

CITY OF KETTERING

Reports Issued Pursuant to the
OMB Circular A-133

For the year ended December 31, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

Honorable Mayor and Members of City Council
City of Kettering

We have reviewed the Independent Auditor's Report of the City of Kettering, Montgomery County, prepared by KPMG LLP for the audit period January 1, 2001 through December 31, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

April 30, 2002

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CITY OF KETTERING

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

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

and

The Honorable Jim Petro
Auditor of State

We have audited the basic financial statements of the City of Kettering, Ohio (the City), as of and for the year ended December 31, 2001, and have issued our report thereon dated March 22, 2002. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in

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

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

KPMG LLP

March 22, 2002



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

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

and

The Honorable Jim Petro
Auditor of State

Compliance

We have audited the compliance of the City of Kettering, Ohio (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with the 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, 2001.

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 internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with the 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 internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City for the year ended December 31, 2001, and have issued our report thereon dated March 22, 2002. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

KPMG LLP

March 22, 2002

CITY OF KETTERING, OHIO

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2001

<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>Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grant	B-99MC-39-0011	14.218	4/1/1999	\$ 314,802
Community Development Block Grant	B-00MC-39-0011	14.218	3/15/2000	494,571
Community Development Block Grant	B-01MC-39-0011	14.218	3/9/2001	399,098
				<u>1,208,471</u>
Passed through the Board of County Commissioners of Montgomery County:				
HOME Investments Partnership Program	M-96-DC-39-0208	14.239	12/16/1997	6,100
HOME Investments Partnership Program	M-98-DC-39-0210	14.239	5/25/1999	<u>210,717</u>
Total Department of Housing and Urban Development				<u>1,425,288</u>
<u>Department of Defense</u>				
AirForce Base Conversion Agency Caretaker Agreement	Cooperative Agreement	12.xxx	5/24/1996	<u>13,307</u>
Total Department of Defense				<u>13,307</u>
<u>Department of Justice</u>				
Public Safety Partnership & Community Policing Grants	2000-SH-WX-0698	16.710	9/1/2000	5,268
Local Law Enforcement Block Grant Program	2000-LB-VX-1373	16.592	4/25/2000	28,991
Local Law Enforcement Block Grant Program	2000-LB-BX-2844	16.592	9/26/2000	26,465
Local Law Enforcement Block Grant Program	2000-LB-BX-1907	16.592	7/20/2001	3,301
Total Department of Justice				<u>64,025</u>
<u>Department of Transportation</u>				
State and Community Highway Safety	01-GR1-1431	20.600	10/1/2000	<u>19,003</u>
Total Department of Transportation				<u>19,003</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,521,623</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

CITY OF KETTERING, OHIO

Notes to Schedule of Expenditures of Federal Awards

December 31, 2001

(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.

(2) Basis of Accounting

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

(3) Relationship to Basic Financial Statements

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

(4) Subrecipients

The City was a pass-through entity of the CDBG funds to one subrecipient, Miami Valley Fair Housing Board for \$19,200.

CITY OF KETTERING, OHIO

Schedule of Findings and Questioned Costs

Year ended December 31, 2001

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: **Unqualified opinion**
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements:
None reported
Material weaknesses: **None**
- (c) Noncompliance which is material to the basic financial statements: **None**
- (d) Reportable conditions in internal control over major programs: **None reported**
Material weaknesses: **No**
- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133:
None
- (g) Major program: Community Development Block Grant (**CFDA # 14.218**)
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- (i) Auditee qualified as a low-risk auditee under section .530 of OMB Circular A-133: **No**

(2) Findings Relating to the BASIC Financial Statements Reported in Accordance With *Government Auditing Standards*:

None

(3) Findings and Questioned Costs Relating to Federal Awards:

None

CITY OF KETTERING, OHIO

Schedule of Prior Audit Findings and Questioned Costs

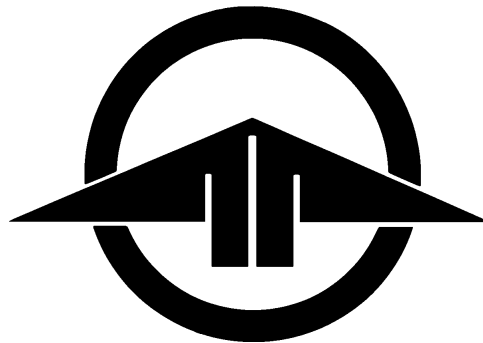
Year ended December 31, 2001

Finding Number	Finding Summary	Fully Corrected?	Status
0-01	Home Investment Partnership –14.239 Subrecipient Monitoring	Yes	Corrected
0-02	Home Investment Partnership – 14.239 Program Income	Yes	Corrected
0-03	Home Investment Partnership – 14.239 Monitoring of Eligibility	Yes	Corrected
0-04	Home Investment Partnership – 14.239 Suspension and Debarment	Yes	Corrected

CITY OF KETTERING, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2001



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, 2001

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2001**

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INTRODUCTORY SECTION



CITY OF KETTERING



March 30, 2002

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, 2001, 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 sixteen local cities involved in a public entity risk pool,

Miami Valley Risk Management Association, Inc. (MVRMA, Inc). This separate entity does not meet the established criteria for inclusion in the reporting entity and, accordingly is not included in the City's financial report.

HISTORY AND BACKGROUND

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

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

The quality of living in any city can be measured best by the quality of services people receive. In Kettering, people like what they find: a recent survey showed that 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 2001. 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 2001. Kettering's unemployment rate for 2001 was 2.2% compared to rates of 4.3% for Montgomery County, 4.3% for the State of Ohio and 4.8% 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 Delphi Automotive Systems a manufacturer of automobile brake and suspension systems employing over 2,000, Kettering Medical Center employing 2,500, 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 is completing its Phase II at the Miami Valley Research Park located in Kettering. The company expects to move 800 employees into the new site in 2002 along with the other 800 already there in Phase I.

The redevelopment of the former Hills and Dales Shopping Center, now called Governor's Place, became a reality in 2001. Heapy Engineering, the signature company at the site moved in during the fall. Synergy Development, which includes a major medical practice opened just before Christmas. Plans are moving forward for a restaurant by mid summer, a building for a large oncology practice by the end of 2002 and two office buildings and one retail building on the remaining 3.5 acre lot by 2003. This will complete development of the site two years ahead of schedule.

Miami Computer Supply, Inc. (MCSi) announced plans to build a new corporate headquarters building in Kettering Corporate Center. Their expansion plans will create 215 new jobs and retain another 150 existing jobs.

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. The City received \$1 million from ED/GE funds for projects including MCSi, road improvements at the Miami Valley Research Park and for the Automotive Resource

Network. This network assists the region in supporting the automotive industry by retaining and creating jobs in this market.

In addition to the more significant expansions and additions in the Kettering business community, over 60 businesses either opened or expanded in Kettering, creating or retaining over 750 jobs.

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 2 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 37 of this report.

Cash Management. Cash, temporarily idle during the year was invested in various instruments detailed below. As of December 31, 2001, the City's cash resources were divided between cash and investments as follows:

Cash and certificates of deposit	\$13,160,572
Repurchase agreement	483,298
Corporate bonds & stocks	18,862,762
Pension plan pooled investment fund	1,599,889
Money market mutual funds	<u>2,806,524</u>
TOTAL	<u>\$36,913,045</u>

Interest earned on investments for the year was \$2,487,358.

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 KPMG LLP, Certified Public Accountants. See page 1 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, 2000. 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 19 consecutive years (fiscal years ended 1982-2000). 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, 2001. 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

KPMG LLP
Certified Public Accountants

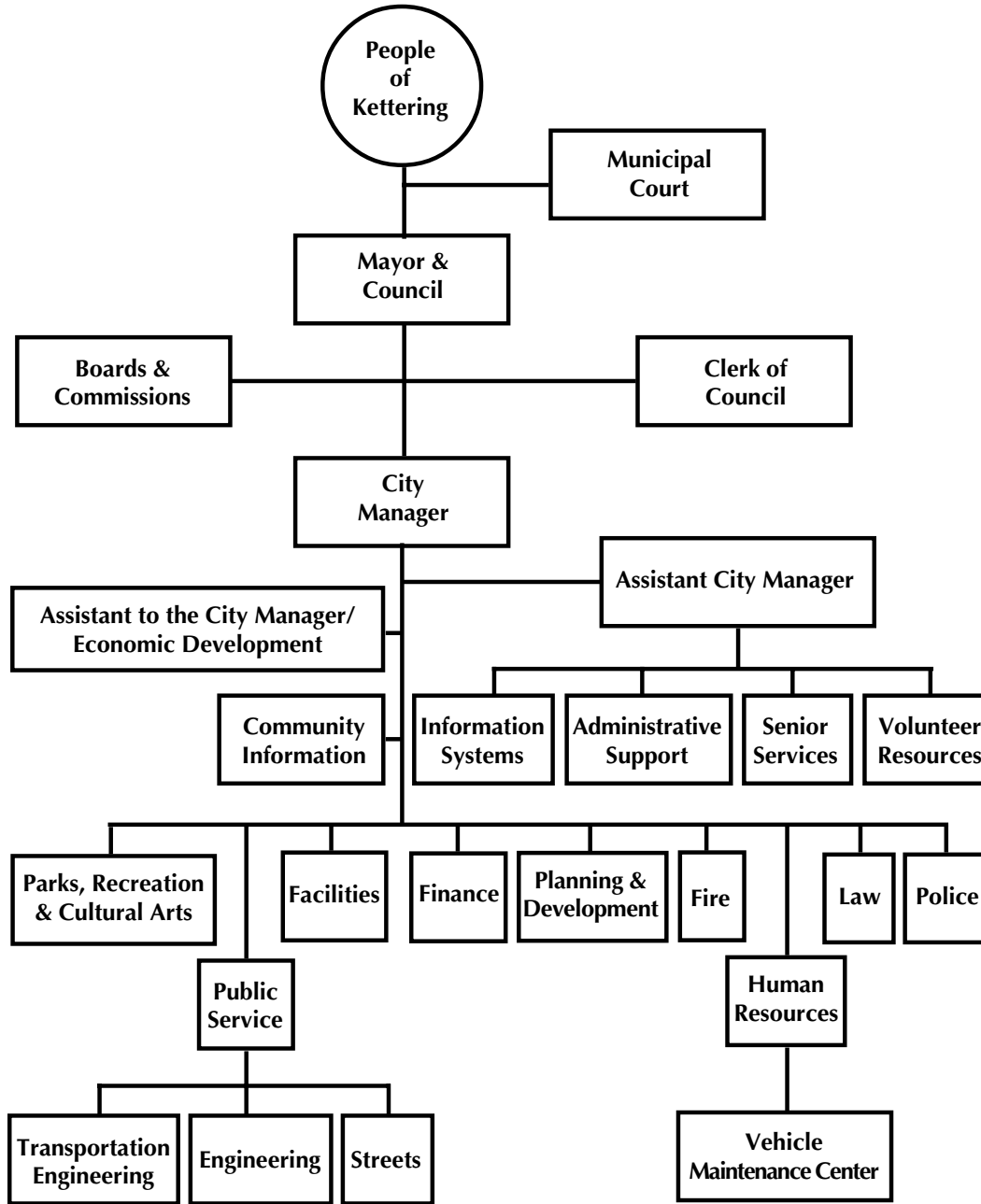
CITY OF KETTERING, OHIO

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
Amy A. Sejas	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
Lynn A. Blumenschein	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, 2000

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



Thomas A. Grawe
President

Jeffrey L. Essler
Executive Director



CITY OF KETTERING

FINANCIAL SECTION



191 West Nationwide Boulevard
Suite 500
Columbus, OH 43215-2568

Telephone 614 249 2300
Fax 614 249 2348

Independent Auditors' Report

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

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

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2001, and the results of its operations and its cash flows 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 22, 2002 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the budgetary information on pages 2-6 and pages 31-37, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City, taken as a whole. The accompanying financial information listed on pages 39-50 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the City. The supplemental data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

March 22, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Kettering's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2001.

