, 2002, the City had various debt issues outstanding, which included \$5,966,977 of general obligation bonds, \$1,094,375 of special assessment debt with city commitment and \$3,461,615 of promissory notes. As of December 31, 2002, the City's net general obligation bonded debt of \$5,920,423 was well below the legal limit of \$114,650,117 and debt per capita equaled \$102.96.

For more detail on capital asset and long-term debt activity, refer to note 7 and note 11 respectively in the Notes to the Basic Financial Statements.

## **THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 10 and 11) reported a combined fund balance of \$35.4 million, which is 3.0% lower than last year's total of \$36.5 million.

The City's General Fund experienced no overall increase in revenues for 2002, yet expenditures increased by 5%. Income tax revenues increased by more than 5.1%; however, this increase was offset by decreases in intergovernmental revenue, investment earnings, and refunds and reimbursements. The flat revenues, coupled with the increase in expenditures, help to account for the decrease in General Fund balance of over \$1.1 million or 4.1% compared with 2001.

There were no significant variations in the City's original General Fund budget and the final General Fund budget. In contrast to this, there was a significant variance between actual expenditures and final budgeted expenditures for "Transfers to other funds". The City planned many new capital projects. In hindsight, the number of projects anticipated to be completed during the year was overly optimistic.

8 CITY OF KETTERING, OHIO

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STATEMENT OF NET ASSETS  
DECEMBER 31, 2002

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ASSETS	
Pooled cash and investments (note 2)	\$34,353,659
Receivables:	
Income taxes (net of allowance for \$241,852)	5,075,200
Property taxes	8,622,240
Interest	264,964
Accounts	83,456
Special assessments	2,294,375
Loans (net of allowance for \$116,520)	1,832,114
Notes	696,140
Due from other governments	1,501,044
Prepaid expenses	13,327
Inventory	397,498
Capital assets not being depreciated (note 7)	10,342,570
Capital assets being depreciated, net (note 7)	100,246,300
Total assets	<u>165,722,887</u>
LIABILITIES	
Accounts payable	2,391,915
Salary and benefits payable	2,004,434
Accrued interest payable	31,545
Deferred revenue	11,136,815
Long-term liabilities (note 11)	
Due within one year	3,740,170
Due in more than one year	9,712,601
Total liabilities	<u>29,017,480</u>
NET ASSETS	
Invested in capital assets, net of related debt	100,065,903
Restricted for:	
Debt service	46,554
Community development block grant	2,080,807
Other purposes	1,475,106
Unrestricted	33,037,037
Total net assets	<u>\$136,705,407</u>

See accompanying notes to the basic financial statements.

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

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	\$11,179,273	\$2,353,231	\$1,210,272		(\$7,615,770)
Police	10,626,973		92,710		(10,534,263)
Fire	7,569,675		340		(7,569,335)
Public works	10,803,744	205	53,130	3,779,248	(6,971,161)
Leisure services	11,665,610	4,508,945	387,500		(6,769,165)
Interest on long-term debt	458,517				(458,517)
<b>Total</b>	<b>\$52,303,792</b>	<b>\$6,862,381</b>	<b>\$1,743,952</b>	<b>\$3,779,248</b>	<b>(39,918,211)</b>
General revenues:					
Taxes:					
Income taxes					25,341,919
Property taxes, levied for general purposes					6,706,279
Property taxes, levied for debt service					1,192,441
Other taxes (note 5)					6,432,237
Investment earnings					1,381,779
Refunds and reimbursements					1,306,890
Miscellaneous					723,758
Total general revenues					43,085,303
Change in net assets					3,167,092
Net assets--beginning					133,538,315
Net assets--ending					\$136,705,407

See accompanying notes to the basic financial statements.

10 **CITY OF KETTERING, OHIO**

**FUND BALANCE SHEETS - GOVERNMENTAL FUNDS  
DECEMBER 31, 2002**

	General Fund	Street Maintenance	Major Special Parks, Recreation & Cultural Arts
<b>ASSETS</b>			
Pooled cash and investments	\$26,268,795	\$568,979	\$390,326
Receivables:			
Income taxes (net of allowance for \$241,852)	5,075,200		
Property taxes	7,014,340		
Interest	264,964		
Accounts	42,823	71	20,233
Special assessments	300,000		
Loans (net of allowance for \$116,520)			
Notes	696,140		
Due from other governments	453,281	746,747	
Prepaid expenditures	10,408	196	1,708
Inventory		114,589	
Total assets	<u>\$40,125,951</u>	<u>\$1,430,582</u>	<u>\$412,267</u>
<b>LIABILITIES</b>			
Accounts payable	\$1,666,773	\$119,962	\$96,570
Accrued payroll	1,116,735	193,132	248,722
Deferred revenue	10,363,864	601,759	7,857
Total liabilities	<u>13,147,372</u>	<u>914,853</u>	<u>353,149</u>
<b>FUND BALANCES</b>			
Reserved for:			
Loans receivable			
Notes receivable	696,140		
Encumbrances	951,992	389,982	46,432
Prepaid expenditures	10,408	196	1,708
Inventory		114,589	
Unreserved:			
Designated for subsequent years' expenditures	2,000,000		
Undesignated	23,320,039	10,962	10,978
Total fund balances	<u>26,978,579</u>	<u>515,729</u>	<u>59,118</u>
Total liabilities and fund balances	<u>\$40,125,951</u>	<u>\$1,430,582</u>	<u>\$412,267</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
\$88,389	\$240,942	\$46,554	\$4,233,056	\$2,075,400	\$33,912,441
		1,244,800		363,100	5,075,200
190	1,650			17,693	8,622,240
	1,832,114	1,272,375	722,000		264,964
					82,660
	33,593		142,916	119,386	2,294,375
78				36	1,832,114
					696,140
					1,495,923
					12,426
					114,589
<u>\$88,657</u>	<u>\$2,108,299</u>	<u>\$2,563,729</u>	<u>\$5,097,972</u>	<u>\$2,575,615</u>	<u>\$54,403,072</u>
\$9,744	\$27,492		\$353,907	\$38,738	\$2,313,186
7,573				299,097	1,865,259
5,750	33,593	\$2,517,175	825,179	448,314	14,803,491
<u>23,067</u>	<u>61,085</u>	<u>2,517,175</u>	<u>1,179,086</u>	<u>786,149</u>	<u>18,981,936</u>
	1,832,114				1,832,114
					696,140
39,345	66,374		3,908,581	324,223	5,726,929
78				36	12,426
					114,589
					2,000,000
26,167	148,726	46,554	10,305	1,465,207	25,038,938
65,590	2,047,214	46,554	3,918,886	1,789,466	35,421,136
<u>\$88,657</u>	<u>\$2,108,299</u>	<u>\$2,563,729</u>	<u>\$5,097,972</u>	<u>\$2,575,615</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	109,805,700
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	2,222,647
Grants and other taxes receivable	1,444,031
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.	1,105,987
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	(10,522,967)
Vacation and sick leave benefits	(2,739,582)
Accrued interest on bonds payable	(31,545)
Net Assets of Governmental Activities	<u>\$136,705,407</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2002

	General Fund	Street Maintenance	Major Special Parks, Recreation & Cultural Arts
REVENUES			
Income taxes	\$25,095,930		
Property taxes	6,368,887		
Licenses and permits	506,224	\$205	
Intergovernmental revenue	1,961,121	1,764,336	\$16,964
Charges for services	49,888		2,654,771
Fines and forfeits	1,339,766		
Investment earnings	1,300,844		
Special assessments	331,706		
Refunds and reimbursements	1,021,889	254,966	71,936
Miscellaneous	49,924	75,246	33,936
Total revenues	<u>38,026,179</u>	<u>2,094,753</u>	<u>2,777,607</u>
EXPENDITURES			
Current:			
General government	9,719,520		
Police	9,277,605		
Fire	7,275,877		
Public works	2,688,782	5,085,300	
Leisure services			7,818,312
Capital improvements			
Debt service:			
Principal			
Interest			
Total expenditures	<u>28,961,784</u>	<u>5,085,300</u>	<u>7,818,312</u>
Excess (deficiency) of revenues over expenditures	9,064,395	(2,990,547)	(5,040,705)
OTHER FINANCING SOURCES (USES)			
Transfers in		3,048,000	4,931,000
Transfers out	(10,879,070)		
General obligation note issuance	200,000		
Sale of city assets	471,550		
Net change in fund balance	<u>(1,143,125)</u>	<u>57,453</u>	<u>(109,705)</u>
Fund balances--beginning	28,121,704	458,276	168,823
Fund balances--ending	<u>\$26,978,579</u>	<u>\$515,729</u>	<u>\$59,118</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
		\$1,192,441		\$335,591	\$25,095,930
	\$875,687		\$4,827,165	598,532	7,896,919
\$1,853,997				56,776	506,429
		48,682		400,578	10,043,805
		177,914	799,134	32,253	4,615,432
10,503	679		248,008	18,981	1,740,344
180,759	42,485		2,751	291,288	1,381,779
<u>2,045,259</u>	<u>918,851</u>	<u>1,419,037</u>	<u>5,877,058</u>	<u>1,733,999</u>	<u>1,308,754</u>
	576,165	2,095		682,931	1,626,962
				1,151,787	1,381,779
				178,568	1,308,754
2,460,407				4,750	1,626,962
	356,399		7,709,465	339,619	1,308,754
		1,718,134			1,626,962
		465,787			1,308,754
<u>2,460,407</u>	<u>932,564</u>	<u>2,186,016</u>	<u>7,709,465</u>	<u>2,357,655</u>	<u>57,511,503</u>
(415,148)	(13,713)	(766,979)	(1,832,407)	(623,656)	(2,618,760)
425,000		775,000	815,000	885,070	10,879,070
			787,255		(10,879,070)
	94,812				987,255
<u>9,852</u>	<u>81,099</u>	<u>8,021</u>	<u>(230,152)</u>	<u>261,414</u>	<u>566,362</u>
55,738	1,966,115	38,533	4,149,038	1,528,052	(1,065,143)
<u>\$65,590</u>	<u>\$2,047,214</u>	<u>\$46,554</u>	<u>\$3,918,886</u>	<u>\$1,789,466</u>	<u>\$35,421,136</u>

