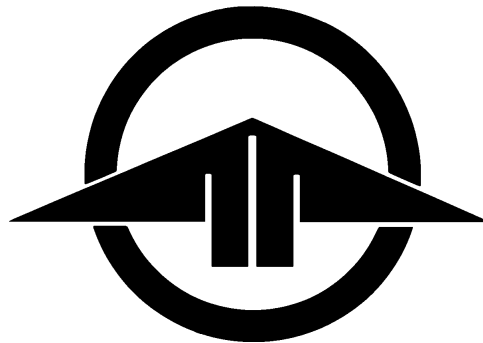


CITY OF KETTERING, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2000



Prepared by:
Department of Finance

Nancy H. Gregory, CPA, Director

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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City of Kettering
3600 Shroyer Road
Kettering, Ohio 45429

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, 2000 through December 31, 2000. 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

May 14, 2001

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CITY OF KETTERING

CITY OF KETTERING, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2000

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	iii
City Officials	viii
Department of Finance Staff	ix
City Organizational Chart	x
Certificate of Achievement for Excellence in Financial Reporting	xi
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Fund Balance Sheets - Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	11
Balance Sheet - Proprietary Funds	13
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	14
Statement of Cash Flows - Proprietary Funds	15
Statement of Fiduciary Net Assets - Fiduciary Funds	16
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	16
Notes to the Basic Financial Statements	18
Required Supplementary Information:	
Budget (GAAP Budget) to Actual Comparison Schedule - General Fund	31
Budget (GAAP Budget) to Actual Comparison Schedule - Street Maintenance Fund	33
Budget (GAAP Budget) to Actual Comparison Schedule - Parks Recreation and Cultural Arts Fund	34
Budget (GAAP Budget) to Actual Comparison Schedule - Frazee Pavilion Fund	35
Budget (GAAP Budget) to Actual Comparison Schedule - Community Development Fund	36
Notes to the Required Supplementary Information	37
SUPPLEMENTAL DATA	
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (GAAP Budget)	40
Debt Service Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Budget)	43
Capital Projects Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Budget)	44
Detailed Schedule of Expenditures Compared to Budget (GAAP Budget)	45
Internal Service Funds:	
Combining Balance Sheet	46
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	47
Combining Statement of Cash Flows	48
Agency Funds:	
Combining Statement of Changes in Assets and Liabilities	49
Miscellaneous Schedules:	
Debt Schedule	50

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2000**

TABLE OF CONTENTS - CONTINUED

	Table	Page
STATISTICAL SECTION		
General Fund Expenditures by Function Last Ten Years	1	53
General Fund Revenues by Source Last Ten Years	2	53
Income Tax Revenues Last Ten Years	3	54
Property Tax Levies and Collections Last Ten Years	4	54
Assessed and Estimated Actual Value of Taxable Property Last Ten Years	5	55
Property Tax Rates All Direct and Overlapping Governments Last Ten Years	6	55
Special Assessment Billings and Collections Last Ten Years	7	56
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita Last Ten Years	8	56
Legal Debt Margin	9	57
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures Last Ten Years	10	57
Computation of Direct and Overlapping Debt	11	58
Demographic Statistics Last Ten Years	12	58
Construction and Bank Deposits Last Ten Years	13	59
Principal Taxpayers (Property Taxes)	14	59
Miscellaneous Statistics	15	60

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INTRODUCTORY SECTION



CITY OF KETTERING

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March 30, 2001

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, 2000, 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 Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart and a list of principal officials. The Financial Section includes the independent auditors' report, the management's discussion and analysis, the basic financial statements, required supplementary information and the combining and individual fund financial statements and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a ten-year basis.

The City provides various services including police and fire protection, parks, recreation and cultural arts, street maintenance, planning, zoning and other general governmental services. The City does not maintain utility

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

HISTORY AND BACKGROUND

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

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

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

ECONOMIC CONDITION AND OUTLOOK

The economic environment for Kettering's business community continued to be one of relative stability during 2000. 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 2000. Kettering's unemployment rate for 2000 was 1.9% compared to rates of 3.8% for Montgomery County, 4.1% for the State of Ohio and 4.0% for the United States.