FINANCIAL HIGHLIGHTS

1. The City's net assets increased by over \$5.6 million or 4.4%.
2. The City received an infrastructure contribution of \$1.0 million.
3. During the year, the City had revenues that were \$4.6 million higher (excluding the \$1.0 million contribution) than the \$49.5 million in expenses incurred for all governmental programs.
4. The General Fund reported a deficit of over \$1.2 million while the Capital Projects Fund reported a surplus of \$1.8 million.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

base, the condition of the City's roads, the condition of the City's neighborhoods, and the reputation of the public schools to assess the overall health of the City.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

- **Governmental funds** — Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. 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 16. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

For both 2001 and 2000, the City has shown a 4.4% and 7.1% respective increase in Total net assets. Revenues generated were \$55.1 million and expenses from all programs were \$49.5 million resulting in a surplus for the year of over \$5.6 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 — increased \$.58 million.

Explanations for the larger fluctuations between years are as follows:

- State grant revenue was much higher this year than in 2000 because the City applied for more grants to fund roadway projects.
- Last year saw a significant \$3.0 million infrastructure (street) contribution while 2001 had a \$1.0 million infrastructure (street) contribution.
- The decrease in Other taxes is primarily because the City received unprecedented estate tax revenues of over \$4 million in 2000 while 2001 estate tax revenues returned to more normal, albeit still elevated, levels of \$2.9 million.
- 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.
- Expense increases in both the Police and Fire programs can be attributed primarily to personal services. Both programs were affected by one additional paid holiday and an increase in the health insurance premiums charged for the year. Both programs added personnel in 2001. For the Police it was an additional officer who was assigned to the schools. For Fire it was a restructuring that saw the addition of two assistant chiefs and one additional firefighter. Overtime premiums were up for police because of increased special projects such as DUI checkpoints and increased patrols in targeted areas. Fire overtime increased because several firefighters were sent to New York in the aftermath of the September 11th terrorist attacks.

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

NET ASSETS

	<u>2001</u>	<u>2000</u>
Current and other assets	\$55,566,074	\$53,109,612
Capital assets	<u>107,240,163</u>	<u>102,326,627</u>
Total assets	<u>162,806,237</u>	<u>155,436,239</u>
Long-term debt outstanding	(14,025,420)	(13,553,541)
Other liabilities	<u>(15,242,502)</u>	<u>(13,947,930)</u>
Total liabilities	<u>(29,267,922)</u>	<u>(27,501,471)</u>
Net assets:		
Invested in capital assets, net of debt	95,986,319	91,355,281
Restricted	3,231,630	2,835,901
Unrestricted	<u>34,320,366</u>	<u>33,743,585</u>
Total net assets	<u><u>\$133,538,315</u></u>	<u><u>\$127,934,767</u></u>

CHANGES IN NET ASSETS

	2001	2000
Revenues		
Program revenues:		
Charges for services	\$6,115,386	\$5,596,766
Federal grants	1,879,000	1,385,929
State and local grants	1,456,265	412,387
Special assessments	1,251,362	1,418,451
Sponsorships and contributions	1,282,904	3,118,478
General revenues:		
Income taxes	23,660,299	23,379,834
Property taxes	7,787,277	7,740,145
Other taxes	6,992,076	8,184,945
Investment earnings	2,071,226	2,400,657
Other general revenue	2,630,097	1,491,740
Total revenues	55,125,892	55,129,332
Program expenses		
General government	10,716,604	10,324,836
Police	10,270,530	9,413,721
Fire	7,349,117	6,356,550
Public works	9,812,828	9,791,899
Leisure services	10,832,180	10,231,388
Interest on long-term debt	541,085	619,018
Total expenses	49,522,344	46,737,412
Increase (decrease) in net assets	\$5,603,548	\$8,391,920

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	
	2001	2000	2001	2000
Police	\$10,270,530	\$9,413,721	\$10,198,837	\$9,349,083
Fire	7,349,117	6,356,550	7,319,277	6,355,945
Public works	9,812,828	9,791,899	5,477,029	4,422,113
Leisure services	10,832,180	10,231,388	6,409,456	6,162,432
All others	10,716,604	10,324,836	7,591,743	7,896,810

The capital asset activity for the year was typical of most years. The City ended 2001 with total net capital assets of \$107,240,163. Of this total, \$9,188,092 was not being depreciated and the capital assets being depreciated totaled \$154,862,382 with accumulated depreciation of \$56,810,311.

The City issued new debt in the current year in the form of Ohio Public Works Commission(OPWC) promissory notes. The notes were for roadway improvements. \$1,468,649 were issued for 20 years at 0% interest and \$461,984 were issued for 20 years at 3% interest. At December 31, 2001, the City had various debt issues outstanding, which included \$7,514,792 of general obligation bonds, \$1,193,560 of special assessment debt with city commitment and \$2,545,494 of promissory notes. As of December 31, 2001, the City's net general obligation bonded debt of \$7,514,792 was well below the legal limit of \$108,157,452 and debt per capita equaled \$130.02.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 9 and 10) reported a combined fund balance of \$36.5 million, which is 4.4% higher than last year's total of \$34.9 million.

The City's General Fund experienced no significant variation in revenues or expenditures over last year and yet the fund balance decreased by \$1.2 million or 4.1% compared with 2000. This can be explained by the transfers out of the General Fund which increased by over \$2 million in 2001. The extra \$2 million was transferred to the Capital Projects Fund to cover construction commitments at the end of 2001. The Capital Projects Fund didn't receive any transfer from the General Fund in 2000 due to the large estate tax receipts that year. The Capital Projects fund ended 2001 with a \$4.1 million fund balance which was \$1.8 million or 77% higher than 2000. Of the \$4.1 million, \$10,445 is unreserved, the rest is reserved for encumbrances.

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.

7 CITY OF KETTERING, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2001

ASSETS	
Pooled cash and investments (note 2)	\$34,398,785
Receivables:	
Income taxes (net of allowance for \$212,039)	4,485,800
Property taxes	8,607,425
Interest	385,967
Accounts	70,412
Special assessments	2,246,559
Loans (net of allowance for \$114,181)	1,856,895
Notes	485,640
Due from other governments	1,555,056
Prepaid expenses	61,503
Inventory	351,984
Asset held for resale	1,060,048
Capital assets not being depreciated (note 7)	9,188,092
Capital assets being depreciated, net (note 7)	98,052,071
Total assets	<u>162,806,237</u>
LIABILITIES	
Accounts payable	2,174,142
Salary and benefits payable	1,867,693
Accrued interest payable	38,816
Deferred revenue	11,161,851
Long-term liabilities (note 11)	
Due within one year	3,419,128
Due in more than one year	10,606,292
Total liabilities	<u>29,267,922</u>
NET ASSETS	
Invested in capital assets, net of related debt	95,986,319
Restricted for:	
Debt service	38,533
Community development block grant	2,035,858
Other purposes	1,157,239
Unrestricted	34,320,366
Total net assets	<u>\$133,538,315</u>

See accompanying notes to the basic financial statements.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2001**

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	\$10,716,604	\$2,015,725	\$977,136	\$132,000	(\$7,591,743)
Police	10,270,530		71,693		(10,198,837)
Fire	7,349,117		29,840		(7,319,277)
Public works	9,812,828	880	49,923	4,284,996	(5,477,029)
Leisure services	10,832,180	4,098,781	88,193	235,750	(6,409,456)
Interest on long-term debt	541,085				(541,085)
Total	\$49,522,344	\$6,115,386	\$1,216,785	\$4,652,746	(37,537,427)
General revenues:					
Taxes:					
Income taxes					23,660,299
Property taxes, levied for general purposes					6,618,088
Property taxes, levied for debt service					1,169,189
Other taxes (note 5)					6,992,076
Investment earnings					2,071,226
Refunds and reimbursements					2,212,010
Miscellaneous					418,087
Total general revenues					<u>43,140,975</u>
Change in net assets					5,603,548
Net assets--beginning					127,934,767
Net assets--ending					<u>\$133,538,315</u>

See accompanying notes to the basic financial statements.

9 CITY OF KETTERING, OHIO

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2001

	General Fund	Street Maintenance	Major Special Parks, Recreation & Cultural Arts
ASSETS			
Pooled cash and investments	\$25,978,110	\$394,203	\$527,368
Receivables:			
Income taxes (net of allowance for \$212,039)	4,485,800		
Property taxes	7,021,837		
Interest	385,967		
Accounts	47,688	905	7,930
Special assessments	300,000		
Loans (net of allowance for \$114,201)			
Notes	485,640		
Due from other governments	408,804	681,595	
Prepaid expenditures	46,598	1,378	9,378
Inventory		96,751	
Asset held for resale	1,060,048		
Total assets	<u>\$40,220,492</u>	<u>\$1,174,832</u>	<u>\$544,676</u>
LIABILITIES			
Accounts payable	\$864,259	\$14,166	\$146,949
Accrued payroll	1,059,830	159,040	219,404
Deferred revenue	10,174,699	543,350	9,500
Total liabilities	<u>12,098,788</u>	<u>716,556</u>	<u>375,853</u>
FUND BALANCES			
Reserved for:			
Loans receivable			
Notes receivable	485,640		
Encumbrances	412,672	349,323	149,381
Prepaid expenditures	46,598	1,378	9,378
Inventory		96,751	
Asset held for resale	1,060,048		
Unreserved:			
Designated for subsequent years' expenditures	2,000,000		
Undesignated	24,116,746	10,824	10,064
Total fund balances	<u>28,121,704</u>	<u>458,276</u>	<u>168,823</u>
Total liabilities and fund balances	<u>\$40,220,492</u>	<u>\$1,174,832</u>	<u>\$544,676</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
\$101,993	\$136,656	\$34,344	\$5,011,017	\$1,880,467	\$34,064,158
		1,241,747		343,842	4,485,800
			6,463	745	8,607,426
		1,371,559	575,000		385,967
	1,856,895				63,731
					2,246,559
	69,743		209,856	167,561	1,856,895
546				250	485,640
					1,537,559
					58,150
					96,751
					1,060,048
<u>\$102,539</u>	<u>\$2,063,294</u>	<u>\$2,647,650</u>	<u>\$5,802,336</u>	<u>\$2,392,865</u>	<u>\$54,948,684</u>
\$16,470	\$27,436	\$1,458	\$912,365	\$113,148	\$2,096,251
6,378				295,983	1,740,635
23,953	69,743	2,607,659	740,933	455,682	14,625,519
<u>46,801</u>	<u>97,179</u>	<u>2,609,117</u>	<u>1,653,298</u>	<u>864,813</u>	<u>18,462,405</u>
	1,856,895				1,856,895
					485,640
132	14,480		4,138,593	558,064	5,622,645
546				250	58,150
					96,751
					1,060,048
					2,000,000
55,060	94,740	38,533	10,445	969,738	25,306,150
<u>55,738</u>	<u>1,966,115</u>	<u>38,533</u>	<u>4,149,038</u>	<u>1,528,052</u>	<u>36,486,279</u>
<u>\$102,539</u>	<u>\$2,063,294</u>	<u>\$2,647,650</u>	<u>\$5,802,336</u>	<u>\$2,392,865</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	106,492,667
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	1,976,658
Grants and other taxes receivable	1,487,014
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.	974,917
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	(11,253,846)
Vacation and sick leave benefits	(2,586,558)
Accrued interest on bonds payable	(38,816)
Net Assets of Governmental Activities	<u>\$133,538,315</u>