Net change in Fund Balance - Governmental Funds (\$1,065,143)

Amounts reported for governmental activities in the Statement of Activities (page 9) 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.	}	Capital outlays	9,147,788
		Depreciation expense	(6,076,433)

In the Statement 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. (136,645)

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

Income taxes receivable	245,989
Grants receivable	(42,194)
Interest receivable	1,800
Contribution of capital asset	375,735

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. (987,255)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,718,134

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	(153,025)
Interest payable	7,271

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 15.) 131,070

Change in Net Assets on the Statement of Activities \$3,167,092

BALANCE SHEET  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2002

	Governmental Activities- Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Pooled cash and investments	\$441,218
Accounts receivable	798
Due from other governments	5,120
Prepaid expenses	899
Inventory	282,909
Total current assets	<u>730,944</u>
Noncurrent assets:	
Buildings and improvements	809,359
Machinery and equipment	1,980,740
Less: Accumulated depreciation	<u>(2,006,929)</u>
Total noncurrent assets	<u>783,170</u>
Total assets	<u><u>\$1,514,114</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$78,730
Accrued payroll	139,175
Total current liabilities	<u>217,905</u>
Noncurrent liabilities:	
Accrued vacation and sick leave benefits	<u>190,222</u>
Total liabilities	<u>408,127</u>
<b>NET ASSETS</b>	
Invested in capital assets	783,170
Unrestricted	<u>322,817</u>
Total net assets	<u>1,105,987</u>
Total liabilities and net assets	<u><u>\$1,514,114</u></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, 2002

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$7,193,121
Total operating revenues	<u>7,193,121</u>
OPERATING EXPENSES	
Personal services	2,441,599
Repairs and maintenance	893,569
Contractual services	3,137,873
Other materials and expenses	467,821
Depreciation	158,315
Total operating expenses	<u>7,099,177</u>
Operating income (loss)	<u>93,944</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	37,126
Change in net assets	131,070
Total net assets--beginning	974,917
Total net assets--ending	<u><u>\$1,105,987</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2002  
 Increase (Decrease) in cash

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for services	\$7,211,379
Cash paid to suppliers for goods or services	(4,523,647)
Cash paid to employees for services	(2,424,278)
Net cash provided (used) by operating activities	<u>263,454</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(193,989)
Sale of capital assets	
Net cash used by capital and related financing activities	<u>(193,989)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	37,126
Net cash provided by investing activities	<u>37,126</u>
Net increase (decrease) in cash	106,591
Cash at beginning of year	334,627
Cash at end of year	<u><u>\$441,218</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$93,944
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	158,315
(Increase) decrease in receivables	18,258
(Increase) decrease in inventories	(27,676)
Increase (decrease) in accounts payable	838
Net (increase) decrease in other operating net assets	19,775
Net cash provided (used) by operating activities	<u><u>\$263,454</u></u>

See accompanying notes to the basic financial statements.

## FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2002

	Volunteer Firefighter Pension	Deceased Police Dependents Private Purpose Trust	Agency Funds
ASSETS			
Pooled cash and investments		\$64,183	\$572,764
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$1,733,975		
Other investments			326,972
Total assets	<u>1,733,975</u>	<u>64,183</u>	<u>\$899,736</u>
LIABILITIES			
Accounts payable			\$1,979
Withholdings payable			565,613
Undistributed moneys			326,972
Unclaimed moneys			5,172
Total liabilities			<u>\$899,736</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$1,733,975</u>	<u>\$64,183</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2002

ADDITIONS		
Employer contributions		
Investment earnings (loss)	\$200,113	\$2,509
Total additions	<u>200,113</u>	<u>2,509</u>
DEDUCTIONS		
Pension payments	66,027	
Total deductions	<u>66,027</u>	
Net increase (decrease)	134,086	2,509
Net assets--beginning of year	1,599,889	61,674
Net assets--end of year	<u>\$1,733,975</u>	<u>\$64,183</u>

See accompanying notes to the basic financial statements.



CITY OF KETTERING



**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

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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

*Government-Wide Statements:* The Statement of net assets and the statement of activities display information about the primary government, except for its fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. The City has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or a function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the City's funds, including fiduciary. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

**General Fund** — This 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.

**Street Maintenance Fund** — This fund accounts for the portion of gasoline tax and motor vehicle license fees restricted for maintenance of streets.

**Parks, Recreation & Cultural Arts Fund**— This fund accounts for moneys received and expended for the Parks, Recreation & Cultural Arts Department programs and activities.

**Fraze Pavilion Fund** — This fund accounts for moneys received and expended for the Fraze Pavilion amphitheater operations.

**Community Development Fund** — This fund accounts for grants received from the Department of Housing and Urban Development (HUD). Grants are restricted for various purposes designated by HUD.

**Debt Service Fund** — This 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** — This 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).

Additionally, the City reports the following fund types:

**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. These goods and services include computer services, vehicle maintenance, office supplies, postage, printing services, photographic service, building maintenance and health insurance. The City has no unbilled service receivables at year end.

**Pension Trust Fund** — This fund reports a trust arrangement under which assets are accumulated in order to pay retirement benefits to the City’s volunteer firefighters.

**Private Purpose Trust Fund** — This fund reports a trust arrangement under which principal and income are used for the education of dependents of deceased police officers.

**Agency Funds** — These funds account for assets held by the City as an agent for: 1) various local governments collected by the municipal court, 2) payroll withholdings and 3) unclaimed moneys and other miscellaneous activities.

#### 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, proprietary and fiduciary fund 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 are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 for 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.

Private-Sector standards of accounting and reporting issued on or before November 30, 1989, are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

D. Pooled Cash and Investments and Investments with Fiscal Agent

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

E. 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.

F. 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. The City capitalizes all assets with a cost of \$5,000 or greater and a useful life of at least two years. 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

G. Interfund Transactions and Transfers

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorities. The accompanying financial statements generally reflect such transactions as 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.

#### H. 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.

#### I. 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.

#### J. 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 \$13,415,613 and the bank balance was \$14,407,869. 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, money market mutual funds whose portfolio consists of authorized investments, and the state treasurer's investment pool.

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</u> <u>2</u>	<u>3</u>	<u>Carrying Amount</u> <u>and Fair Value</u>
Repurchase				
Agreement			\$1,134,868	\$1,134,868
Corporate				
Bonds & Stocks			16,653,249	16,653,249
			<u>\$17,788,117</u>	<u>\$17,788,117</u>
Money Market				
Mutual Funds				4,113,848
Pension Plan Pooled				
Investment Fund				<u>1,733,975</u>
Total Investments				<u>\$23,635,940</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 2002.

The property tax calendar is as follows:

Levy date	December 31, 2001
Lien date	December 31, 2001
Tax bill mailed	January 20, 2002
First installment payment due	February 15, 2002
Second installment payment due	July 15, 2002

The assessed values for the City at December 31, 2001, were as follows:

	<b>Assessed Value Category</b>
Real Estate	\$982,829,080
Public Utility Real Property	138,530
Tangible Personal Property	83,507,362
Public Utility Personal Property	<u>25,430,900</u>
Total	<u>\$1,091,905,872</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	\$2,394,378
Sales taxes	1,793,683
Gasoline taxes	1,140,584
Vehicle license taxes	818,363
Miscellaneous other taxes	<u>285,229</u>
	<u>\$6,432,237</u>

#### 6. LOANS RECEIVABLE AND NOTES 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 2028. Fund balance has been reserved for the loans receivable at December 31, 2002, as it does not represent currently available spendable resources. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures.

The City has sold property to several companies and taken a note receivable in exchange. These note receivables are payable in installments to 2006. Fund balance has been reserved for the notes receivable at December 31, 2002, as it does not represent currently available spendable resources.