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

The City's second largest employer is the Kettering Medical Center (KMC) employing about 2,500 people. During 1999, Kettering Medical Center and Grandview Hospital completed the merger that began three years ago. Hospital officials said that the public can expect more coordinated care at all of the new hospital's facilities, improved access to KMC and Grandview under the expanded system and financially stronger institutions. Both KMC and Grandview are profitable institutions and officials believe that the combined hospitals will be even more profitable in future years through the efficiencies they project will result from the merger. With the merger complete, Kettering Medical Center began some significant capital improvements to its Kettering facility during 2000. The improvements include construction of a 10,500-square-foot addition to the administrative wing and a four-story, 19,500-square-foot addition to the south end of the main hospital to accommodate 40 new beds and to allow relocation of the helipad. Also, a four-story, 172-car parking garage addition is under construction, as well as a four-story, 74,100-square-foot addition to the Kettering College of Medical Arts facility. It would appear that KMC is continuing to look to the future with an emphasis on meeting the changing needs of the healthcare industry and improving the effectiveness of all patient services.

Kettering's future economic outlook continues to look



Reynolds and Reynolds — Phase II under construction

promising. The emphasis by the City through a number of different efforts on economic development both within Kettering and regionally is a high priority. The City's Assistant to the City Manager for Economic Development is responsible for promoting Kettering as a good place to do business for new businesses, as well as existing Kettering businesses. It seems that the business community agrees. Reynolds and Reynolds, a Fortune 1000 company based in Dayton since 1866, is currently building its Phase II facility in the Miami Valley Research Park. This 350,000-square-foot facility will employ over 800 and is a very nice complement to its existing 250,000-square-foot facility employing over 700. The employees should begin moving into the newest facility before the end of 2001. The City also began redevelopment of Governor's Place (the former Hills and Dales Shopping Center) by demolishing the building and creating a site plan during 2000. Heapy Engineering will be the first owner on the site with a new 40,000-square-foot facility housing more than 100 employees. Circuit Pak, a producer of circuit boards, is building a new 45,000-square-foot facility adjacent to the new School of Advertising Arts. Also, UnitedHealthcare announced that it will bring 300 jobs to a new claims center at the Miami Valley Research Park.

In addition to the more significant expansions and additions in the Kettering business community, over 70 small businesses opened or expanded in Kettering creating over 700 jobs.

MAJOR INITIATIVES

For the year: By any measure, this new millennium year was unforgettable. And the city of Kettering had a lot to celebrate in the Year 2000. Perhaps one of the city's greatest highlights in 2000 was the progress the city made at the former Hills and Dales Shopping Center, now known as Governor's Place. (The new name honors the late Ohio Governor James M. Cox whose former home is located near the site.) Although Kettering bought the former shopping center in 1999, real progress was made last year when the city had the building demolished and then worked to develop a site plan with community input. And at the end

of 2000, Heapy Engineering — a successful and established business — bought the first parcel of land at the site for its new corporate headquarters.

The city also received 1.3 million dollars in Montgomery County EDGE funding. EDGE grant funds are being used for two projects at the Miami Valley Research Park — The Learning Center and Phase II of the Reynolds and Reynolds project as well as for improvements at Building 2 at Kettering Business Park. The Learning Center is a team effort between the Research Park and Sinclair Community College to provide technology courses on a non-credit or credit basis to Information Technology workers throughout the park and the region to help maintain and develop the region's high-tech employees.

In 2000, the city began or implemented new services and programs including City Sites. City Sites is a public art program to enhance neighborhoods and the urban environment through the installation and maintenance of public works of art. In 2000, we made a national call for artists, selected finalists and now are awaiting arrival of our first piece due this spring.

In our ongoing efforts to maintain our neighborhoods, the Planning and Development Department developed the Property Maintenance Hotline so that residents can call in their concerns 24 hours a day. The city also revised its property maintenance code to reduce the time it takes the city to deal with negligent homeowners and absent owners regarding tall grass complaints and other property maintenance concerns.

In 2000 we celebrated our youth. Many of the community's young people ran the second annual Youth Summit, with the help of the Healthy Youth Task Force — an outgrowth of the city's First Youth Summit in 1999. More than 100 youth attended. And as a result of that summit, the new youth council better known as STAND — Students Taking a New Direction — became a reality. The students already have helped with community programs like Habitat for Humanity, Go 4th! and Kids Fest.

Working with the Kettering City Schools, the city secured \$218,000 to meet the various needs of our youth through enrichment after-school programs in our elementary and middle schools and school community assistants that link families with social service agencies and programs. The Kettering City Schools and Kettering City Council and selected staff members continued to meet jointly (about 3 meetings in 2000). At a time when many cities and school boards are at odds, Kettering is fortunate to have two bodies that understand their successes are interdependent. We jointly sponsored pancake breakfasts and a hotdog roast in elementary schools as a way to build up our neighborhoods and engage the community in discussions about issues and concerns.