11 **CITY OF KETTERING, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2001**

	General Fund	Street Maintenance	Major Special Parks, Recreation & Cultural Arts
REVENUES			
Income taxes	\$23,866,680		
Property taxes	6,288,323		
Licenses and permits	392,037	\$880	
Intergovernmental revenue	2,148,829	1,705,588	\$18,143
Charges for services	75,386		2,412,678
Fines and forfeits	1,199,685		
Investment earnings	1,974,606		
Special assessments	337,193		
Refunds and reimbursements	1,440,798	205,820	82,579
Miscellaneous	60,605	31,248	5,846
Total revenues	<u>37,784,142</u>	<u>1,943,536</u>	<u>2,519,246</u>
EXPENDITURES			
Current:			
General government	8,727,150		
Police	8,907,723		
Fire	7,195,081		
Public works	2,756,004	3,948,544	
Leisure services			7,171,056
Capital improvements			
Debt service:			
Principal			
Interest			
Total expenditures	<u>27,585,958</u>	<u>3,948,544</u>	<u>7,171,056</u>
Excess (deficiency) of revenues over expenditures	10,198,184	(2,005,008)	(4,651,810)
OTHER FINANCING SOURCES (USES)			
Transfers in		2,302,300	4,748,800
Transfers out	(11,583,704)		
Proceeds of general obligation notes			
Sale of city assets	180,554		
Net change in fund balance	<u>(1,204,966)</u>	<u>297,292</u>	<u>96,990</u>
Fund balances--beginning, as restated (note 14)	<u>29,326,670</u>	<u>160,984</u>	<u>71,833</u>
Fund balances--ending	<u><u>\$28,121,704</u></u>	<u><u>\$458,276</u></u>	<u><u>\$168,823</u></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
					\$23,866,680
		\$1,169,189		\$330,964	7,788,476
	\$853,405		\$4,230,097	1,320,096	392,917
\$1,686,102				49,264	10,276,158
				299,353	4,223,430
		70,410		26,210	1,499,038
		179,572	734,597		2,071,226
6,437	113		696,243	144,290	1,251,362
123,141	50,489		2,500	264,804	2,576,280
<u>1,815,680</u>	<u>904,007</u>	<u>1,419,171</u>	<u>5,663,437</u>	<u>2,434,981</u>	<u>54,484,200</u>
	453,980	2,106		585,433	9,768,669
				1,156,802	10,064,525
				29,430	7,224,511
				193,100	6,897,648
2,164,066					9,335,122
	730,705		7,896,104	1,015,325	9,642,134
		1,648,134			1,648,134
		547,930			547,930
<u>2,164,066</u>	<u>1,184,685</u>	<u>2,198,170</u>	<u>7,896,104</u>	<u>2,980,090</u>	<u>55,128,673</u>
(348,386)	(280,678)	(778,999)	(2,232,667)	(545,109)	(644,473)
305,000		700,000	2,145,000	1,382,604	11,583,704
					(11,583,704)
			1,930,633		1,930,633
	78,098				258,652
(43,386)	(202,580)	(78,999)	1,842,966	837,495	1,544,812
99,124	2,168,695	117,532	2,306,072	690,557	34,941,467
<u>\$55,738</u>	<u>\$1,966,115</u>	<u>\$38,533</u>	<u>\$4,149,038</u>	<u>\$1,528,052</u>	<u>\$36,486,279</u>
Net change in Fund Balance - Governmental Funds					\$1,544,812
Amounts reported for governmental activities in the Statement of Activities (page 8) are different because:					
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceed depreciation.					4,042,111
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.					(119,544)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.					
Income taxes receivable					(206,381)
Grants receivable					86,434
Interest receivable					(1,200)
Contribution of capital asset					976,694
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.					(1,930,633)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.					1,648,134
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					(170,836)
Interest payable					6,845
Internal service funds are used by management to charge the costs of certain activities, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (See page 14.)					(272,888)
Change in Net Assets on the Statement of Activities					<u>\$5,603,548</u>

BALANCE SHEET
 PROPRIETARY FUNDS
 DECEMBER 31, 2001

	Governmental Activities- Internal Service Funds
ASSETS	
Current assets:	
Pooled cash and investments	\$334,627
Accounts receivable	6,680
Due from other governments	17,496
Prepaid expenses	3,353
Inventory	255,233
Total current assets	<u>617,389</u>
Noncurrent assets:	
Buildings and improvements	809,359
Machinery and equipment	1,786,751
Less: Accumulated depreciation	<u>(1,848,614)</u>
Total noncurrent assets	<u>747,496</u>
Total assets	<u><u>\$1,364,885</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$77,892
Accrued payroll	127,059
Total current liabilities	<u>204,951</u>
Noncurrent liabilities:	
Accrued vacation and sick leave benefits	<u>185,017</u>
Total liabilities	<u>389,968</u>
NET ASSETS	
Invested in capital assets	747,496
Unrestricted	<u>227,421</u>
Total net assets	<u>974,917</u>
Total liabilities and net assets	<u><u>\$1,364,885</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, 2001

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$6,234,226
Total operating revenues	<u>6,234,226</u>
OPERATING EXPENSES	
Personal services	2,328,758
Repairs and maintenance	881,561
Contractual services	2,685,715
Other materials and expenses	524,237
Depreciation	149,709
Total operating expenses	<u>6,569,980</u>
Operating income (loss)	<u>(335,754)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	62,866
Change in net assets	<u>(272,888)</u>
Total net assets--beginning	1,247,805
Total net assets--ending	<u><u>\$974,917</u></u>

See accompanying notes to the basic financial statements.

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2001
 Increase (Decrease) in cash**

	<u>Governmental Activities- Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for services	\$6,242,085
Cash paid to suppliers for goods or services	(4,101,576)
Cash paid to employees for services	(2,270,861)
Net cash provided (used) by operating activities	<u>(130,352)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(186,671)
Sale of capital assets	5,505
Net cash used by capital and related financing activities	<u>(181,166)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	62,866
Net cash provided by investing activities	<u>62,866</u>
Net increase (decrease) in cash	<u>(248,652)</u>
Cash at beginning of year	583,279
Cash at end of year	<u><u>\$334,627</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	(\$335,754)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	149,709
(Increase) decrease in receivables	7,859
(Increase) decrease in inventories	4,265
Increase (decrease) in accounts payable	(29,618)
Net (increase) decrease in other operating net assets	73,187
Net cash provided (used) by operating activities	<u><u>(\$130,352)</u></u>

See accompanying notes to the basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2001

	Volunteer Firefighter Pension	Decesed Police Dependents Private Purpose Trust	Agency Funds
ASSETS			
Pooled cash and investments		\$61,674	\$553,250
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$1,599,889		
Other investments			299,447
Total assets	<u>1,599,889</u>	<u>61,674</u>	<u>\$852,697</u>
LIABILITIES			
Accounts payable			\$4,365
Withholdings payable			541,644
Undistributed moneys			299,447
Unclaimed moneys			7,241
Total liabilities			<u>\$852,697</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$1,599,889</u>	<u>\$61,674</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2001

ADDITIONS			
Employer contributions	\$36,628		
Investment earnings (loss)	349,772	\$3,495	
Total additions	<u>386,400</u>	<u>3,495</u>	
DEDUCTIONS			
Pension payments	54,932		
Total deductions	<u>54,932</u>		
Net increase (decrease)	331,468	3,495	
Net assets--beginning of year	1,268,421	58,179	
Net assets--end of year	<u>\$1,599,889</u>	<u>\$61,674</u>	

See accompanying notes to the basic financial statements.



CITY OF KETTERING

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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 \$13,160,572 and the bank balance was \$13,427,729. The bank balance is insured or collateralized with securities held by the City or its safekeeping agent in the City's name.

Investments: All investments are reported at fair value which is based on quoted market prices. The City's investment policy authorizes investments in obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, corporate bonds rated A or better by Standard & Poor's Corporation or Moody's Bond Ratings, bankers acceptances issued by banks ranked nationally as being in the top 50 in asset and deposit size, repurchase and reverse repurchase agreements and money market mutual funds whose portfolio consists of authorized investments. The City invests in STAROhio, an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2001.

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

	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount and Fair Value</u>
Repurchase Agreement			\$483,298	\$483,298
Corporate Bonds & Stocks			<u>18,862,762</u>	<u>18,862,762</u>
			<u>\$19,346,060</u>	<u>\$19,346,060</u>
Money Market Mutual Funds				2,806,524
Pension Plan Pooled Investment Fund				<u>1,599,889</u>
Total Investments				<u>\$23,752,473</u>

3. INCOME TAXES

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

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

4. PROPERTY TAXES

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

The property tax calendar is as follows:

Levy date	December 31, 2000
Lien date	December 31, 2000
Tax bill mailed	January 20, 2001
First installment payment due	February 15, 2001
Second installment payment due	July 15, 2001

The assessed values for the City at December 31, 2000, were as follows:

	Assessed Value Category
Real Estate	\$984,225,920
Public Utility Real Property	139,460
Tangible Personal Property	81,933,492
Public Utility Personal Property	<u>34,974,570</u>
Total	<u>\$1,101,273,442</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	\$2,932,007
Sales taxes	1,993,070
Gasoline taxes	989,958
Vehicle license taxes	790,038
Miscellaneous other taxes	<u>287,003</u>
	<u>\$6,992,076</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 2027. Fund balance has been reserved for the loans receivable at December 31, 2001, 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 2005. Fund balance has been reserved for the notes receivable at December 31, 2001, as it does not represent currently available spendable resources.