## 7. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$9,188,092	\$1,252,978	(\$98,500)	\$10,342,570
Construction in progress				
Subtotal	<u>9,188,092</u>	<u>1,252,978</u>	<u>(98,500)</u>	<u>10,342,570</u>
Capital assets being depreciated:				
Buildings and improvements	35,247,873	549,743	(19,286)	35,778,330
Machinery and equipment	14,772,842	1,324,874	(708,913)	15,388,803
Infrastructure	104,841,667	6,608,740	(24,654)	111,425,753
Subtotal	<u>154,862,382</u>	<u>8,483,357</u>	<u>(752,853)</u>	<u>162,592,886</u>
Accumulated depreciation:				
Buildings and improvements	(17,595,416)	(1,613,546)	12,000	(19,196,962)
Machinery and equipment	(9,867,166)	(1,089,314)	661,819	(10,294,661)
Infrastructure	(29,347,729)	(3,531,888)	24,654	(32,854,963)
Subtotal	<u>(56,810,311)</u>	<u>(6,234,748) *</u>	<u>698,473</u>	<u>(62,346,586)</u>
Net capital assets being depreciated	<u>98,052,071</u>	<u>2,248,609</u>	<u>(54,380)</u>	<u>100,246,300</u>
Net capital assets	<u>\$107,240,163</u>	<u>\$3,501,587</u>	<u>(\$152,880)</u>	<u>\$110,588,870</u>

\*Depreciation expense was charged to governmental functions as follows:

General government	\$326,764
Police	267,133
Fire	398,939
Public works	3,591,132
Leisure services	1,492,465
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>158,315</u>
Total depreciation expense	<u>\$6,234,748</u>

## 8. RISK MANAGEMENT

The City is a member of a public entity risk pool, Miami Valley Risk Management Association, Inc. (MVRMA) with sixteen 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** — \$1,000,000 per occurrence  
**Liability** — \$11,000,000 per occurrence  
**Boiler & Machinery** — \$100,000,000 per occurrence  
**Public Official Liability** — \$1,000,000 per occurrence

The deductible per occurrence for all types is \$2,500. Pool coverage is \$2,501 - \$5,000 for boiler and machinery, \$2,501 - \$15,000 for crime, \$2,501 - \$250,000 for property, and \$2,501 - \$500,000 for liability. Excess insurance coverage, provided by commercial companies, is the amount in excess of pool coverage 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, 2001, 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. The City pays premiums to a private insurance company and retains no risk.

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

Substantially all City employees are covered by one of two cost-sharing multiple-employer defined benefit pension plans, namely, the Police and Fire 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 FIRE PENSION FUND

Authority to establish and amend benefits is provided by state statute per Chapter 742 of the Ohio Revised Code. The Police and Fire 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 19.5% and 24% respectively for police officers and firefighters. The City's contributions to the plan for the years ending December 31, 2000, 2001, and 2002, were \$1,655,769, \$1,849,105 and \$1,832,207 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, 2000, 2001 and 2002, were \$1,628,503, \$2,083,068 and \$2,217,038 respectively, equal to the required contributions for the year.



## VOLUNTEER FIREFIGHTERS PENSION

Principal Life Insurance Company administers a single-employer, defined benefit pension plan for the Volunteer Firefighters. At January 1, 2002, the Plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	63
Terminated employees entitled to benefits but not yet receiving them	42
Active members	<u>66</u>
Total	<u>171</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. Contribution requirements are established or may be amended by City Ordinance. Active members are not required to contribute.

The annual required contribution for the current year was determined as part of the January 1, 2002, 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>
1997	28,603	28,603	100%
1998	40,785	40,785	100%
1999	40,684	40,684	100%
2000	35,644	35,644	100%
2001	36,628	36,628	100%
2002	0	0	100%

For the fiscal years ended December 31, 2000, 2001 and 2002, the Annual Pension cost (APC) was \$35,644, \$36,628 and \$0 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 9, both the Public Employees Retirement System of Ohio and the Police and Fire 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 FIRE 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 2002 employer contribution rate was 19.5% of covered payroll for Police and 24% for Fire of which 7.75% was used to fund health care. The City's contribution for the year ended December 31, 2002, was \$411,643 for Police and \$256,889 for Fire to pay postemployment benefits.

The number of participants eligible to receive health care benefits as of December 31, 2001, were 13,174 for Police and 10,239 for Fire. The Fund's total health care expenses for the year ended December 31, 2001, were \$122,298,771.

##### PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB

The Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available.

The 2002 employer contribution rate was 13.55%, of which 5.0% was used to fund health care. The City's contribution for the year ended December 31, 2002, was \$818,087 to fund post-employment benefits.

OPEB are advanced-funded on an actuarially determined basis. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation. The investment assumption rate for 2001 was 8.00%. Individual base pay was assumed to increase 4.00% compounded annually with no change in the number of active employees. Health care costs were assumed to increase 4.00% annually.

The number of active contributing participants was 402,041 as of December 31, 2001, the date the latest actuarial review was performed. The Funds actuarially determined accrued liability for OPEBs at December 31, 2001, are \$16.4 billion with net assets available for OPEB of \$11.6 billion, leaving an unfunded actuarial liability of \$4.8 billion.

## 11. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2002, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>General obligation bonds:</b>					
Fire station, 9.00%	\$185,000		\$45,000	\$140,000	\$45,000
Service center, 9.00%	220,000		55,000	165,000	55,000
Improvement bonds—					
Series 1991, 4.5%-6.65%	360,144		24,958	335,186	25,419
Improvement bonds—					
Series 1992, 3.25%-6.45%	700,296		42,857	657,439	42,439
Improvement Refunding, 2.65%-5.25%	2,935,000		530,000	2,405,000	555,000
Recreation Center Refunding, 2.65%-16.9%	<u>3,114,352</u>		<u>850,000</u>	<u>2,264,352</u>	<u>895,000</u>
Total general obligation bonds	<u>7,514,792</u>		<u>1,547,815</u>	<u>5,966,977</u>	<u>1,617,858</u>
<b>Special assessment bonds:</b>					
1983 David Road Improvement, 9.75%	34,000		17,000	17,000	17,000
Improvement bonds—					
Series 1991, 4.5%-6.65%	1,144,856		75,042	1,069,814	79,581
Improvement bonds—					
Series 1992, 3.7%-5.9%	<u>14,704</u>		<u>7,143</u>	<u>7,561</u>	<u>7,561</u>
Total special assessment bonds	<u>1,193,560</u>		<u>99,185</u>	<u>1,094,375</u>	<u>104,142</u>
<b>Other:</b>					
Accrued vacation and sick leave benefits	2,771,574	1,846,442	1,688,212	2,929,804	1,787,181
Ohio Public Works Commission Long-Term Promissory Notes, 0-3%	2,545,494	787,255	71,134	3,261,615	164,322
Montgomery County 800Mhz, 0% Promissory Notes		<u>200,000</u>		<u>200,000</u>	<u>66,667</u>
Total other	<u>5,317,068</u>	<u>2,833,697</u>	<u>1,759,346</u>	<u>6,391,419</u>	<u>2,018,170</u>
Total long-term liabilities	<u>\$14,025,420</u>	<u>\$2,833,697</u>	<u>\$3,406,346</u>	<u>\$13,452,771</u>	<u>\$3,740,170</u>

The accrued vacation and sick leave benefits liability will be liquidated by several of the City's governmental and internal service funds. In the past, approximately 73% has been paid by the General Fund, 12% 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, 2002, are as follows:

	General Obligation Bonds		Promissory Notes		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$1,617,858	\$306,420	\$230,989	\$7,709	\$104,142	\$72,115
2004	1,705,564	220,866	267,117	15,191	84,436	65,157
2005	940,018	980,279	267,691	14,617	89,671	59,922
2006	854,196	954,064	201,615	14,026	95,320	54,272
2007	195,709	931,244	202,224	13,418	101,658	47,934
2008-2012	653,632	1,018,761	791,482	57,293	619,148	128,812
2013-2017			745,301	39,065		
2018-2022			704,630	17,911		
2023			50,566	754		
	<u>\$5,966,977</u>	<u>\$4,411,634</u>	<u>\$3,461,615</u>	<u>\$179,984</u>	<u>\$1,094,375</u>	<u>\$428,212</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, 2002, the City had a legal debt margin for total debt of \$108,729,694 and a legal debt margin for unvoted debt of \$56,398,752.

## 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 2002 were \$243,994.

Construction and other commitments at December 31, 2002, were approximately \$4,192,000.