Heapy Engineering — Artist's Rendering

The city also addressed the needs of our senior population. The city's elderly services task force studied the needs of our seniors, and in the fall hired the city's first Senior Services Coordinator, Deborah Childress. Deborah serves as a clearinghouse to help residents and their families and friends find their way through the maze of services available to seniors. The city also worked with the Franklin Foundation to develop affordable housing for senior adults. Kettering Park on Woodman Drive features a 24-apartment complex with a recreation room, fireplace, kitchen and more. Nearly 100 people signed up for the apartments.

The city continued to be a leader in using technology to reach resident by tying traffic camera images at nine major intersections to cable television. Each weekday morning from 6 to 8, residents can view traffic moving throughout Kettering on the government access channel. And in 2000 the city began its fourth television program, *Kettering Daily*, a 15-minute show each weekday that brings residents the most up-to-date information about the city.

The city celebrated international relations not only through its annual Sister City programs and exchanges, but in 2000 became a partner with Silistra, Bulgaria in the Resource Cities Program. In July, three city staff members visited Silistra to learn more about how Kettering could help them develop in a free market economy. In September, Mayor Ivo Andonov and his assistants visited Kettering to learn more about our operations and together we developed a work plan to help re-establish their economy and redevelop their central park area along the Danube River.

Looking Ahead: As busy as the year 2000 was, the city looks for bigger and better things from 2001. In the spring, the city will begin constructing a new roadway through the Governor's Place development. Several other companies are interested in the land, and by year's end, officials may have little land left to offer. This redevelopment, combined with the street reconstruction project completed in the adjacent Southern Hills neighborhood, and almost 40 new

homes being developed in the Old Lane project along South Dixie are generating real excitement for the redevelopment of this area. City officials are confident the excitement being generated will create additional interest by developers for the entire area.

Besides the continued redevelopment of Governor's Place, the city will focus on its comprehensive plan, a plan that will help city officials determine what the city should be like 10 years from now. City officials in partnership with the community are looking at every area of our city — infrastructure, housing, transportation, community facilities, industry, recreation and more — and trying to determine what the future holds and what we should do as a city to meet the changes ahead.

Finally, four more trips between Silistra, Bulgaria, and Kettering, Ohio, are planned during the next year. During the first trip, completed in early March, Kettering officials helped implement plans to create an economic development incubator and to redevelop the park area along the Danube River.

Department Focus: They help keep the city moving — traffic-wise that is. Designing and implementing the construction and repair of the city's public streets and roadways is the job of the Kettering Engineering Department, one branch of the Public Service Department.

As the city ages, keeping the public roadways in good shape is becoming an increasingly bigger job. Year 2000 marked the third year of the implementation of the city's 10-year residential street improvement program, with several street and sidewalk repair projects underway, including Avalon Avenue, Spaulding Road, San Rae Drive, and the Southern Hills area. And summer is a particularly busy time of year for Engineering, with approximately 75 percent of the construction work being done during this season.

To help out, the department hired five seasonal workers this year: a fourth-year engineering intern, three engineering students to work on the survey crews, and a receptionist. They supplement the department's 15 full-time employees, which, in addition to Public Service Director Al Fullenkamp, includes: one assistant city engineer, two engineers, one project manager, one surveyor, nine technicians, one secretary and one clerk.

Along with improving and maintaining city roadways, the Engineering Department has a multitude of other responsibilities including: enforcing the city's sub-division construction standards; coordinating street lighting; designing, constructing and repairing sidewalks; and designing and constructing storm drainage. They also review land development plans; provide engineering, inspection, surveying and drafting support to other city departments; and process all kinds of citizen requests for information and

permits.

In early 1993, Engineering was merged with the departments of Transportation Engineering and Streets to create the umbrella department of Public Service to enable the three related departments to work more closely together.

That cooperation will be increasingly important with the city's 5-year capital improvement plan. Projects include improvements to Bigger Road, West David Road and widening County Line Road ... again.

"With the expansion of Reynolds and Reynolds, the needs just keep increasing," Al said. "What we did to County Line Road a couple years ago was from a plan that was already 10 years old and obviously planned before Reynolds and Reynolds' decision to move to Research Park."