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2001, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$8,967,212	\$271,680	(\$50,800)	\$9,188,092
Construction in progress				
Subtotal	<u>8,967,212</u>	<u>271,680</u>	<u>(50,800)</u>	<u>9,188,092</u>
Capital assets being depreciated:				
Buildings and improvements	34,980,275	298,353	(30,755)	35,247,873
Machinery and equipment	14,344,385	913,347	(484,890)	14,772,842
Infrastructure	95,395,405	9,446,262		104,841,667
Subtotal	<u>144,720,065</u>	<u>10,657,962</u>	<u>(515,645)</u>	<u>154,862,382</u>
Accumulated depreciation:				
Buildings and improvements	(15,994,898)	(1,630,266)	29,748	(17,595,416)
Machinery and equipment	(9,233,880)	(1,027,752)	394,466	(9,867,166)
Infrastructure	(26,131,871)	(3,215,858)		(29,347,729)
Subtotal	<u>(51,360,649)</u>	<u>(5,873,876) *</u>	<u>424,214</u>	<u>(56,810,311)</u>
Net capital assets being depreciated	<u>93,359,416</u>	<u>4,784,086</u>	<u>(91,431)</u>	<u>98,052,071</u>
Net capital assets	<u>\$102,326,628</u>	<u>\$5,055,766</u>	<u>(\$142,231)</u>	<u>\$107,240,163</u>

*Depreciation expense was charged to governmental functions as follows:

General government	\$321,355
Police	266,821
Fire	370,009
Public works	3,273,463
Leisure services	1,492,519
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>149,709</u>
Total depreciation expense	<u>\$5,873,876</u>

8. RISK MANAGEMENT

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

Insurance coverage is as follows:

- Property** — Blanket
- Crime** — \$1,000,000 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, 2000, 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, 1999, 2000, and 2001, were \$1,617,247, \$1,655,769 and \$1,849,105 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, 1999, 2000, and 2001, were \$1,933,700, \$1,628,503 and \$2,083,068 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, 2001, 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	36
Active members	<u>73</u>
Total	<u><u>172</u></u>

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

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

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

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

The annual required contribution for the current year was determined as part of the January 1, 2001, 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>
1996	0	0	100%
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%

For the fiscal years ended December 31, 1999, 2000 and 2001, the Annual Pension cost (APC) was \$40,684, \$35,644 and \$36,628 respectively; the Percentage of APC contributed was 100% and the net pension obligation was \$0.

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

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 8, both the Public Employees Retirement System of Ohio and the Police and 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 2001 employer contribution rate was 19.5% of covered payroll for Police and 24% for Fire of which 7.5% was used to fund health care. The City's contribution for the year ended December 31, 2001, was \$395,146 for Police and \$257,522 for Fire to pay postemployment benefits.

The number of participants eligible to receive health care benefits as of December 31, 2000, were 12,853 for Police and 10,037 for Fire. The Fund's total health care expenses for the year ended December 31, 2000, were \$106,160,054.

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 2001 employer contribution rate was 13.55%, of which 4.3% was used to fund health care. The City's contribution for the year ended December 31, 2001, was \$660,957 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 different 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 2000 was 7.75%. Individual base pay was assumed to increase 4.75% compounded annually with no change in the number of active employees. Health care costs were assumed to increase 4.75% annually.

The number of active contributing participants was 411,076 as of December 31, 2000, the date the latest actuarial review was performed. The Funds actuarially determined accrued liability for OPEBs at December 31, 2000, are \$14,364.60 million with net assets available for OPEB of \$11,735.9 million, leaving an unfunded actuarial liability of \$2,628.7 million.

11. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2001, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General obligation bonds:					
Fire station, 9.00%	\$230,000		\$45,000	\$185,000	\$45,000
Service center, 9.00%	275,000		55,000	220,000	55,000
Improvement bonds-					
Series 1991, 4.5%-6.65%	384,284		24,140	360,144	24,959
Improvement bonds-					
Series 1992, 3.25%-6.45%	738,532		38,236	700,296	42,857
Improvement Refunding, 2.65%-5.25%	3,445,000		510,000	2,935,000	530,000
Recreation Center Refunding, 2.65%-16.9%	<u>3,924,352</u>		<u>810,000</u>	<u>3,114,352</u>	<u>850,000</u>
Total general obligation bonds	<u>8,997,168</u>		<u>1,482,376</u>	<u>7,514,792</u>	<u>1,547,816</u>
Special assessment bonds:					
1983 David Road Improvement, 9.75%	51,000		17,000	34,000	17,000
Improvement bonds-					
Series 1991, 4.5%-6.65%	1,215,716		70,860	1,144,856	75,041
Improvement bonds-					
Series 1992, 3.7%-5.9%	<u>21,468</u>		<u>6,764</u>	<u>14,704</u>	<u>7,143</u>
Total special assessment bonds	<u>1,288,184</u>		<u>94,624</u>	<u>1,193,560</u>	<u>99,184</u>
Other:					
Accrued vacation and sick leave benefits	2,582,195	\$189,379		2,771,574	1,662,944
Ohio Public Works Commission Long-Term Promissory Notes, 0-3%	<u>685,994</u>	<u>1,930,633</u>	<u>71,133</u>	<u>2,545,494</u>	<u>109,184</u>
Total other	<u>3,268,189</u>	<u>2,120,012</u>	<u>71,133</u>	<u>5,317,068</u>	<u>1,772,128</u>
Total long-term liabilities	<u>\$13,553,541</u>	<u>\$2,120,012</u>	<u>\$1,648,133</u>	<u>\$14,025,420</u>	<u>\$3,419,128</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 74% has been paid by the General Fund, 11% by the Street Maintenance Fund and the remainder by the other governmental and internal service funds. The City uses the "vesting method" to determine the appropriate liability.

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

The annual requirements to pay principal and interest on long-term obligations at December 31, 2001, are as follows:

	General Obligation Bonds		Promissory Notes		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$1,547,816	\$387,058	\$109,184	\$9,318	\$99,184	\$78,730
2003	1,617,858	306,420	167,665	10,412	104,142	72,115
2004	1,705,564	220,866	167,665	10,412	84,436	65,157
2005	940,018	980,279	167,666	10,412	89,671	59,922
2006	854,196	954,064	167,666	10,412	95,320	54,272
2007-2011	719,604	1,941,547	659,875	52,060	580,543	167,419
2012-2016	129,736	8,458	564,628	52,060	140,266	9,328
2017-2021	-	-	482,655	52,060	-	-
2022	-	-	58,490	10,412	-	-
Total	<u>\$7,514,792</u>	<u>\$4,798,692</u>	<u>\$2,545,494</u>	<u>\$217,558</u>	<u>\$1,193,560</u>	<u>\$506,943</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, 2001, the City had a legal debt margin for total debt of \$108,157,452 and a legal debt margin for unvoted debt of \$56,208,132.

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 2001 were \$167,999.

Construction and other commitments at December 31, 2001, were approximately \$4,610,000.

13. CONTINGENT LIABILITIES

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

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

14. RECLASSIFICATION OF FUND TYPE

During 2001 the City reclassified a fund reported in the Other Special Revenue Governmental Funds to the Capital Projects fund. This fund was constructing a roadway with both City funds and outside funding. As this is a common occurrence in the Capital Projects fund, it was determined that the fund was better reflected in the Capital Projects fund. The effects of this reclassification are as follows:

	Other Special Revenue Governmental Funds	Capital Projects
	<u> </u>	<u> </u>
Fund Balance at the Beginning of the Year	\$657,235	\$2,339,394
Reclassification	<u>33,322</u>	<u>(33,322)</u>
Fund Balance at the Beginning of the Year, as Restated	<u>\$690,557</u>	<u>\$2,306,072</u>

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$29,326,670	\$29,326,670	\$29,326,670	
Resources (inflows)				
Income taxes	23,800,000	24,400,000	23,866,680	(\$533,320)
Property taxes	6,288,000	6,288,000	6,288,323	323
Licenses and permits	440,000	405,000	392,037	(12,963)
Intergovernmental revenue	1,957,000	2,070,000	2,148,829	78,829
Charges for services	8,000	57,000	75,386	18,386
Fines and forfeits	1,115,000	1,115,000	1,199,685	84,685
Investment earnings	1,600,000	1,300,000	1,974,606	674,606
Special assessments	300,000	340,000	337,193	(2,807)
Refunds and reimbursements	737,000	920,000	1,440,798	520,798
Miscellaneous	60,000	50,000	60,605	10,605
Sale of city assets	30,000	177,000	180,554	3,554
Amounts available for appropriation	65,661,670	66,448,670	67,291,366	842,696
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	196,900	196,900	190,283	6,617
Operating expenditures	76,200	116,200	70,242	45,958
Capital outlay				
Total mayor and council	273,100	313,100	260,525	52,575
Municipal court:				
Personal services	635,600	635,600	617,883	17,717
Operating expenditures	376,755	376,755	197,904	178,851
Capital outlay	5,000	5,000		5,000
Total municipal court	1,017,355	1,017,355	815,787	201,568
Clerk of courts:				
Personal services	571,600	571,600	569,352	2,248
Operating expenditures	120,024	120,024	89,099	30,925
Capital outlay				
Total clerk of courts	691,624	691,624	658,451	33,173
Office of City Manager:				
Personal services	519,600	519,600	514,597	5,003
Operating expenditures	67,200	67,200	64,584	2,616
Capital outlay				
Total office of city manager	586,800	586,800	579,181	7,619
Law department:				
Personal services	499,900	499,900	494,519	5,381
Operating expenditures	169,593	179,593	146,657	32,936
Capital outlay				
Total law department	669,493	679,493	641,176	38,317
Finance department:				
Personal services	1,135,400	1,133,400	1,082,552	50,848
Operating expenditures	463,959	465,598	428,907	36,691
Capital outlay				
Total finance department	1,599,359	1,598,998	1,511,459	87,539
Administrative support:				
Personal services	371,400	377,400	375,411	1,989
Operating expenditures	76,800	76,800	66,543	10,257
Capital outlay				
Total administrative support	448,200	454,200	441,954	12,246