## 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.



CITY OF KETTERING

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$28,121,704	\$28,121,704	\$28,121,704	
Resources (inflows)				
Income taxes	26,200,000	24,787,000	25,095,930	\$308,930
Property taxes	6,386,000	5,978,000	6,368,887	390,887
Licenses and permits	420,000	435,000	506,224	71,224
Intergovernmental revenue	1,985,000	2,044,659	1,961,121	(83,538)
Charges for services	57,000	51,900	49,888	(2,012)
Fines and forfeits	1,115,000	1,215,000	1,339,766	124,766
Investment earnings	1,200,000	1,200,000	1,300,844	100,844
Special assessments	300,000	332,000	331,706	(294)
Refunds and reimbursements	780,000	780,000	1,021,889	241,889
Miscellaneous	50,000	50,000	49,924	(76)
Sale of city assets	30,000	458,000	471,550	13,550
General obligation note issuance		200,000	200,000	
Amounts available for appropriation	<u>66,644,704</u>	<u>65,653,263</u>	<u>66,819,433</u>	<u>1,166,170</u>
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	205,000	205,000	202,930	2,070
Operating expenditures	92,513	92,513	76,870	15,643
Capital outlay				
Total mayor and council	<u>297,513</u>	<u>297,513</u>	<u>279,800</u>	<u>17,713</u>
Municipal court:				
Personal services	689,600	689,600	658,367	31,233
Operating expenditures	264,032	264,032	244,858	19,174
Capital outlay				
Total municipal court	<u>953,632</u>	<u>953,632</u>	<u>903,225</u>	<u>50,407</u>
Clerk of courts:				
Personal services	609,700	609,700	591,107	18,593
Operating expenditures	124,873	124,873	105,865	19,008
Capital outlay				
Total clerk of courts	<u>734,573</u>	<u>734,573</u>	<u>696,972</u>	<u>37,601</u>
Office of City Manager:				
Personal services	485,600	485,600	468,534	17,066
Operating expenditures	62,440	62,440	58,365	4,075
Capital outlay				
Total office of city manager	<u>548,040</u>	<u>548,040</u>	<u>526,899</u>	<u>21,141</u>
Law department:				
Personal services	544,800	544,800	531,310	13,490
Operating expenditures	150,733	200,733	159,856	40,877
Capital outlay				
Total law department	<u>695,533</u>	<u>745,533</u>	<u>691,166</u>	<u>54,367</u>
Finance department:				
Personal services	1,181,900	1,181,900	1,131,115	50,785
Operating expenditures	484,782	484,674	412,369	72,305
Capital outlay				
Total finance department	<u>1,666,682</u>	<u>1,666,574</u>	<u>1,543,484</u>	<u>123,090</u>
Administrative support				
Personal services	415,100	415,100	366,466	48,634
Operating expenditures	75,018	74,684	60,654	14,030
Capital outlay				
Total administrative support	<u>490,118</u>	<u>489,784</u>	<u>427,120</u>	<u>62,664</u>

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$503,700	\$503,700	\$500,020	\$3,680
Operating expenditures	281,540	281,540	209,857	71,683
Capital outlay				
Total human resources department	<u>785,240</u>	<u>785,240</u>	<u>709,877</u>	<u>75,363</u>
Planning and development:				
Personal services	1,594,400	1,594,400	1,530,501	63,899
Operating expenditures	380,938	505,938	295,070	210,868
Capital outlay	18,000	18,000	13,795	4,205
Total planning and development	<u>1,993,338</u>	<u>2,118,338</u>	<u>1,839,366</u>	<u>278,972</u>
Economic development:				
Personal services	104,200	104,200	103,569	631
Operating expenditures	1,327,785	1,321,663	1,246,727	74,936
Capital outlay				
Total economic development	<u>1,431,985</u>	<u>1,425,863</u>	<u>1,350,296</u>	<u>75,567</u>
Miscellaneous:				
Operating expenditures	855,769	1,003,503	751,315	252,188
Total miscellaneous	<u>855,769</u>	<u>1,003,503</u>	<u>751,315</u>	<u>252,188</u>
Total general government	<u>10,452,423</u>	<u>10,768,593</u>	<u>9,719,520</u>	<u>1,049,073</u>
Police:				
Personal services	7,781,200	7,666,200	7,510,783	155,417
Operating expenditures	1,608,510	1,779,119	1,665,465	113,654
Capital outlay	176,000	196,000	101,357	94,643
Total police	<u>9,565,710</u>	<u>9,641,319</u>	<u>9,277,605</u>	<u>363,714</u>
Fire:				
Personal services	5,365,600	5,365,600	5,067,314	298,286
Operating expenditures	2,463,452	2,459,673	2,123,035	336,638
Capital outlay	1,173,839	1,173,839	85,528	1,088,311
Total fire	<u>9,002,891</u>	<u>8,999,112</u>	<u>7,275,877</u>	<u>1,723,235</u>
Public works:				
Transportation department:				
Personal services	702,900	702,900	648,723	54,177
Operating expenditures	280,700	280,568	251,878	28,690
Capital outlay	14,000	14,000		14,000
Total transportation department	<u>997,600</u>	<u>997,468</u>	<u>900,601</u>	<u>96,867</u>
Engineering department:				
Personal services	1,152,200	1,115,200	1,096,617	18,583
Operating expenditures	185,979	222,501	198,812	23,689
Capital outlay	8,000	8,000		8,000
Total engineering department	<u>1,346,179</u>	<u>1,345,701</u>	<u>1,295,429</u>	<u>50,272</u>
Street lighting:				
Operating expenditures	573,500	568,500	492,752	75,748
Total street lighting	<u>573,500</u>	<u>568,500</u>	<u>492,752</u>	<u>75,748</u>
Total public works	<u>2,917,279</u>	<u>2,911,669</u>	<u>2,688,782</u>	<u>222,887</u>
Transfers to other funds	16,533,211	16,654,315	10,879,070	5,775,245
Total charges to appropriations	<u>48,471,514</u>	<u>48,975,008</u>	<u>39,840,854</u>	<u>9,134,154</u>
Fund balance, December 31	<u>\$18,173,190</u>	<u>\$16,678,255</u>	<u>\$26,978,579</u>	<u>\$10,300,324</u>

See accompanying notes to the required supplementary information.

## 34 CITY OF KETTERING, OHIO

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - STREET MAINTENANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$458,276	\$458,276	\$458,276	
Resources (inflows)				
Licenses and permits			205	\$205
Intergovernmental revenue	1,675,000	1,750,000	1,764,336	14,336
Refunds and reimbursements	200,000	150,000	254,966	104,966
Miscellaneous	5,000	49,000	75,246	26,246
Transfer from the general fund	3,500,000	3,500,000	3,048,000	(452,000)
Amounts available for appropriation	<u>5,838,276</u>	<u>5,907,276</u>	<u>5,601,029</u>	<u>(306,247)</u>
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	3,158,700	3,158,200	3,087,538	70,662
Operating expenditures	1,452,298	1,400,798	1,390,165	10,633
Capital outlay	1,108,425	1,160,425	607,597	552,828
Total charges to appropriations	<u>5,719,423</u>	<u>5,719,423</u>	<u>5,085,300</u>	<u>634,123</u>
Fund balance, December 31	<u>\$118,853</u>	<u>\$187,853</u>	<u>\$515,729</u>	<u>\$327,876</u>

See accompanying notes to the required supplementary information.



**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -  
 PARKS, RECREATION AND CULTURAL ARTS FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$168,823	\$168,823	\$168,823	
Resources (inflows)				
Intergovernmental revenue	22,000	22,000	16,964	(\$5,036)
Charges for services	2,607,000	2,423,000	2,654,771	231,771
Refunds and reimbursements	78,000	97,000	71,936	(25,064)
Miscellaneous	25,000	21,000	33,936	12,936
Transfer from the general fund	5,500,000	5,500,000	4,931,000	(569,000)
Amounts available for appropriation	<u>8,400,823</u>	<u>8,231,823</u>	<u>7,877,430</u>	<u>(354,393)</u>
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	4,468,600	4,468,600	4,403,226	65,374
Operating expenditures	3,361,358	3,372,661	3,128,752	243,909
Capital outlay	433,623	413,823	286,334	127,489
Total charges to appropriations	<u>8,263,581</u>	<u>8,255,084</u>	<u>7,818,312</u>	<u>436,772</u>
Fund balance, December 31	<u>\$137,242</u>	<u>(\$23,261)</u>	<u>\$59,118</u>	<u>\$82,379</u>

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$55,738	\$55,738	\$55,738	
Resources (inflows)				
Charges for services	1,675,000	1,868,000	1,853,997	(\$14,003)
Refunds and reimbursements	5,000	11,000	10,503	(497)
Miscellaneous	225,000	180,000	180,759	759
Transfer from the general fund	500,000	575,000	425,000	(150,000)
Amounts available for appropriation	<u>2,460,738</u>	<u>2,689,738</u>	<u>2,525,997</u>	<u>(163,741)</u>
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	466,300	526,300	518,291	8,009
Operating expenditures	1,935,923	2,025,923	1,942,116	83,807
Capital outlay				
Total charges to appropriations	<u>2,402,223</u>	<u>2,552,223</u>	<u>2,460,407</u>	<u>91,816</u>
Fund balance, December 31	<u>\$58,515</u>	<u>\$137,515</u>	<u>\$65,590</u>	<u>(\$71,925)</u>

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -  
 COMMUNITY DEVELOPMENT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,966,115	\$1,966,115	\$1,966,115	
Resources (inflows)				
Intergovernmental revenue	789,141	789,141	875,687	\$86,546
Refunds and reimbursements			679	679
Miscellaneous	50,000	50,000	42,485	(7,515)
Sale of city assets	160,000	160,000	94,812	(65,188)
Amounts available for appropriation	<u>2,965,256</u>	<u>2,965,256</u>	<u>2,979,778</u>	<u>14,522</u>
Charges to appropriations (outflows)				
General government	556,038	757,274	576,165	181,109
Capital improvements	495,289	502,053	356,399	145,654
Total charges to appropriations	<u>1,051,327</u>	<u>1,259,327</u>	<u>932,564</u>	<u>326,763</u>
Fund balance, December 31	<u>\$1,913,929</u>	<u>\$1,705,929</u>	<u>\$2,047,214</u>	<u>\$341,285</u>

See accompanying notes to the required supplementary information.

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**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2002**

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## 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.