Their work never ends.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

Cash Management. Cash, temporarily idle during the year was invested in various instruments detailed below. As of December 31, 2000, the City's cash resources were divided

between cash and investments as follows:

Cash and certificates of deposit	\$19,117,671
Repurchase agreement	690,223
Corporate bonds	10,469,588
Pension plan pooled investment fund	1,232,777
Money market mutual funds	820,177
State treasurer's investment pool	<u>1,853,058</u>
TOTAL	<u>\$34,183,494</u>

Interest earned on investments in 2000 was \$2,871,439 of which \$2,645,992 is accounted for in the governmental funds and \$225,447 is accounted for in the internal service funds and the fiduciary funds.

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

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

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

OTHER INFORMATION

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

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kettering, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 1999. 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 eighteen consecutive years (fiscal years ended 1982-1999). 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, 2000. 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
Bruce E. Duke, Vice Mayor
Michael A. Bahun
Peggy B. Lehner
Donald E. Patterson
Keith Thompson
Raymond P. Wasky

CITY MANAGER

Steven C. Husemann

INDEPENDENT AUDITORS

KPMG LLP
Certified Public Accountants

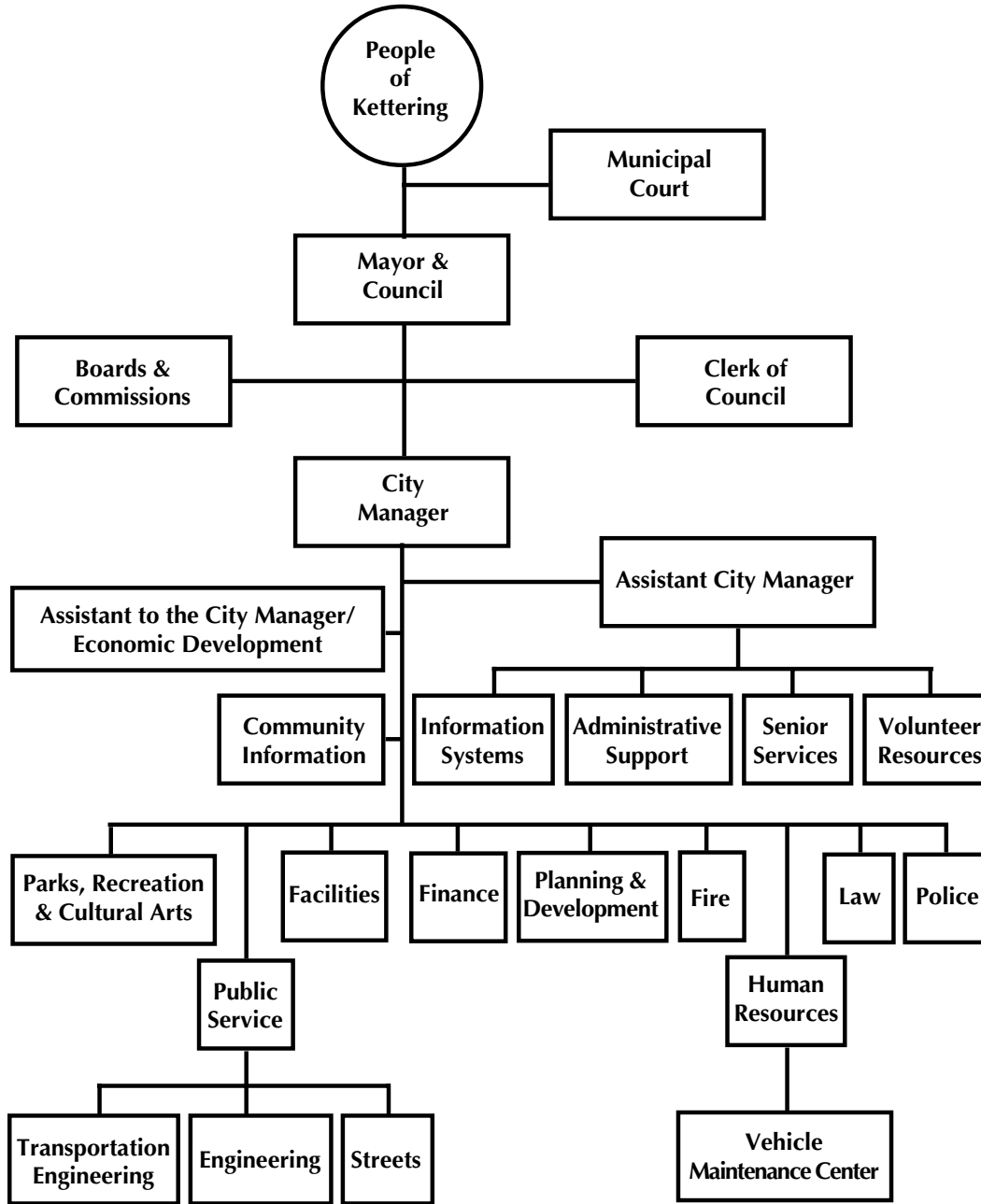
CITY OF KETTERING, OHIO

DEPARTMENT OF FINANCE

STAFF

Nancy H. Gregory, CPA	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
Y. Connie Cox, CPA	Financial Analyst
Jennifer E. Schoen, CPA	Finance Technician II
Rhonda L. South	Finance Technician II
Mary Anne Marshall	Finance Technician II
Sharin L. Day	Finance Technician II
Amy A. Sejas	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
Meredith K. Baltzell	Finance Clerk - Part-Time

City of Kettering Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kettering,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 1999

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.



Anne Spray Kinney
President

Jeffrey L. Essler
Executive Director



CITY OF KETTERING

FINANCIAL SECTION

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Two Nationwide Plaza
Columbus, OH 43215

Telephone 614 249 2300
Fax 614 249 2348

Independent Auditors' Report

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

We have audited the basic financial statements of the City of Kettering, Ohio (the City) as of and for the year ended December 31, 2000, 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, 2000, 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 24, 2001 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. This 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 24, 2001



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

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, 2000.

FINANCIAL HIGHLIGHTS

1. The City's net assets increased by over \$8.39 million or 7.1%.
2. The City received an infrastructure contribution of \$2.98 million.