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, 2001**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$509,100	\$509,100	\$480,839	\$28,261
Operating expenditures	263,500	263,500	163,813	99,687
Capital outlay				
Total human resources department	<u>772,600</u>	<u>772,600</u>	<u>644,652</u>	<u>127,948</u>
Planning and development:				
Personal services	1,442,500	1,442,500	1,398,873	43,627
Operating expenditures	466,140	461,125	365,376	95,749
Capital outlay	12,000	17,015	17,015	
Total planning and development	<u>1,920,640</u>	<u>1,920,640</u>	<u>1,781,264</u>	<u>139,376</u>
Economic development:				
Personal services	99,400	99,900	99,691	209
Operating expenditures	700,200	699,700	482,723	216,977
Capital outlay				
Total economic development	<u>799,600</u>	<u>799,600</u>	<u>582,414</u>	<u>217,186</u>
Miscellaneous:				
Operating expenditures	882,950	968,950	810,287	158,663
Total miscellaneous	<u>882,950</u>	<u>968,950</u>	<u>810,287</u>	<u>158,663</u>
Total general government	<u>9,661,721</u>	<u>9,803,360</u>	<u>8,727,150</u>	<u>1,076,210</u>
Police:				
Personal services	7,345,000	7,405,000	7,370,951	34,049
Operating expenditures	1,443,477	1,442,357	1,358,421	83,936
Capital outlay	268,465	191,465	178,351	13,114
Total police	<u>9,056,942</u>	<u>9,038,822</u>	<u>8,907,723</u>	<u>131,099</u>
Fire:				
Personal services	5,029,900	5,149,900	5,149,452	448
Operating expenditures	2,491,326	2,364,493	1,714,939	649,554
Capital outlay	1,124,420	1,124,420	330,690	793,730
Total fire	<u>8,645,646</u>	<u>8,638,813</u>	<u>7,195,081</u>	<u>1,443,732</u>
Public works:				
Transportation department:				
Personal services	673,100	708,100	704,651	3,449
Operating expenditures	278,195	278,195	215,698	62,497
Capital outlay	19,000	19,000	16,458	2,542
Total transportation department	<u>970,295</u>	<u>1,005,295</u>	<u>936,807</u>	<u>68,488</u>
Engineering department:				
Personal services	1,061,800	1,080,800	1,078,090	2,710
Operating expenditures	252,826	260,426	238,662	21,764
Capital outlay	18,000	23,400	23,352	48
Total engineering department	<u>1,332,626</u>	<u>1,364,626</u>	<u>1,340,104</u>	<u>24,522</u>
Street lighting:				
Operating expenditures	622,439	595,060	479,093	115,967
Total street lighting	<u>622,439</u>	<u>595,060</u>	<u>479,093</u>	<u>115,967</u>
Total public works	<u>2,925,360</u>	<u>2,964,981</u>	<u>2,756,004</u>	<u>208,977</u>
Transfers to other funds	15,640,748	16,098,179	11,583,704	4,514,475
Total charges to appropriations	<u>45,930,417</u>	<u>46,544,155</u>	<u>39,169,662</u>	<u>7,374,493</u>
Fund balance, December 31	<u>\$19,731,253</u>	<u>\$19,904,515</u>	<u>\$28,121,704</u>	<u>\$8,217,189</u>

See accompanying notes to the required supplementary information.

33 CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - STREET MAINTENANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$160,984	\$160,984	\$160,984	
Resources (inflows)				
Licenses and permits		1,000	880	(\$120)
Intergovernmental revenue	1,725,000	1,625,000	1,705,588	80,588
Refunds and reimbursements	200,000	160,000	205,820	45,820
Miscellaneous	5,000	5,000	31,248	26,248
Transfer from the general fund	3,000,000	3,000,000	2,302,300	(697,700)
Amounts available for appropriation	<u>5,090,984</u>	<u>4,951,984</u>	<u>4,406,820</u>	<u>(545,164)</u>
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	2,996,900	2,996,900	2,892,310	104,590
Operating expenditures	1,403,401	1,403,401	1,042,334	361,067
Capital outlay	458,000	458,000	13,900	444,100
Total charges to appropriations	<u>4,858,301</u>	<u>4,858,301</u>	<u>3,948,544</u>	<u>909,757</u>
Fund balance, December 31	<u>\$232,683</u>	<u>\$93,683</u>	<u>\$458,276</u>	<u>\$364,593</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, 2001**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$71,833	\$71,833	\$71,833	
Resources (inflows)				
Intergovernmental revenue	22,000	18,000	18,143	\$143
Charges for services	2,531,000	2,482,000	2,412,678	(69,322)
Refunds and reimbursements	54,000	65,000	82,579	17,579
Miscellaneous	12,000	9,000	5,846	(3,154)
Transfer from the general fund	5,000,000	5,060,000	4,748,800	(311,200)
Amounts available for appropriation	<u>7,690,833</u>	<u>7,705,833</u>	<u>7,339,879</u>	<u>(365,954)</u>
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	4,248,800	4,210,800	4,034,741	176,059
Operating expenditures	3,293,079	3,286,558	3,077,011	209,547
Capital outlay	160,200	202,700	59,304	143,396
Total charges to appropriations	<u>7,702,079</u>	<u>7,700,058</u>	<u>7,171,056</u>	<u>529,002</u>
Fund balance, December 31	<u>(\$11,246)</u>	<u>\$5,775</u>	<u>\$168,823</u>	<u>\$163,048</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, 2001**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$99,124	\$99,124	\$99,124	
Resources (inflows)				
Charges for services	1,620,000	1,639,000	1,686,102	\$47,102
Refunds and reimbursements	5,000	8,000	6,437	(1,563)
Miscellaneous	228,000	123,000	123,141	141
Transfer from the general fund	500,000	500,000	305,000	(195,000)
Amounts available for appropriation	<u>2,452,124</u>	<u>2,369,124</u>	<u>2,219,804</u>	<u>(149,320)</u>
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	445,700	445,700	428,111	17,589
Operating expenditures	1,902,100	1,902,100	1,735,955	166,145
Capital outlay				
Total charges to appropriations	<u>2,347,800</u>	<u>2,347,800</u>	<u>2,164,066</u>	<u>183,734</u>
Fund balance, December 31	<u>\$104,324</u>	<u>\$21,324</u>	<u>\$55,738</u>	<u>\$34,414</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, 2001**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$2,168,695	\$2,168,695	\$2,168,695	
Resources (inflows)				
Intergovernmental revenue	448,001	448,001	853,405	\$405,404
Refunds and reimbursements			113	113
Miscellaneous	47,000	47,000	50,489	3,489
Sale of city assets	240,000	240,000	78,098	(161,902)
Amounts available for appropriation	2,903,696	2,903,696	3,150,800	247,104
Charges to appropriations (outflows)				
General government	638,822	648,061	453,980	194,081
Capital improvements	928,392	919,153	730,705	188,448
Total charges to appropriations	1,567,214	1,567,214	1,184,685	382,529
Fund balance, December 31	\$1,336,482	\$1,336,482	\$1,966,115	\$629,633

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2001**

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**

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET DECEMBER 31, 2001

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
ASSETS						
Pooled cash and investments	\$350,137	\$243,698	\$299,348	\$102,817	\$884,467	\$1,880,467
Receivables:						
Property taxes			343,842			343,842
Accounts		336			409	745
Due from other governments	51,664				115,897	167,561
Prepaid expenditures				250		250
Total assets	<u>\$401,801</u>	<u>\$244,034</u>	<u>\$643,190</u>	<u>\$103,067</u>	<u>\$1,000,773</u>	<u>\$2,392,865</u>
LIABILITIES						
Accounts payable	\$881	\$200		\$13,420	\$98,647	\$113,148
Accrued payroll			\$291,124	71	4,788	295,983
Deferred revenue	43,100		342,000		70,582	455,682
Total liabilities	<u>43,981</u>	<u>200</u>	<u>633,124</u>	<u>13,491</u>	<u>174,017</u>	<u>864,813</u>
FUND BALANCES						
Reserved for:						
Encumbrances	347,812			30,097	180,155	558,064
Prepaid expenditures				250		250
Unreserved	10,008	\$243,834	10,066	59,229	646,601	969,738
Total fund balances	<u>357,820</u>	<u>243,834</u>	<u>10,066</u>	<u>89,576</u>	<u>826,756</u>	<u>1,528,052</u>
Total liabilities and fund balances	<u>\$401,801</u>	<u>\$244,034</u>	<u>\$643,190</u>	<u>\$103,067</u>	<u>\$1,000,773</u>	<u>\$2,392,865</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, 2001

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes						
Intergovernmental revenue	\$908,000	\$844,016	(\$63,984)			
Charges for services				\$12,000	\$17,977	\$5,977
Fines and forfeits						
Investment earnings		410	410	7,000	13,718	6,718
Refunds and reimbursements	158,000	115,000	(43,000)			
Miscellaneous						
Total revenues	<u>1,066,000</u>	<u>959,426</u>	<u>(106,574)</u>	<u>19,000</u>	<u>31,695</u>	<u>12,695</u>
EXPENDITURES						
Current:						
General government				13,800	12,553	1,247
Police						
Fire						
Public works	117,000	55,663	61,337			
Leisure services						
Capital improvements	<u>1,194,497</u>	<u>836,221</u>	<u>358,276</u>			
Total expenditures	<u>1,311,497</u>	<u>891,884</u>	<u>419,613</u>	<u>13,800</u>	<u>12,553</u>	<u>1,247</u>
Excess (deficiency) of revenues over expenditures	(245,497)	67,542	313,039	5,200	19,142	13,942
OTHER FINANCING SOURCES (USES)						
Transfers in	350,000	280,500	(69,500)			
Transfers out						
Net change in fund balance	<u>104,503</u>	<u>348,042</u>	<u>243,539</u>	<u>5,200</u>	<u>19,142</u>	<u>13,942</u>
Fund balances--beginning, as restated	9,778	9,778		224,692	224,692	
Fund balances--ending	<u>\$114,281</u>	<u>\$357,820</u>	<u>\$243,539</u>	<u>\$229,892</u>	<u>\$243,834</u>	<u>\$13,942</u>

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**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, 2001**

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$320,000	\$330,964	\$10,964			
Intergovernmental revenue				\$145,390	\$194,111	\$48,721
Charges for services				24,000	25,963	1,963
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				20,000	29,290	9,290
Miscellaneous						
Total revenues	<u>320,000</u>	<u>330,964</u>	<u>10,964</u>	<u>189,390</u>	<u>249,364</u>	<u>59,974</u>
EXPENDITURES						
Current:						
General government				428,551	297,841	130,710
Police	1,060,000	1,046,220	13,780			
Fire						
Public works						
Leisure services						
Capital improvements				201,000	169,057	31,943
Total expenditures	<u>1,060,000</u>	<u>1,046,220</u>	<u>13,780</u>	<u>629,551</u>	<u>466,898</u>	<u>162,653</u>
Excess (deficiency) of revenues over expenditures	(740,000)	(715,256)	24,744	(440,161)	(217,534)	222,627
OTHER FINANCING SOURCES (USES)						
Transfers in	735,000	715,200	(19,800)	453,000	335,602	(117,398)
Transfers out						
Net change in fund balance	<u>(5,000)</u>	<u>(56)</u>	<u>4,944</u>	<u>12,839</u>	<u>118,068</u>	<u>105,229</u>
Fund balances--beginning, as restated	10,122	10,122		(28,492)	(28,492)	
Fund balances--ending	<u>\$5,122</u>	<u>\$10,066</u>	<u>\$4,944</u>	<u>(\$15,653)</u>	<u>\$89,576</u>	<u>\$105,229</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, 2001