**FINANCIAL STATEMENTS  
OF  
INDIVIDUAL FUNDS**

40 **CITY OF KETTERING, OHIO**

**NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET DECEMBER 31, 2002**

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
<b>ASSETS</b>						
Pooled cash and investments	\$292,508	\$257,309	\$304,865	\$80,754	\$1,139,964	\$2,075,400
Receivables:						
Property taxes			363,100			363,100
Accounts				12,943	4,750	17,693
Due from other governments	67,185				52,201	119,386
Prepaid expenditures				36		36
Total assets	<u>\$359,693</u>	<u>\$257,309</u>	<u>\$667,965</u>	<u>\$93,733</u>	<u>\$1,196,915</u>	<u>\$2,575,615</u>
<b>LIABILITIES</b>						
Accounts payable	\$5,351		\$150	\$23,158	\$10,079	\$38,738
Accrued payroll			294,274		4,823	299,097
Deferred revenue	58,300		363,100		26,914	448,314
Total liabilities	<u>63,651</u>		<u>657,524</u>	<u>23,158</u>	<u>41,816</u>	<u>786,149</u>
<b>FUND BALANCES</b>						
Reserved for:						
Encumbrances	240,000			22,191	62,032	324,223
Prepaid expenditures				36		36
Unreserved	56,042	\$257,309	10,441	48,348	1,093,067	1,465,207
Total fund balances	<u>296,042</u>	<u>257,309</u>	<u>10,441</u>	<u>70,575</u>	<u>1,155,099</u>	<u>1,789,466</u>
Total liabilities and fund balances	<u>\$359,693</u>	<u>\$257,309</u>	<u>\$667,965</u>	<u>\$93,733</u>	<u>\$1,196,915</u>	<u>\$2,575,615</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, 2002

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes						
Intergovernmental revenue	\$110,000	\$139,962	\$29,962			
Charges for services				\$8,000	\$13,602	\$5,602
Fines and forfeits						
Investment earnings	8,000	12,973	4,973	7,000	10,011	3,011
Refunds and reimbursements	25,000		(25,000)			
Miscellaneous						
Total revenues	<u>143,000</u>	<u>152,935</u>	<u>9,935</u>	<u>15,000</u>	<u>23,613</u>	<u>8,613</u>
EXPENDITURES						
Current:						
General government				15,200	10,138	5,062
Police						
Fire						
Public works	132,000	103,657	28,343			
Leisure services						
Capital improvements	352,812	111,056	241,756			
Total expenditures	<u>484,812</u>	<u>214,713</u>	<u>270,099</u>	<u>15,200</u>	<u>10,138</u>	<u>5,062</u>
Excess (deficiency) of revenues over expenditures	(341,812)	(61,778)	280,034	(200)	13,475	13,675
OTHER FINANCING SOURCES (USES)						
Transfers in	40,000		(40,000)			
Transfers out						
Net change in fund balance	<u>(301,812)</u>	<u>(61,778)</u>	<u>240,034</u>	<u>(200)</u>	<u>13,475</u>	<u>13,675</u>
Fund balances--beginning	357,820	357,820		243,834	243,834	
Fund balances--ending	<u>\$56,008</u>	<u>\$296,042</u>	<u>\$240,034</u>	<u>\$243,634</u>	<u>\$257,309</u>	<u>\$13,675</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, 2002

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$331,000	\$335,591	\$4,591			
Intergovernmental revenue						
Charges for services				\$27,000	\$24,531	(\$2,469)
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				6,000	18,981	12,981
Miscellaneous						
Total revenues	<u>331,000</u>	<u>335,591</u>	<u>4,591</u>	<u>33,000</u>	<u>43,512</u>	<u>10,512</u>
EXPENDITURES						
Current:						
General government				316,874	209,513	107,361
Police	1,070,000	1,031,216	38,784			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,070,000</u>	<u>1,031,216</u>	<u>38,784</u>	<u>316,874</u>	<u>209,513</u>	<u>107,361</u>
Excess (deficiency) of revenues over expenditures	(739,000)	(695,625)	43,375	(283,874)	(166,001)	117,873
OTHER FINANCING SOURCES (USES)						
Transfers in	750,000	696,000	(54,000)	260,000	147,000	(113,000)
Transfers out						
Net change in fund balance	<u>11,000</u>	<u>375</u>	<u>(10,625)</u>	<u>(23,874)</u>	<u>(19,001)</u>	<u>4,873</u>
Fund balances--beginning	10,066	10,066		89,576	89,576	
Fund balances--ending	<u>\$21,066</u>	<u>\$10,441</u>	<u>(\$10,625)</u>	<u>\$65,702</u>	<u>\$70,575</u>	<u>\$4,873</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, 2002

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES</b>						
Property taxes				\$331,000	\$335,591	\$4,591
Intergovernmental revenue	\$597,731	\$458,570	(\$139,161)	707,731	598,532	(109,199)
Charges for services	10,500	18,643	8,143	45,500	56,776	11,276
Fines and forfeits	375,000	400,578	25,578	375,000	400,578	25,578
Investment earnings	9,800	9,269	(531)	24,800	32,253	7,453
Refunds and reimbursements				31,000	18,981	(12,019)
Miscellaneous	293,200	291,288	(1,912)	293,200	291,288	(1,912)
Total revenues	<u>1,286,231</u>	<u>1,178,348</u>	<u>(107,883)</u>	<u>1,808,231</u>	<u>1,733,999</u>	<u>(74,232)</u>
<b>EXPENDITURES</b>						
Current:						
General government	789,048	463,280	325,768	1,121,122	682,931	438,191
Police	254,988	120,571	134,417	1,324,988	1,151,787	173,201
Fire	44,160		44,160	44,160		44,160
Public works	98,200	74,911	23,289	230,200	178,568	51,632
Leisure services	6,750	4,750	2,000	6,750	4,750	2,000
Capital improvements	274,055	228,563	45,492	626,867	339,619	287,248
Total expenditures	<u>1,467,201</u>	<u>892,075</u>	<u>575,126</u>	<u>3,354,087</u>	<u>2,357,655</u>	<u>996,432</u>
Excess (deficiency) of revenues over expenditures	(180,970)	286,273	467,243	(1,545,856)	(623,656)	922,200
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	179,315	42,070	(137,245)	1,229,315	885,070	(344,245)
Transfers out						
Net change in fund balance	(1,655)	328,343	329,998	(316,541)	261,414	577,955
Fund balances--beginning	826,756	826,756		1,528,052	1,528,052	
Fund balances--ending	<u>\$825,101</u>	<u>\$1,155,099</u>	<u>\$329,998</u>	<u>\$1,211,511</u>	<u>\$1,789,466</u>	<u>\$577,955</u>

44 **CITY OF KETTERING, OHIO**

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DEBT SERVICE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
 FOR THE YEAR ENDED DECEMBER 31, 2002

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$1,190,000	\$1,192,441	\$2,441
Investment earnings	30,000	48,682	18,682
Special assessments	178,000	177,914	(86)
Total revenues	<u>1,398,000</u>	<u>1,419,037</u>	<u>21,037</u>
EXPENDITURES			
Current:			
General government	5,000	2,095	2,905
Debt service:			
Principal	1,756,186	1,718,134	38,052
Interest	475,190	465,787	9,403
Total expenditures	<u>2,236,376</u>	<u>2,186,016</u>	<u>50,360</u>
Deficiency of revenues over expenditures	(838,376)	(766,979)	71,397
OTHER FINANCING SOURCES (USES)			
Transfers in	850,000	775,000	(75,000)
Net change in fund balance	11,624	8,021	(3,603)
Fund balances--beginning	<u>38,533</u>	<u>38,533</u>	
Fund balances--ending	<u>\$50,157</u>	<u>\$46,554</u>	<u>(\$3,603)</u>

CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
 FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$9,027,032	\$4,827,165	(\$4,199,867)
Special assessments	792,000	799,134	7,134
Refunds and reimbursements	224,000	248,008	24,008
Miscellaneous	20,000	2,751	(17,249)
Total revenues	<u>10,063,032</u>	<u>5,877,058</u>	<u>(4,185,974)</u>
EXPENDITURES			
Capital improvements	16,571,584	7,709,465	8,862,119
Total expenditures	<u>16,571,584</u>	<u>7,709,465</u>	<u>8,862,119</u>
Deficiency of revenues over expenditures	(6,508,552)	(1,832,407)	4,676,145
OTHER FINANCING SOURCES (USES)			
Transfers in	5,000,000	815,000	(4,185,000)
General obligation note issuance	815,000	787,255	(27,745)
Net change in fund balance	<u>(693,552)</u>	<u>(230,152)</u>	<u>463,400</u>
Fund balances--beginning	<u>4,149,038</u>	<u>4,149,038</u>	
Fund balances--ending	<u><u>\$3,455,486</u></u>	<u><u>\$3,918,886</u></u>	<u><u>\$463,400</u></u>

CAPITAL PROJECTS FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2002

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$283,201	\$63,891	\$219,310
Street construction	13,964,074	6,138,233	7,825,841
Drainage	270,950	18,847	252,103
Parks and recreation	862,086	542,388	319,698
Tree planting and landscaping	81,000	70,218	10,782
Other	1,110,273	875,888	234,385
Total capital projects fund	<u>\$16,571,584</u>	<u>\$7,709,465</u>	<u>\$8,862,119</u>