3. During the year, the City had revenues that were \$5.41 million higher (excluding the \$2.98 million contribution) than the \$46.7 million in expenses incurred for all governmental programs.
4. The General Fund reported a surplus of over \$1.56 million.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

The City as Trustee

Reporting the City’s Fiduciary Responsibilities

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

THE CITY AS A WHOLE

For both 2000 and 1999, the City has shown a 7.1% increase in Total net assets. Both years also saw significant contributions which account for a large portion of the increase. For 1999 the contribution was in the form of a \$4.2 million building and for 2000 the contribution was \$2.98 million in infrastructure (streets). Even excluding this infrastructure contribution in 2000, revenues generated were \$52.1 million and expenses from all programs were \$46.7 million resulting in a surplus for the year of over \$5.4 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 \$.94 million. The following two tables present condensed information on Net Assets and Changes in Net Assets for the year.

NET ASSETS

	2000	1999
Current and other assets	\$53,109,612	\$55,776,203
Capital assets	102,326,627	94,170,823
Total assets	<u>155,436,239</u>	<u>149,947,026</u>
Long-term debt outstanding	(13,553,541)	(14,754,287)
Other liabilities	(13,947,930)	(15,649,892)
Total liabilities	<u>(27,501,471)</u>	<u>(30,404,179)</u>
Net assets:		
Invested in capital assets, net of debt	91,355,281	83,168,667
Restricted	2,835,901	3,570,202
Unrestricted	33,743,585	32,803,978
Total net assets	<u>\$127,934,767</u>	<u>\$119,542,847</u>

CHANGES IN NET ASSETS

	<u>2000</u>	<u>1999</u>
Revenues		
Program revenues:		
Charges for services	\$5,596,766	\$5,501,749
Federal grants	1,385,929	951,147
State and local grants	412,387	892,375
Special assessments	1,418,451	1,168,726
Sponsorships and contributions	3,118,478	4,403,736
General revenues:		
Income taxes	23,379,834	22,512,947
Property taxes	7,740,145	7,363,568
Other taxes	8,184,945	6,181,380
Investment earnings	2,400,657	2,256,674
Other general revenue	1,491,740	1,438,076
Total revenues	<u>55,129,332</u>	<u>52,670,378</u>
Program expenses		
General government	10,324,836	8,882,212
Police	9,413,721	9,163,871
Fire	6,356,550	6,374,476
Public works	9,791,899	9,366,194
Leisure services	10,231,388	10,427,534
Interest on long-term debt	619,018	749,636
Total expenses	<u>46,737,412</u>	<u>44,963,923</u>
Increase (decrease) in net assets	<u>\$8,391,920</u>	<u>\$7,706,455</u>

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Police	\$9,413,721	\$9,163,871	\$9,349,083	\$9,121,479
Fire	6,356,550	6,374,476	6,355,945	6,372,176
Public works	9,791,899	9,366,194	4,422,113	7,381,653
Leisure services	10,231,388	10,427,534	6,162,432	6,387,385
All others	10,324,836	8,882,212	7,896,810	6,233,861

The capital asset activity for the year was typical of most years. The City ended 2000 with total net capital assets of \$102,326,627. Of this total, \$8,967,212 was not being depreciated and the capital assets being depreciated totaled \$144,720,064 with accumulated depreciation of \$51,360,649.