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes				\$320,000	\$330,964	\$10,964
Intergovernmental revenue	\$693,296	\$281,969	(\$411,327)	1,746,686	1,320,096	(426,590)
Charges for services		5,324	5,324	36,000	49,264	13,264
Fines and forfeits	258,000	299,353	41,353	258,000	299,353	41,353
Investment earnings	7,300	12,082	4,782	14,300	26,210	11,910
Refunds and reimbursements				178,000	144,290	(33,710)
Miscellaneous	110,200	264,804	154,604	110,200	264,804	154,604
Total revenues	<u>1,068,796</u>	<u>863,532</u>	<u>(205,264)</u>	<u>2,663,186</u>	<u>2,434,981</u>	<u>(228,205)</u>
EXPENDITURES						
Current:						
General government	637,481	275,039	362,442	1,079,832	585,433	494,399
Police	220,337	110,582	109,755	1,280,337	1,156,802	123,535
Fire	34,430	29,430	5,000	34,430	29,430	5,000
Public works	141,834	137,437	4,397	258,834	193,100	65,734
Leisure services	5,000		5,000	5,000		5,000
Capital improvements	229,364	10,047	219,317	1,624,861	1,015,325	609,536
Total expenditures	<u>1,268,446</u>	<u>562,535</u>	<u>705,911</u>	<u>4,283,294</u>	<u>2,980,090</u>	<u>1,303,204</u>
Excess (deficiency) of revenues over expenditures	(199,650)	300,997	500,647	(1,620,108)	(545,109)	1,074,999
OTHER FINANCING SOURCES (USES)						
Transfers in	74,179	51,302	(22,877)	1,612,179	1,382,604	(229,575)
Transfers out						
Net change in fund balance	<u>(125,471)</u>	<u>352,299</u>	<u>477,770</u>	<u>(7,929)</u>	<u>837,495</u>	<u>845,424</u>
Fund balances--beginning, as restated	474,457	474,457		690,557	690,557	
Fund balances--ending	<u>\$348,986</u>	<u>\$826,756</u>	<u>\$477,770</u>	<u>\$682,628</u>	<u>\$1,528,052</u>	<u>\$845,424</u>

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2001

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$1,160,000	\$1,169,189	\$9,189
Investment earnings	50,000	70,410	20,410
Special assessments	180,000	179,572	(428)
Total revenues	<u>1,390,000</u>	<u>1,419,171</u>	<u>29,171</u>
EXPENDITURES			
Current:			
General government	5,000	2,106	2,894
Debt service:			
Principal	1,648,134	1,648,134	
Interest	547,930	547,930	
Total expenditures	<u>2,201,064</u>	<u>2,198,170</u>	<u>2,894</u>
Deficiency of revenues over expenditures	(811,064)	(778,999)	32,065
OTHER FINANCING SOURCES (USES)			
Transfers in	800,000	700,000	(100,000)
Net change in fund balance	(11,064)	(78,999)	(67,935)
Fund balances--beginning	117,532	117,532	
Fund balances--ending	<u>\$106,468</u>	<u>\$38,533</u>	<u>(\$67,935)</u>

CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Final Budget	Actual	Variance
REVENUES			
Intergovernmental	\$6,601,000	\$4,230,097	\$2,370,903
Special assessments	725,000	734,597	(9,597)
Refunds and reimbursements	551,000	696,243	(145,243)
Miscellaneous	10,000	2,500	7,500
Total revenues	<u>7,887,000</u>	<u>5,663,437</u>	<u>2,223,563</u>
EXPENDITURES			
Capital improvements	14,790,706	7,896,104	6,894,602
Total expenditures	<u>14,790,706</u>	<u>7,896,104</u>	<u>6,894,602</u>
Deficiency of revenues over expenditures	(6,903,706)	(2,232,667)	4,671,039
OTHER FINANCING SOURCES (USES)			
Transfers in	5,126,000	2,145,000	(2,981,000)
Proceeds of general obligation notes	2,784,000	1,930,633	(853,367)
Net change in fund balance	<u>1,006,294</u>	<u>1,842,966</u>	<u>836,672</u>
Fund balances--beginning as restated	<u>2,306,072</u>	<u>2,306,072</u>	
Fund balances--ending	<u><u>\$3,312,366</u></u>	<u><u>\$4,149,038</u></u>	<u><u>\$836,672</u></u>

CAPITAL PROJECTS FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$151,144	\$53,523	\$97,621
Street construction	12,183,743	6,780,450	5,403,293
Drainage	197,498	16,482	181,016
Parks and recreation	574,493	129,730	444,763
Tree planting and landscaping	81,000	57,029	23,971
Other	1,602,828	858,890	743,938
Total capital projects fund	<u>\$14,790,706</u>	<u>\$7,896,104</u>	<u>\$6,894,602</u>

INTERNAL SERVICE FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2001

	Administrative Operations	Health Insurance	Totals
ASSETS			
Current assets:			
Pooled cash and investments	\$304,054	\$30,573	\$334,627
Accounts receivable	6,533	147	6,680
Due from other governments	17,496		17,496
Prepaid expenses	3,353		3,353
Inventory	255,233		255,233
Total current assets	<u>586,669</u>	<u>30,720</u>	<u>617,389</u>
Noncurrent assets:			
Buildings and improvements	809,359		809,359
Machinery and equipment	1,786,751		1,786,751
Less: Accumulated depreciation	(1,848,614)		(1,848,614)
Total noncurrent assets	<u>747,496</u>		<u>747,496</u>
Total assets	<u>\$1,334,165</u>	<u>\$30,720</u>	<u>\$1,364,885</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$77,892		\$77,892
Accrued payroll	127,059		127,059
Total current liabilities	<u>204,951</u>		<u>204,951</u>
Noncurrent liabilities:			
Accrued vacation and sick leave benefits	185,017		185,017
Total liabilities	<u>389,968</u>		<u>389,968</u>
NET ASSETS			
Invested in capital assets	747,496		747,496
Unrestricted	196,701	\$30,720	227,421
Total net assets	<u>944,197</u>	<u>30,720</u>	<u>974,917</u>
Total liabilities and net assets	<u>\$1,334,165</u>	<u>\$30,720</u>	<u>\$1,364,885</u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Administrative Operations	Health Insurance	Totals
OPERATING REVENUES			
Charges for services	\$4,267,313	\$1,966,913	\$6,234,226
Total operating revenues	<u>4,267,313</u>	<u>1,966,913</u>	<u>6,234,226</u>
OPERATING EXPENSES			
Personal services	2,328,758		2,328,758
Repairs and maintenance	881,561		881,561
Contractual services	546,065	2,139,650	2,685,715
Other materials and expenses	524,237		524,237
Depreciation	149,709		149,709
Total operating expenses	<u>4,430,330</u>	<u>2,139,650</u>	<u>6,569,980</u>
Operating income (loss)	<u>(163,017)</u>	<u>(172,737)</u>	<u>(335,754)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	50,966	11,900	62,866
Change in net assets	<u>(112,051)</u>	<u>(160,837)</u>	<u>(272,888)</u>
Total net assets--beginning	<u>1,056,248</u>	<u>191,557</u>	<u>1,247,805</u>
Total net assets--ending	<u><u>\$944,197</u></u>	<u><u>\$30,720</u></u>	<u><u>\$974,917</u></u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2001
 Increase (Decrease) in cash

	Administrative Operations	Health Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for services	\$4,275,155	\$1,966,930	\$6,242,085
Cash paid to suppliers for goods or services	(1,961,736)	(2,139,840)	(4,101,576)
Cash paid to employees for services	(2,270,861)		(2,270,861)
Net cash provided (used) by operating activities	<u>42,558</u>	<u>(172,910)</u>	<u>(130,352)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(186,671)		(186,671)
Sale of capital assets	5,505		5,505
Net cash used by capital and related financing activities	<u>(181,166)</u>		<u>(181,166)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	50,966	11,900	62,866
Net cash provided by investing activities	<u>50,966</u>	<u>11,900</u>	<u>62,866</u>
Net increase (decrease) in cash	<u>(87,642)</u>	<u>(161,010)</u>	<u>(248,652)</u>
Cash at beginning of year	391,696	191,583	583,279
Cash at end of year	<u>\$304,054</u>	<u>\$30,573</u>	<u>\$334,627</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	(\$163,017)	(\$172,737)	(\$335,754)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	149,709		149,709
(Increase) decrease in receivables	7,842	17	7,859
(Increase) decrease in inventories	4,265		4,265
Increase (decrease) in accounts payable	(29,428)	(190)	(29,618)
Net (increase) decrease in other operating net assets	73,187		73,187
Net cash provided (used) by operating activities	<u>\$42,558</u>	<u>(\$172,910)</u>	<u>(\$130,352)</u>

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Balance December 31 2000	Additions	Deductions	Balance December 31 2001
<u>PAYROLL WITHHOLDING FUND</u>				
ASSETS - Cash	\$554,899	\$8,425,367	\$8,438,622	\$541,644
LIABILITIES - Withholdings payable	\$554,899	\$8,425,367	\$8,438,622	\$541,644
<u>MUNICIPAL COURT FUND</u>				
ASSETS - Investments with fiscal agent	\$282,004	\$3,443,182	\$3,425,739	\$299,447
LIABILITIES - Undistributed moneys	\$282,004	\$3,443,182	\$3,425,739	\$299,447
<u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u>				
ASSETS - Cash	\$65,105	\$72,291	\$125,790	\$11,606
LIABILITIES				
Accounts payable	\$60,234	\$64,941	\$120,810	\$4,365
Unclaimed moneys	4,871	7,350	4,980	7,241
Total liabilities	\$65,105	\$72,291	\$125,790	\$11,606
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$620,004	\$8,497,658	\$8,564,412	\$553,250
Investments with fiscal agent	282,004	3,443,182	3,425,739	299,447
Total assets	\$902,008	\$11,940,840	\$11,990,151	\$852,697
LIABILITIES				
Accounts payable	\$60,234	\$64,941	\$120,810	\$4,365
Withholdings payable	554,899	8,425,367	8,438,622	541,644
Undistributed moneys	282,004	3,443,182	3,425,739	299,447
Unclaimed moneys	4,871	7,350	4,980	7,241
Total liabilities	\$902,008	\$11,940,840	\$11,990,151	\$852,697

**DEBT SCHEDULE
DECEMBER 31, 2001**

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2002	
						Principal	Interest
General Obligation Bonds:							
Fire station	9/1/85	9.00%	12/1/05	\$855,000	\$185,000	\$45,000	\$16,650
Service center	9/1/85	9.00	12/1/05	1,050,000	220,000	55,000	19,800
Improvement bonds-series 1991	12/1/91	4.5-6.65	12/1/12	524,921	360,144	24,959	23,439
Improvement bonds-series 1992	11/1/92	3.25-6.45	12/1/12	994,303	700,296	42,857	44,239
Improvement refunding	8/1/93	2.65-5.25	12/1/06	6,845,000	2,935,000	530,000	149,060
Recreation center refunding	8/1/93	2.65-16.9	12/1/08	9,289,352	3,114,352	850,000	133,870
Total general obligation bonds					<u>7,514,792</u>	<u>1,547,816</u>	<u>387,058</u>
Special Assessment Bonds:							
David road project	9/1/83	9.75	12/1/03	340,000	34,000	17,000	3,315
Improvement bonds-series 1991	12/1/91	4.5-6.65	12/1/12	1,665,079	1,144,856	75,041	74,551
Improvement bonds-series 1992	11/1/92	3.7-5.90	12/1/03	60,697	14,704	7,143	864
Total special assessment bonds					<u>1,193,560</u>	<u>99,184</u>	<u>78,730</u>
Promissory Notes:							
Ohio public works commission:							
Bridge replacements	12/1/94	0.00	7/1/15	280,393	191,525	14,020	0
Rushland drive improvement	7/1/96	0.00	7/1/16	122,577	91,933	6,129	0
Dorothy lane resurfacing	1/1/98	0.00	1/1/08	509,850	331,403	50,985	0
Spaulding Road	12/1/01	0.00	1/1/22	1,468,649	1,468,649	38,050	0
Bigger Road	12/1/01	3.00	1/1/22	461,984	461,984	0	9,318
Total promissory notes					<u>2,545,494</u>	<u>109,184</u>	<u>9,318</u>
Total					<u>\$11,253,846</u>	<u>\$1,756,184</u>	<u>\$475,106</u>