INTERNAL SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2002

	Administrative Operations	Health Insurance	Totals
<b>ASSETS</b>			
Current assets:			
Pooled cash and investments	\$402,161	\$39,057	\$441,218
Accounts receivable	798		798
Due from other governments	5,120		5,120
Prepaid expenses	899		899
Inventory	282,909		282,909
Total current assets	<u>691,887</u>	<u>39,057</u>	<u>730,944</u>
Noncurrent assets:			
Buildings and improvements	809,359		809,359
Machinery and equipment	1,980,740		1,980,740
Less: Accumulated depreciation	(2,006,929)		(2,006,929)
Total noncurrent assets	<u>783,170</u>		<u>783,170</u>
Total assets	<u>\$1,475,057</u>	<u>\$39,057</u>	<u>\$1,514,114</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$78,730		\$78,730
Accrued payroll	139,175		139,175
Total current liabilities	<u>217,905</u>		<u>217,905</u>
Noncurrent liabilities:			
Accrued vacation and sick leave benefits	190,222		190,222
Total liabilities	<u>408,127</u>		<u>408,127</u>
<b>NET ASSETS</b>			
Invested in capital assets	783,170		783,170
Unrestricted	283,760	\$39,057	322,817
Total net assets	<u>1,066,930</u>	<u>39,057</u>	<u>1,105,987</u>
Total liabilities and net assets	<u>\$1,475,057</u>	<u>\$39,057</u>	<u>\$1,514,114</u>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Administrative Operations	Health Insurance	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$4,651,563	\$2,541,558	\$7,193,121
Total operating revenues	<u>4,651,563</u>	<u>2,541,558</u>	<u>7,193,121</u>
<b>OPERATING EXPENSES</b>			
Personal services	2,441,599		2,441,599
Repairs and maintenance	893,569		893,569
Contractual services	603,914	2,533,959	3,137,873
Other materials and expenses	467,821		467,821
Depreciation	158,315		158,315
Total operating expenses	<u>4,565,218</u>	<u>2,533,959</u>	<u>7,099,177</u>
Operating income (loss)	<u>86,345</u>	<u>7,599</u>	<u>93,944</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	36,388	738	37,126
Change in net assets	122,733	8,337	131,070
Total net assets--beginning	<u>944,197</u>	<u>30,720</u>	<u>974,917</u>
Total net assets--ending	<u><u>\$1,066,930</u></u>	<u><u>\$39,057</u></u>	<u><u>\$1,105,987</u></u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2002  
 Increase (Decrease) in cash

	Administrative Operations	Health Insurance	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received for services	\$4,669,674	\$2,541,705	\$7,211,379
Cash paid to suppliers for goods or services	(1,989,688)	(2,533,959)	(4,523,647)
Cash paid to employees for services	(2,424,278)		(2,424,278)
Net cash provided (used) by operating activities	<u>255,708</u>	<u>7,746</u>	<u>263,454</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(193,989)		(193,989)
Sale of capital assets			
Net cash used by capital and related financing activities	<u>(193,989)</u>		<u>(193,989)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	36,388	738	37,126
Net cash provided by investing activities	<u>36,388</u>	<u>738</u>	<u>37,126</u>
Net increase (decrease) in cash	98,107	8,484	106,591
Cash at beginning of year	304,054	30,573	334,627
Cash at end of year	<u>\$402,161</u>	<u>\$39,057</u>	<u>\$441,218</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$86,345	\$7,599	\$93,944
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	158,315		158,315
(Increase) decrease in receivables	18,111	147	18,258
(Increase) decrease in inventories	(27,676)		(27,676)
Increase (decrease) in accounts payable	838		838
Net (increase) decrease in other operating net assets	19,775		19,775
Net cash provided (used) by operating activities	<u>\$255,708</u>	<u>\$7,746</u>	<u>\$263,454</u>

AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Balance December 31 2001	Additions	Deductions	Balance December 31 2002
<u>PAYROLL WITHHOLDING FUND</u>				
ASSETS - Cash	\$541,644	\$8,170,772	\$8,146,803	\$565,613
LIABILITIES - Withholdings payable	\$541,644	\$8,170,772	\$8,146,803	\$565,613
<u>MUNICIPAL COURT FUND</u>				
ASSETS - Investments with fiscal agent	\$299,447	\$3,481,300	\$3,453,775	\$326,972
LIABILITIES - Undistributed moneys	\$299,447	\$3,481,300	\$3,453,775	\$326,972
<u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u>				
ASSETS - Cash	\$11,606	\$42,043	\$46,498	\$7,151
LIABILITIES				
Accounts payable	\$4,365	\$36,365	\$38,751	\$1,979
Unclaimed moneys	7,241	5,678	7,747	5,172
Total liabilities	\$11,606	\$42,043	\$46,498	\$7,151
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$553,250	\$8,212,815	\$8,193,301	\$572,764
Investments with fiscal agent	299,447	3,481,300	3,453,775	326,972
Total assets	\$852,697	\$11,694,115	\$11,647,076	\$899,736
LIABILITIES				
Accounts payable	\$4,365	\$36,365	\$38,751	\$1,979
Withholdings payable	541,644	8,170,772	8,146,803	565,613
Undistributed moneys	299,447	3,481,300	3,453,775	326,972
Unclaimed moneys	7,241	5,678	7,747	5,172
Total liabilities	\$852,697	\$11,694,115	\$11,647,076	\$899,736



DEBT SCHEDULE  
DECEMBER 31, 2002

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2003	
						Principal	Interest
General Obligation Bonds:							
Fire station	9/1/1985	9.00%	12/1/2005	\$855,000	\$140,000	\$45,000	\$12,600
Service center	9/1/1985	9.00	12/1/2005	1,050,000	165,000	55,000	14,850
Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	524,921	335,186	25,419	21,929
Improvement bonds-series 1992	11/1/1992	3.25-6.45	12/1/2012	994,303	657,439	42,439	41,731
Improvement refunding	8/1/1993	2.65-5.25	12/1/2006	6,845,000	2,405,000	555,000	123,090
Recreation center refunding	8/1/1993	2.65-16.9	12/1/2008	9,289,352	2,264,352	895,000	92,220
Total general obligation bonds					5,966,977	1,617,858	306,420
Special Assessment Bonds:							
David road project	9/1/1983	9.75	12/1/2003	340,000	17,000	17,000	1,658
Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	1,665,079	1,069,814	79,581	70,011
Improvement bonds-series 1992	11/1/1992	3.7-5.90	12/1/2003	60,697	7,561	7,561	446
Total special assessment bonds					1,094,375	104,142	72,115
Promissory Notes:							
Montgomery County 800 Mhz	10/30/2002	0.00	5/1/2005	200,000	200,000	66,667	0
Ohio public works commission:							
Bridge replacements	12/1/1994	0.00	7/1/2015	280,393	177,506	14,020	0
Rushland drive improvement	7/1/1996	0.00	7/1/2016	122,577	85,804	6,129	0
Dorothy lane resurfacing	1/1/1998	0.00	1/1/2008	509,850	280,417	50,985	0
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	1,520,719	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	511,071	0	7,709
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	686,098	17,152	0
Total promissory notes					3,461,615	230,989	7,709
Total					\$10,522,967	\$1,952,989	\$386,244



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
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
2000	8,113,675	8,346,197	7,125,540	2,527,611	26,113,023
2001	8,727,150	8,907,723	7,195,081	2,756,004	27,585,958
2002	9,719,520	9,277,605	7,275,877	2,688,782	28,961,784

Source: City of Kettering, Ohio, Finance Department

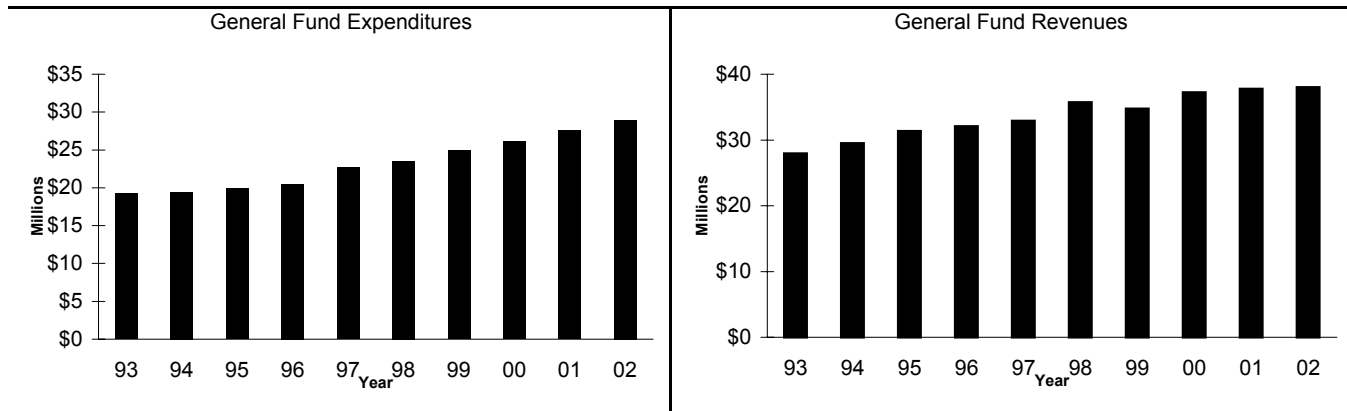


TABLE 2

## 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
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
2000	29,773,371	457,172	2,046,994	18,011	1,043,089	3,882,564	37,221,201
2001	30,155,003	392,037	2,148,829	75,386	1,199,685	3,813,202	37,784,142
2002	31,464,817	506,224	1,961,121	49,888	1,339,766	2,704,363	38,026,179