The City issued no new debt in the current year. At December 31, 2000, the City had various debt issues outstanding, which included \$8,997,168 of general obligation bonds, \$1,288,184 of special assessment debt with city commitment and \$685,994 of non-interest bearing promissory notes. As of December 31, 2000, the City's net general obligation bonded debt of \$8,879,636 was well below the legal limit of \$106,695,428 and debt per capita equaled \$154.42.

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 \$34.8 million, which is slightly below last year's total of \$35.4 million.

The following schedule presents a summary of the governmental fund revenues for the fiscal year ended December 31, 2000, and the amounts and percentages of increases and decreases in relation to prior year.

REVENUE SOURCE	2000 AMOUNT	PERCENT OF TOTAL	INCREASE (DECREASE) OVER 1999	PERCENT INCREASE (DECREASE)
Income taxes	\$23,566,678	44.44%	\$1,053,731	4.68%
Property taxes	7,740,145	14.60%	376,577	5.11%
Licenses and permits	459,832	0.87%	64,028	16.18%
Intergovernmental revenue	10,035,712	18.93%	2,235,627	28.66%
Charges for services	4,001,529	7.55%	(20,003)	(0.50%)
Fines and forfeits	1,135,404	2.14%	50,991	4.70%
Investment earnings	2,645,992	4.99%	634,654	31.55%
Special assessments	1,418,452	2.67%	249,726	21.37%
Refunds & reimbursements	1,500,421	2.83%	129,230	9.42%
Miscellaneous	522,141	0.98%	(130,979)	(20.05%)
Total	<u>\$53,026,306</u>	<u>100.00%</u>	<u>\$4,643,582</u>	<u>9.60%</u>

Revenues for all governmental funds combined were 9.60% higher than in 1999. Licenses and permits were up 16% due to several large construction projects and an overall increase in the number of permits. Intergovernmental revenue increased 29% primarily because of an increase in estate tax receipts. Higher interest rates account for the 32% increase in investment earnings this year. And special assessments were 21% higher because of an unusually high number of people who paid off their assessment in the current year rather than paying for them, over time, through their property taxes.

The following schedule presents a summary of the governmental fund expenditures for the fiscal year ended December 31, 2000, and the amounts and percentages of increases and decreases in relation to prior year.

FUNCTION	<u>2000 AMOUNT</u>	<u>PERCENT OF TOTAL</u>	<u>INCREASE (DECREASE) OVER 1999</u>	<u>PERCENT INCREASE (DECREASE)</u>
Current:				
General government	\$9,501,717	17.59%	\$343,605	3.75%
Police	9,353,231	17.32%	38,103	0.41%
Fire	7,125,540	13.19%	1,025,572	16.81%
Public works	7,053,955	13.06%	333,363	4.96%
Leisure services	8,774,617	16.25%	(116,210)	(1.31%)
Capital improvements	9,988,482	18.50%	(542,139)	(5.15%)
Debt service:				
Principal	1,583,134	2.93%	60,000	3.94%
Interest	<u>625,480</u>	<u>1.16%</u>	<u>(72,033)</u>	<u>(10.33%)</u>
Total	<u>\$54,006,156</u>	<u>100.00%</u>	<u>\$1,070,261</u>	<u>2.02%</u>

Expenditures for all governmental funds combined were only 2% higher than in 1999. Fire function expenditures were 17% higher because of some large capital equipment purchases.

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. This coupled with the large estate tax receipts for the year made any actual transfers out of the General Fund and into the Capital Projects Fund unnecessary for the year.