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
1992	\$5,389,103	\$6,546,244	\$4,187,416	\$2,372,035	\$18,494,798
1993	5,513,493	6,690,210	4,718,823	2,360,820	19,283,346
1994	5,825,863	6,726,297	4,452,656	2,457,186	19,462,002
1995	6,021,347	7,025,655	4,515,232	2,351,286	19,913,520
1996	6,397,684	6,846,440	4,849,644	2,426,320	20,520,088
1997	6,837,321	7,389,255	5,952,310	2,476,005	22,654,891
1998	7,032,117	8,144,972	5,796,677	2,564,389	23,538,155
1999	8,111,801	8,282,945	6,094,966	2,449,749	24,939,461
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

Source: City of Kettering, Ohio, Finance Department

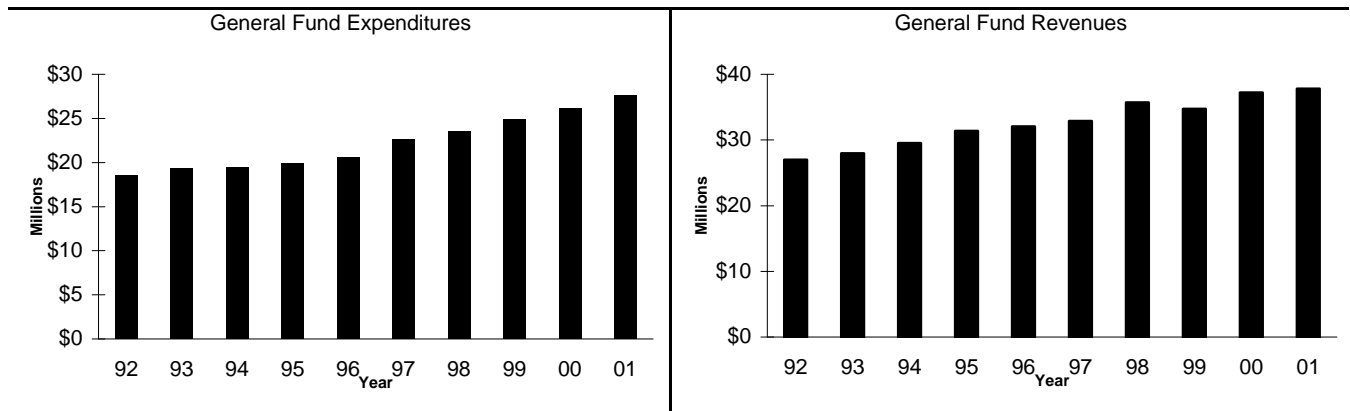


TABLE 2

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
1992	\$23,037,668	\$264,301	\$1,405,136	\$8,006	\$507,478	\$1,786,244	\$27,008,833
1993	23,708,029	288,795	1,529,688	8,369	658,983	1,753,307	27,947,171
1994	24,707,151	309,874	1,635,308	9,526	672,562	2,174,181	29,508,602
1995	25,873,657	317,865	1,688,634	6,419	812,396	2,660,042	31,359,013
1996	26,167,848	366,175	1,722,082	4,207	964,953	2,841,089	32,066,354
1997	26,418,288	479,108	1,776,530	4,661	1,002,608	3,220,117	32,901,312
1998	27,956,308	422,204	1,933,745	6,601	1,198,264	4,199,220	35,716,342
1999	28,369,507	395,804	1,938,355	7,325	985,659	3,044,378	34,741,028
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

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
1992	\$18,129,495
1993	18,787,082
1994	19,610,464
1995	20,612,658
1996	20,988,312
1997	20,670,634
1998	22,251,839
1999	22,512,947
2000	23,566,678
2001	23,866,680

Source: City of Kettering, Ohio, Finance Department

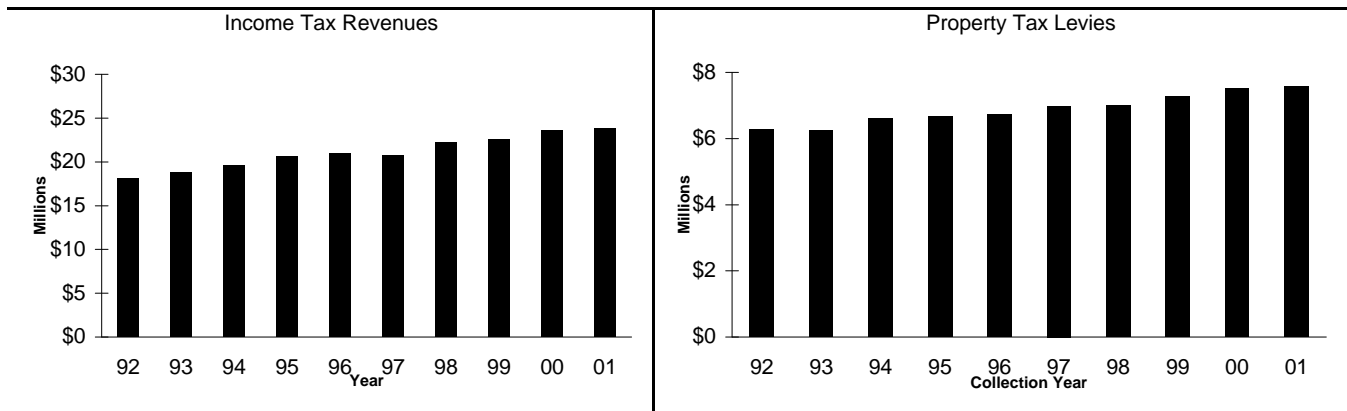


TABLE 4

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
1991	1992	\$6,292,453	\$6,104,645	97.0%	\$186,992	\$6,291,637	100.0%	\$395,949	6.3%
1992	1993	6,232,635	6,025,984	96.7%	177,423	6,203,407	99.5%	425,178	6.8%
1993	1994	6,594,502	6,463,440	98.0%	213,058	6,676,498	101.2%	343,182	5.2%
1994	1995	6,656,424	6,483,653	97.4%	229,479	6,713,132	100.9%	286,474	4.3%
1995	1996	6,721,527	6,480,204	96.4%	212,488	6,692,692	99.6%	315,309	4.7%
1996	1997	6,986,031	6,897,817	98.7%	159,073	7,056,890	101.0%	225,631	3.2%
1997	1998	7,003,538	6,832,172	97.6%	166,231	6,998,403	99.9%	231,866	3.3%
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%

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	
1991	1992	\$750,810,090	\$34,621,670	\$71,633,577	\$857,065,337	\$2,455,307,113
1992	1993	753,928,010	35,585,710	67,181,541	856,695,261	2,458,391,903
1993	1994	808,688,600	36,012,530	67,119,616	911,820,746	2,615,029,851
1994	1995	807,499,470	36,222,690	69,928,626	913,650,786	2,623,078,537
1995	1996	812,138,430	34,017,380	69,339,517	915,495,327	2,631,770,962
1996	1997	898,480,630	35,886,430	70,425,059	1,004,792,119	2,884,674,180
1997	1998	901,762,550	36,848,300	73,300,040	1,011,910,890	2,906,512,889
1998	1999	917,110,670	39,178,060	71,164,376	1,027,453,106	2,944,151,764
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

Source: Montgomery County, Ohio, Auditor's Office

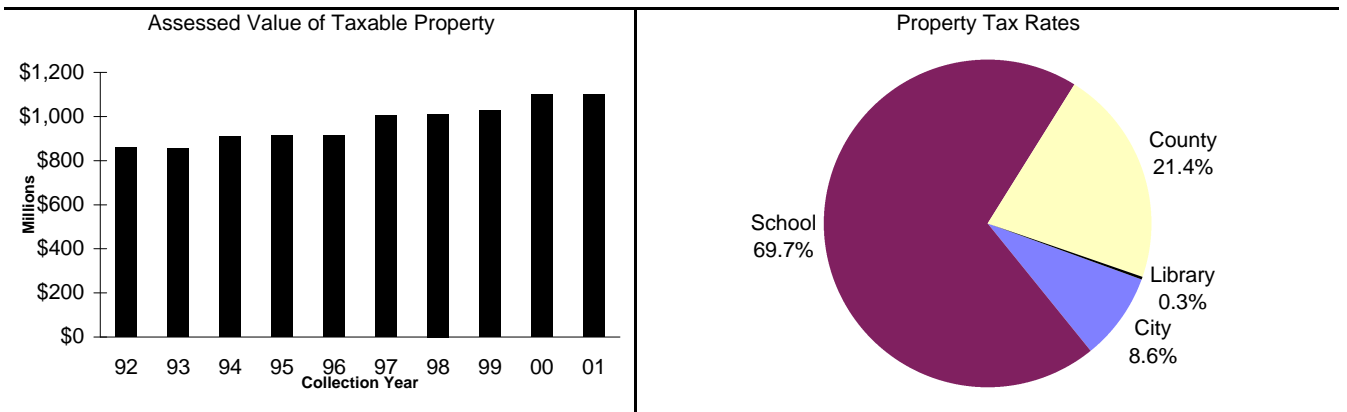


TABLE 6

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
1991	1992	5.70	1.25	0.30	7.25	48.90	13.65		69.80
1992	1993	5.70	1.17	0.30	7.17	48.90	13.65		69.72
1993	1994	5.70	1.17	0.30	7.17	49.81	16.14		73.12
1994	1995	5.70	1.17	0.30	7.17	49.80	16.64	0.72	74.33
1995	1996	5.70	1.17	0.30	7.17	53.10	16.64	0.72	77.63
1996	1997	5.70	1.00	0.30	7.00	53.10	16.64	0.72	77.46
1997	1998	5.70	1.00	0.30	7.00	53.10	16.64	0.26	77.00
1998	1999	5.70	0.98	0.30	6.98	53.10	16.64	0.26	76.98
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

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
1992	\$491,047	\$477,107	97.2%	\$13,940
1993	661,266	639,597	96.7%	21,669
1994	834,659	789,793	94.6%	44,866
1995	875,666	808,362	92.3%	67,304
1996	893,792	884,674	99.0%	9,118
1997	894,868	857,338	95.8%	37,530
1998	898,529	865,006	96.3%	33,523
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