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
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
2000	23,566,678
2001	23,866,680
2002	25,095,930

Source: City of Kettering, Ohio, Finance Department

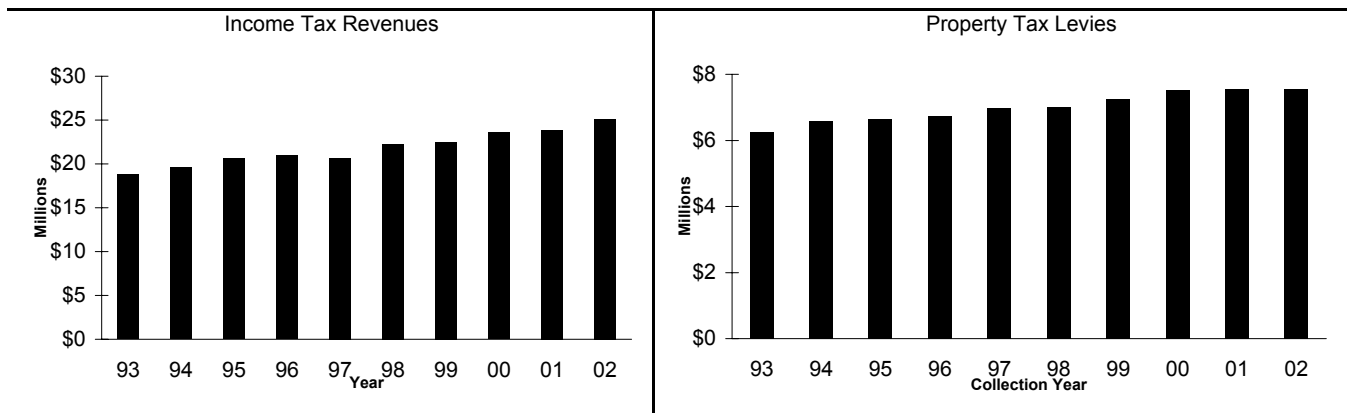


TABLE 4

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
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%
1998	1999	7,260,388	7,092,501	97.7%	173,426	7,265,927	100.1%	320,290	4.4%
1999	2000	7,517,238	7,352,830	97.8%	180,621	7,533,451	100.2%	361,387	4.8%
2000	2001	7,564,778	7,420,601	98.1%	213,641	7,634,242	100.9%	259,355	3.4%
2001	2002	7,544,049	7,453,119	98.8%	220,280	7,673,399	101.7%	228,446	3.0%

Source: Montgomery County, Ohio, Auditor's Office

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	
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
1999	2000	985,879,090	35,490,280	79,345,524	1,100,714,894	3,169,669,776
2000	2001	984,225,920	35,114,030	81,933,492	1,101,273,442	3,174,922,055
2001	2002	982,829,080	25,569,430	83,507,362	1,091,905,872	3,167,681,964

Source: Montgomery County, Ohio, Auditor's Office

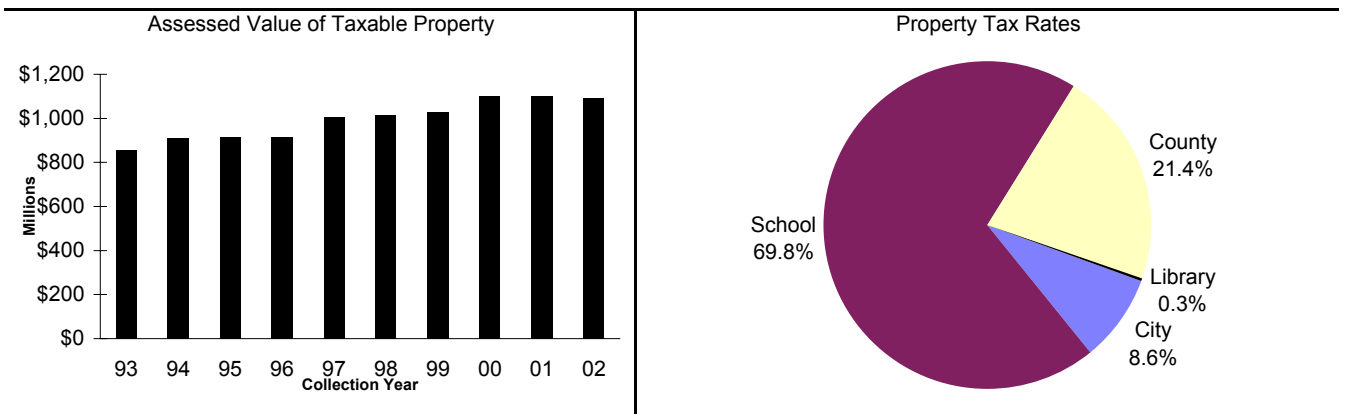


TABLE 6

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
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
1999	2000	5.70	0.92	0.30	6.92	53.10	16.64	0.26	76.92
2000	2001	5.70	0.92	0.30	6.92	56.30	17.24	0.26	80.72
2001	2002	5.70	0.91	0.30	6.91	56.30	17.24	0.26	80.71

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
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
1999	1,001,408	970,484	96.9%	30,924
2000	1,104,287	1,075,962	97.4%	28,325
2001	1,268,037	1,213,471	95.7%	54,566
2002	1,253,284	1,198,764	95.6%	54,520

Source: Montgomery County, Ohio, Auditor's Office

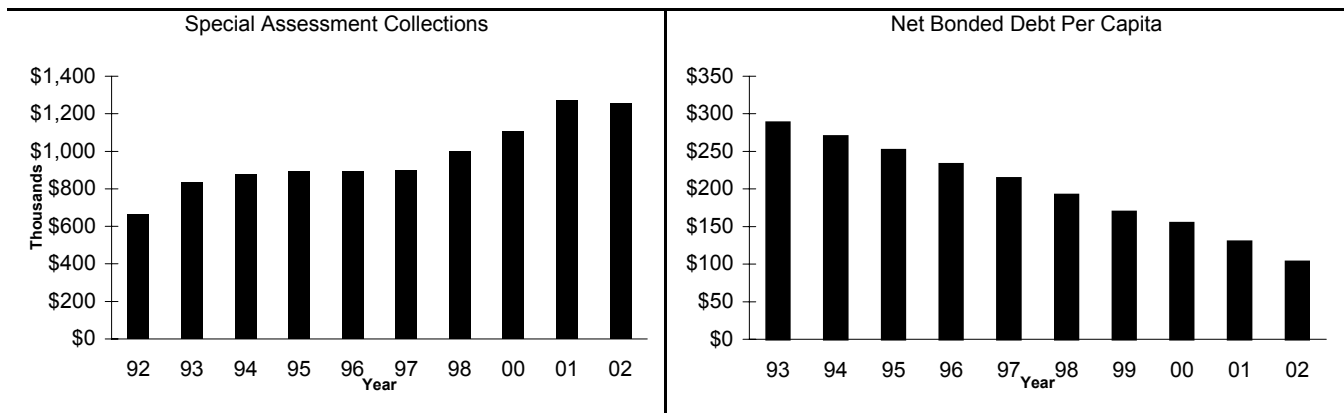


TABLE 8

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
1993	60,525	\$856,695,261	\$17,880,681	\$439,561	\$17,441,120	2.04%	\$288.16
1994	60,525	911,820,746	16,744,832	413,403	16,331,429	1.79%	269.83
1995	60,525	913,650,786	15,576,504	339,289	15,237,215	1.67%	251.75
1996	60,525	915,495,327	14,355,963	251,309	14,104,654	1.54%	233.04
1997	60,525	1,004,792,119	13,098,471	129,069	12,969,402	1.29%	214.28
1998	60,525	1,011,910,890	11,784,316	161,955	11,622,361	1.15%	192.03
1999	60,525	1,027,453,106	10,418,777	153,118	10,265,659	1.00%	169.61
2000	57,502	1,100,714,894	8,997,168	117,532	8,879,636	0.81%	154.42
2001	57,502	1,101,273,442	7,514,792	38,533	7,476,259	0.68%	130.02
2002	57,502	1,091,905,872	5,966,977	46,554	5,920,423	0.54%	102.96

Sources:

- (1) 1990 & 2000 United States Census Bureau.
- (2) Montgomery County, Ohio, Auditor's Office.
- (3) City of Kettering, Ohio, Department of Finance.
- (4) Includes General Obligation Bond Anticipation Notes.