7 CITY OF KETTERING, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2000

	<u>2000</u>
ASSETS	
Pooled cash and investments (note 2)	\$31,990,530
Receivables:	
Income taxes (net of allowance for \$184,394)	5,055,700
Property taxes	7,993,671
Interest	312,543
Accounts	172,719
Special assessments	2,215,784
Loans (net of allowance for \$122,458)	1,888,761
Due from other governments	1,527,755
Prepaid expenses	109,118
Inventory	290,708
Asset held for resale	1,552,323
Capital assets not being depreciated (note 7)	8,967,212
Capital assets being depreciated, net (note 7)	93,359,415
Total assets	<u>155,436,239</u>
LIABILITIES	
Accounts payable	1,938,399
Salary and benefits payable	1,436,165
Accrued interest payable	45,661
Deferred revenue	10,527,706
Long-term liabilities (note 11)	
Due within one year	3,326,561
Due in more than one year	10,226,980
Total liabilities	<u>27,501,472</u>
NET ASSETS	
Invested in capital assets, net of related debt	91,355,281
Restricted for:	
Debt service	172,832
Community development block grant	2,168,695
Other purposes	494,374
Unrestricted	33,743,585
Total net assets	<u>\$127,934,767</u>

See accompanying notes to the basic financial statements.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2000**

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	\$10,324,836	\$1,686,309	\$716,717	\$25,000	(\$7,896,810)
Police	9,413,721		64,638		(9,349,083)
Fire	6,356,550		605		(6,355,945)
Public works	9,791,899	2,660	917,755	4,449,371	(4,422,113)
Leisure services	10,231,388	3,907,797	161,159		(6,162,432)
Interest on long-term debt	619,018				(619,018)
Total	\$46,737,412	\$5,596,766	\$1,860,874	\$4,474,371	(34,805,401)
General revenues:					
Taxes:					
Income taxes					23,379,834
Property taxes, levied for general purposes					6,533,352
Property taxes, levied for debt service					1,206,793
Other taxes (note 5)					8,184,945
Investment earnings					2,400,657
Refunds and reimbursements					1,161,602
Miscellaneous					330,138
Total general revenues					43,197,321
Change in net assets					8,391,920
Net assets--beginning, as restated (note 14)					119,542,847
Net assets--ending					<u>\$127,934,767</u>

See accompanying notes to the basic financial statements.

9 CITY OF KETTERING, OHIO

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2000

	General Fund	Street Maintenance	Major Special Parks, Recreation & Cultural Arts
ASSETS			
Pooled cash and investments	\$26,504,389	\$180,658	\$317,113
Receivables:			
Income taxes (net of allowance for \$184,394)	5,055,700		
Property taxes	6,535,821		
Interest	312,543		
Accounts	140,089	289	5,916
Special assessments	300,000		
Loans (net of allowance for \$122,458)			
Due from other governments	315,112	767,798	
Prepaid expenditures	86,007	2,559	14,008
Inventory		31,210	
Asset held for resale	1,552,323		
Total assets	<u>\$40,801,984</u>	<u>\$982,514</u>	<u>\$337,037</u>
LIABILITIES			
Accounts payable	\$869,354	\$127,765	\$105,101
Accrued payroll	793,699	122,565	148,838
Deferred revenue	9,812,261	571,200	11,265
Total liabilities	<u>11,475,314</u>	<u>821,530</u>	<u>265,204</u>
FUND BALANCES			
Reserved for:			
Loans receivable			
Encumbrances	766,769	2,501	47,107
Prepaid expenditures	86,007	2,559	14,008
Inventory		31,210	
Asset held for resale	1,552,323		
Unreserved:			
Designated for subsequent years' expenditures	2,000,000		
Undesignated	24,921,571	124,714	10,718
Total fund balances	<u>29,326,670</u>	<u>160,984</u>	<u>71,833</u>
Total liabilities and fund balances	<u>\$40,801,984</u>	<u>\$982,514</u>	<u>\$337,037</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
\$139,000	\$310,096	\$117,532	\$2,573,632	\$1,264,831	\$31,407,251
		1,148,485		309,365	5,055,700
1	6		17,083	46	7,993,671
	1,888,761	1,468,184	447,600		312,543
	51,075		188,454	187,633	163,430
1,927				464	2,215,784
					1,888,761
					1,510,072
					104,965
					31,210
					1,552,323
<u>\$140,928</u>	<u>\$2,249,938</u>	<u>\$2,734,201</u>	<u>\$3,226,769</u>	<u>\$1,762,339</u>	<u>\$52,235,710</u>
\$7,349	\$30,168		\$429,775	\$261,378	\$1,830,890
4,015				279,342	1,348,459
30,440	51,075	\$2,616,669	457,600	564,384	14,114,894
<u>41,804</u>	<u>81,243</u>	<u>2,616,669</u>	<u>887,375</u>	<u>1,105,104</u>	<u>17,294,243</u>
	1,888,761				1,888,761
	29,194		1,230,038	1,105,307	3,180,916
1,927				464	104,965
					31,210
					1,552,323
					2,000,000
97,197	250,740	117,532	1,109,356	(448,536)	26,183,292
99,124	2,168,695	117,532	2,339,394	657,235	34,941,467
<u>\$140,928</u>	<u>\$2,249,938</u>	<u>\$2,734,201</u>	<u>\$3,226,769</u>	<u>\$1,762,339</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.	101,591,035
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	2,183,039
Grants and other taxes receivable	1,404,149
Internal service funds are used by management to charge the costs of certain activities. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	1,247,805
The following long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(10,971,346)
Vacation and sick leave benefits	(2,415,721)
Accrued interest on bonds payable	(45,661)
Net Assets of Governmental Activities	<u>\$127,934,767</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2000