Source: Montgomery County, Ohio, Auditor's Office

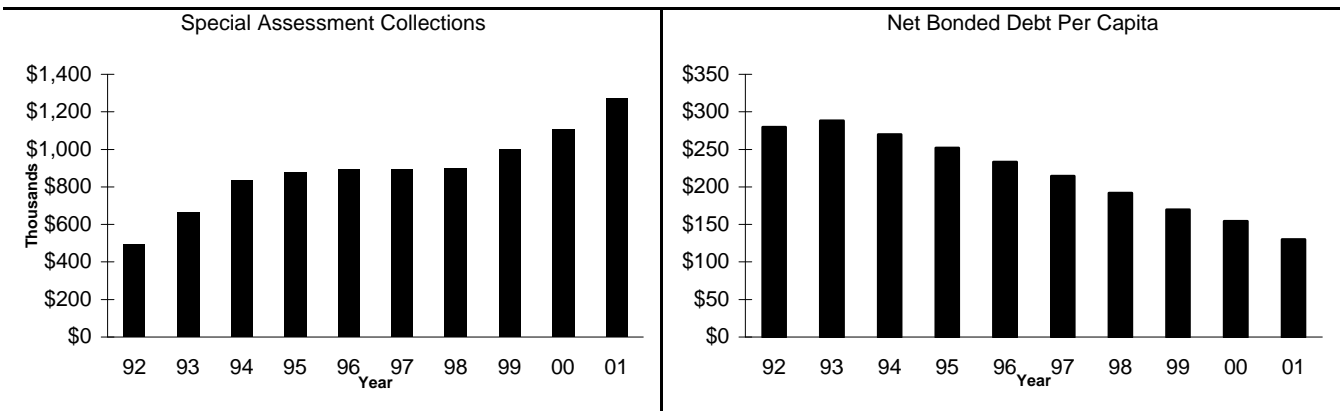


TABLE 8

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
1992	60,525	\$857,065,337	\$18,064,224	\$1,138,253	\$16,925,971	1.97%	\$279.65
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

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, 2001**

	10-1/2% of Assessed Valuation(1)	5-1/2% of Assessed Valuation(2)
Overall Debt Limitations	\$115,633,711	\$60,570,039
Gross Indebtedness	11,253,846	11,253,846
Less debt outside limitations:		
Voted debt		3,114,352
Special assessment debt	1,193,560	1,193,560
Promissory notes	2,545,494	2,545,494
Less debt service available fund balance	38,533	38,533
Net debt within limitations	7,476,259	4,361,907
Legal debt margin within limitations	<u>\$108,157,452</u>	<u>\$56,208,132</u>

Source: City of Kettering, Ohio, Finance Department

(1) Applies to both voted and unvoted debt.

(2) Applies only to unvoted debt.

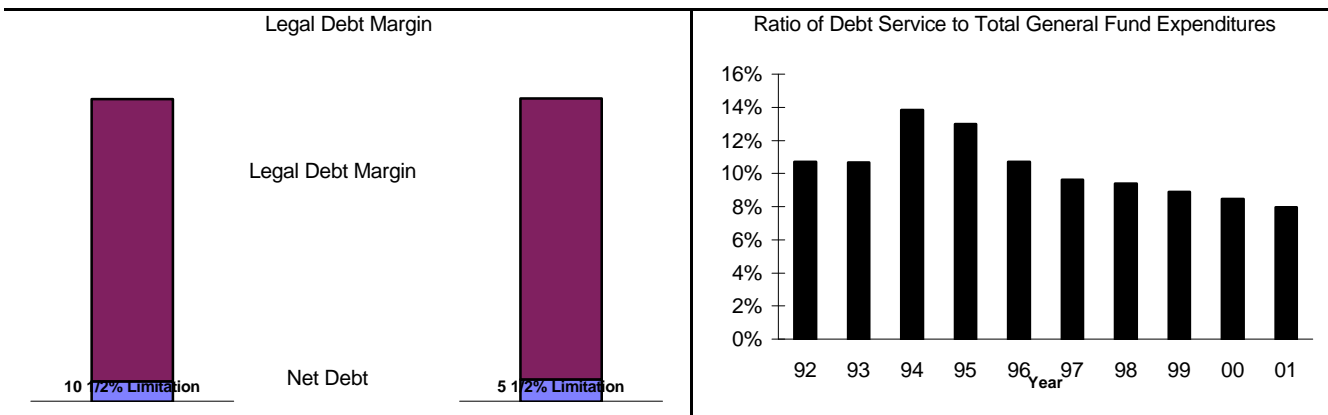


TABLE 10

**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
1992	\$685,000	\$1,298,004	\$1,983,004	\$18,494,797	10.7%
1993	1,077,895	980,703	2,058,598	19,283,346	10.7%
1994	1,662,000	1,029,617	2,691,617	19,462,002	13.8%
1995	1,626,750	956,002	2,582,752	19,913,520	13.0%
1996	1,311,020	884,630	2,195,650	20,520,088	10.7%
1997	1,357,148	826,868	2,184,016	22,654,891	9.6%
1998	1,442,641	764,450	2,207,091	23,538,155	9.4%
1999	1,523,134	697,513	2,220,647	24,939,461	8.9%
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%

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, 2001**

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Kettering	Amount Applicable to City of Kettering
State of Ohio			
City of Kettering	\$7,476,259	100.0%	\$7,476,259
Kettering City School District	14,795,802	89.1%	13,183,060
Montgomery County	40,614,870	12.0%	4,873,784
Beavercreek Local School District	42,810,606	0.5%	214,053
Total	\$105,697,537		\$25,747,156

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.

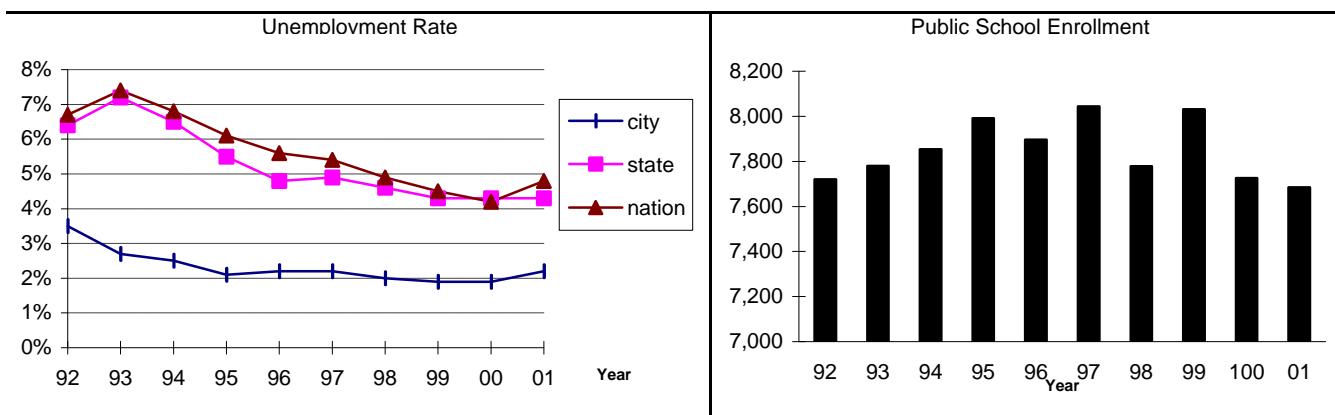


TABLE 12

DEMOGRAPHIC STATISTICS LAST TEN YEARS

Year	Population(1)(3)	Per Capita Income(3)(5)	Unemployment Rate(4)	Public School Enrollment(2)
1992	60,525	\$20,853	3.5%	7,720
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

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	
1992	184	\$9,112,603	164	\$5,385,151	\$4,068,798,000
1993	260	12,563,963	177	7,008,075	3,834,335,000
1994	238	28,871,108	145	4,431,111	4,034,766,000
1995	178	26,306,619	143	7,777,188	3,995,114,000
1996	172	40,184,215	147	8,555,747	3,899,145,000
1997	178	82,833,051	164	8,889,562	3,530,314,000
1998	137	25,430,152	213	10,590,067	3,264,705,000
1999	118	24,932,701	152	8,569,914	2,994,378,000
2000	89	58,217,405	139	9,830,923	191,473,000
2001	71	23,059,939	145	10,043,682	224,099,000

Sources:

- (1) City of Kettering, Ohio, Department of Planning and Development.
- (2) Federal Reserve Bank of Cleveland - amounts are for Montgomery County.

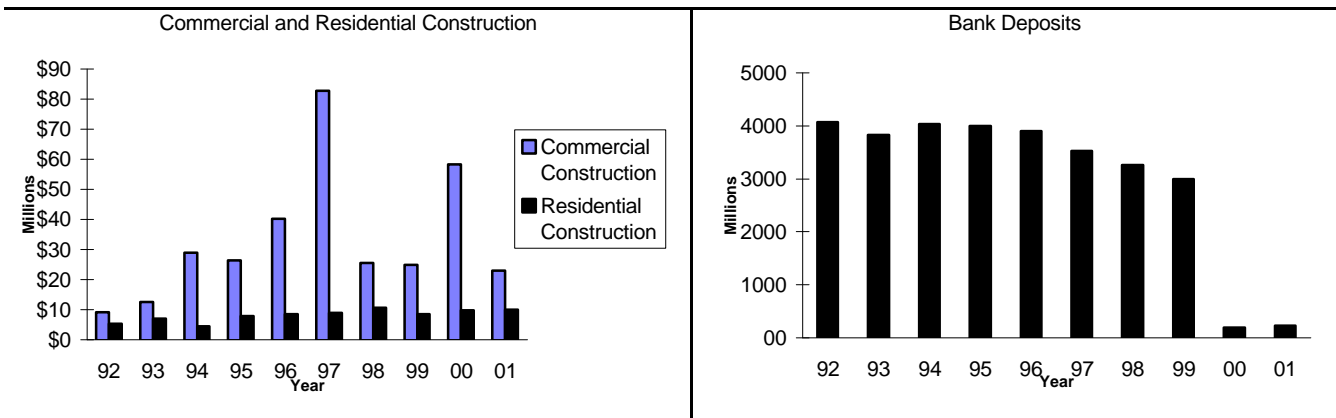


TABLE 14

PRINCIPAL TAXPAYERS (PROPERTY TAXES) DECEMBER 31, 2001

Taxpayer	Type of Business	2001 Assessed Valuation	% of Total Assessed Valuation
Dayton Power and Light Co.	Gas & electric utility	\$24,850,170	2.26%
Ohio Bell Telephone Co.	Telephone utility	9,118,200	0.83%
Delphi Automotive	Automotive parts manufacturer	8,017,720	0.73%
Kettering Medical Center	Healthcare	7,594,430	0.69%
Bank One	Credit card services	5,675,440	0.52%
Dayton Town & Country, Inc.	Property management	4,382,110	0.40%
State Teachers Retirement System	Property management	4,310,370	0.39%
Lincoln Park Associates, Ltd.	Retirement facility	3,920,250	0.36%
Georgetown of Kettering	Property management	3,655,440	0.33%
Miami Valley Research	Government contracts	3,219,830	0.29%
Total		74,743,960	6.79%
All others		1,026,529,482	93.21%
Total		\$1,101,273,442	100.00%

Source: Montgomery County, Ohio, Auditor's Office

**MISCELLANEOUS STATISTICS
DECEMBER 31, 2001**

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)	45
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	500
Number of students	7,685
BUILDING PERMITS ISSUED	4,018
RECREATION AND CULTURE:	
Number of parks	21 with 408 acres
Recreation complex square footage	145,000 sq ft
Annual attendance at recreation complex	879,000
Number of libraries	2
EMPLOYEES (FULL-TIME ONLY):	
Classified service	268
Exempt	128

Sources:

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



CITY OF KETTERING



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 23, 2002**