**TABLE 9**

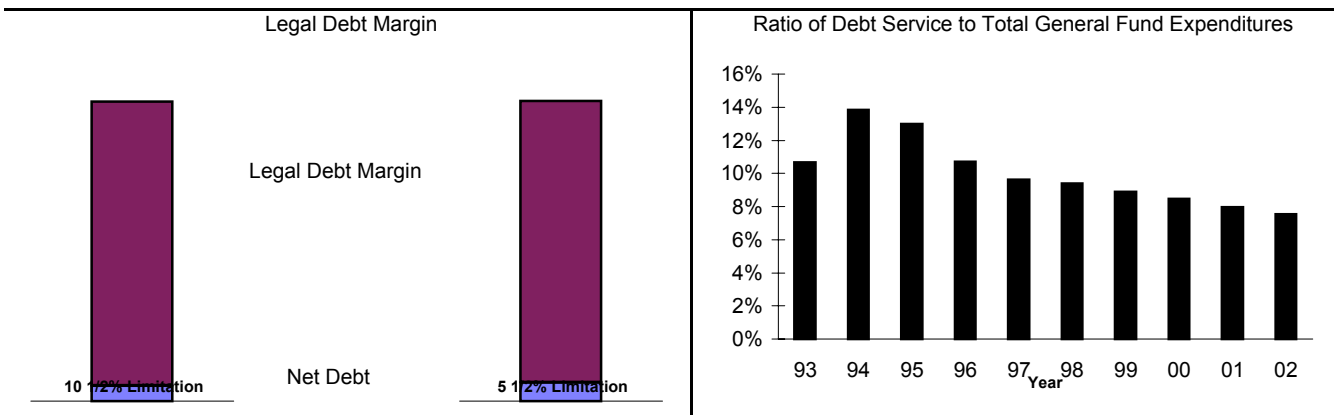
**LEGAL DEBT MARGIN  
DECEMBER 31, 2002**

	10-1/2% of Assessed Valuation(1)	5-1/2% of Assessed Valuation(2)
Overall Debt Limitations	<u>\$114,650,117</u>	<u>\$60,054,823</u>
Gross Indebtedness	10,522,967	10,522,967
Less debt outside limitations:		
Voted debt		2,264,352
Special assessment debt	1,094,375	1,094,375
Promissory notes	3,461,615	3,461,615
Less debt service available fund balance	<u>46,554</u>	<u>46,554</u>
Net debt within limitations	<u>5,920,423</u>	<u>3,656,071</u>
Legal debt margin within limitation	<u><u>\$108,729,694</u></u>	<u><u>\$56,398,752</u></u>

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
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%
2000	1,583,134	625,480	2,208,614	26,113,023	8.5%
2001	1,648,134	547,930	2,196,064	27,585,958	8.0%
2002	1,718,134	465,787	2,183,921	28,961,784	7.5%

Source: City of Kettering, Ohio, Finance Department

(1) Principal payments shown net of refinanced debt.



**TABLE 11**

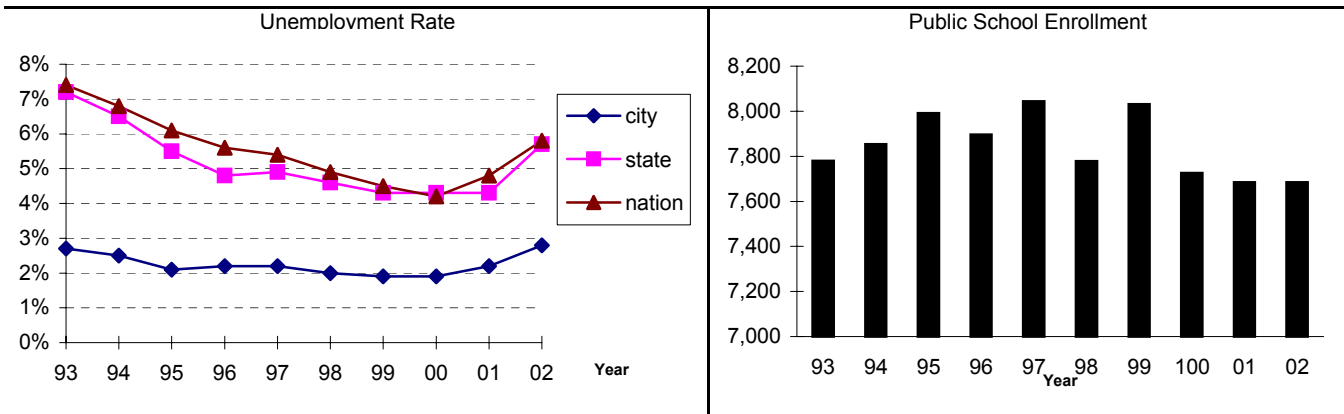
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
DECEMBER 31, 2002**

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Kettering	Amount Applicable to City of Kettering
State of Ohio			
City of Kettering	\$5,920,423	100.0%	\$5,920,423
Kettering City School District	13,914,246	91.6%	12,745,449
Montgomery County	38,917,639	11.9%	4,631,199
Beavercreek Local School District	44,138,898	0.5%	220,694
<b>Total</b>	<b>\$102,891,206</b>		<b>\$23,517,765</b>

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)
1993	60,525	\$21,478	2.7%	7,779
1994	60,525	22,186	2.5%	7,853
1995	60,525	23,066	2.1%	7,991
1996	60,525	23,988	2.2%	7,896
1997	60,525	24,948	2.2%	8,044
1998	60,525	25,447	2.0%	7,778
1999	60,525	25,956	1.9%	8,031
2000	57,502	26,475	1.9%	7,725
2001	57,502	26,811	2.2%	7,685
2002	57,502	27,093	2.8%	7,685

Sources:

- (1) 1990 & 2000 United States Census Bureau.
- (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.

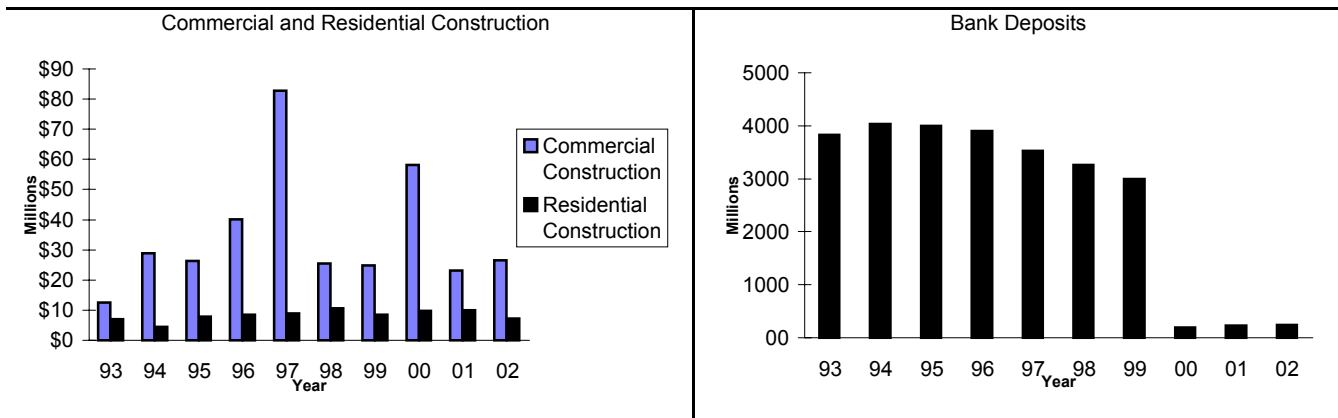
**TABLE 13**

**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	
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
2000	89	58,217,405	139	9,830,923	191,473,000
2001	71	23,059,939	145	10,043,682	224,099,000
2002	104	26,529,212	112	7,172,479	241,447,000

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, 2002**

Taxpayer	Type of Business	2002 Assessed Valuation	% of Total Assessed Valuation
Dayton Power and Light Co.	Gas & electric utility	\$13,290,870	1.22%
Ohio Bell Telephone Co.	Telephone utility	9,392,530	0.86%
Delphi Automotive	Automotive parts manufacturer	8,017,720	0.73%
Kettering Medical Center	Healthcare	7,594,430	0.70%
Bank One	Credit card services	5,675,440	0.52%
State Teachers Retirement System	Property management	4,760,000	0.44%
Dayton Town & Country, Inc.	Property management	4,382,110	0.40%
Reynolds & Reynolds	Information technology	4,379,010	0.40%
Lincoln Park Associates, Ltd.	Retirement facility	3,920,250	0.36%
Georgetown of Kettering	Property management	3,655,440	0.33%
Total		65,067,800	5.96%
All others		1,026,838,072	94.04%
Total		\$1,091,905,872	100.00%

Source: Montgomery County, Ohio, Auditor's Office

**MISCELLANEOUS STATISTICS  
DECEMBER 31, 2002**

DATE OF INCORPORATION	1955
FORM OF GOVERNMENT	Council - Manager
AREA	18.474 Square Miles
MILES OF STREETS	246
FIRE PROTECTION:	
Number of stations	7
Number of firefighters and officers (exclusive of volunteer firefighters)	39
POLICE PROTECTION:	
Number of stations	1
Number of police officers	78
EDUCATION (PUBLIC ONLY):	
Attendance centers	12
Number of classrooms (elementary only)	181
Number of teachers	547
Number of students	7,650
BUILDING PERMITS ISSUED	3,858
RECREATION AND CULTURE:	
Number of parks	21 with 419 acres
Recreation complex square footage	145,000 sq ft
Annual attendance at recreation complex	918,558
Number of libraries	2
EMPLOYEES (FULL-TIME ONLY):	
Classified service	263
Exempt	125

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 Human Resources & Department of Student Services



CITY OF KETTERING



**Auditor of State  
Betty Montgomery**

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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 20, 2003**