	General Fund	Street Maintenance	Major Special Parks, Recreation & Cultural Arts
REVENUES			
Income taxes	\$23,566,678		
Property taxes	6,206,693		
Licenses and permits	457,172	\$2,660	
Intergovernmental revenue	2,046,994	1,766,238	\$25,159
Charges for services	18,011		2,429,660
Fines and forfeits	1,043,089		
Investment earnings	2,507,862		
Special assessments	330,527		
Refunds and reimbursements	921,299	220,370	64,836
Miscellaneous	122,876	10,383	8,964
Total revenues	<u>37,221,201</u>	<u>1,999,651</u>	<u>2,528,619</u>
EXPENDITURES			
Current:			
General government	8,113,675		
Police	8,346,197		
Fire	7,125,540		
Public works	2,527,611	4,362,970	
Leisure services			6,843,779
Capital improvements			
Debt service:			
Principal			
Interest			
Total expenditures	<u>26,113,023</u>	<u>4,362,970</u>	<u>6,843,779</u>
Excess (deficiency) of revenues over expenditures	<u>11,108,178</u>	<u>(2,363,319)</u>	<u>(4,315,160)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		2,110,000	4,317,000
Transfers out	(9,543,432)		
Sale of city assets			
Net change in fund balance	<u>1,564,746</u>	<u>(253,319)</u>	<u>1,840</u>
Fund balances--beginning, as restated (note14)	<u>27,761,924</u>	<u>414,303</u>	<u>69,993</u>
Fund balances--ending	<u>\$29,326,670</u>	<u>\$160,984</u>	<u>\$71,833</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
					\$23,566,678
		\$1,206,793		\$326,659	7,740,145
	\$664,738		\$4,484,721	1,047,862	459,832
\$1,478,137				75,721	10,035,712
				92,315	4,001,529
		87,920		50,210	1,135,404
		181,230	906,695		2,645,992
958	120		278,178	14,660	1,418,452
189,700	64,464		68,136	57,618	1,500,421
<u>1,668,795</u>	<u>729,322</u>	<u>1,475,943</u>	<u>5,737,730</u>	<u>1,665,045</u>	<u>53,026,306</u>
	809,527	2,915		575,600	9,501,717
				1,007,034	9,353,231
					7,125,540
1,921,163				163,374	7,053,955
				9,675	8,774,617
	363,062		6,694,815	2,930,605	9,988,482
		1,583,134			1,583,134
		625,480			625,480
<u>1,921,163</u>	<u>1,172,589</u>	<u>2,211,529</u>	<u>6,694,815</u>	<u>4,686,288</u>	<u>54,006,156</u>
(252,368)	(443,267)	(735,586)	(957,085)	(3,021,243)	(979,850)
275,000		700,000		2,141,432	9,543,432
					(9,543,432)
	326,929				326,929
22,632	(116,338)	(35,586)	(957,085)	(879,811)	(652,921)
76,492	2,285,033	153,118	3,296,479	1,537,046	35,594,388
<u>\$99,124</u>	<u>\$2,168,695</u>	<u>\$117,532</u>	<u>\$2,339,394</u>	<u>\$657,235</u>	<u>\$34,941,467</u>
					(652,921)
Net change in Fund Balance - Governmental Funds					
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.					
In the Stmt of Activities, only the gain on the sale of city assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differ from the change in fund balance by the cost of the asset sold.					
Revenues in the Stmt of Activities that do not provide current financial resources are not reported as revenues in the funds.					
Income taxes receivable					
Grants receivable					
Interest receivable					
Contribution of capital asset					
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.					
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					
Interest payable					
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.)					
Change in Net Assets on the Statement of Activities					

BALANCE SHEET
 PROPRIETARY FUNDS
 DECEMBER 31, 2000

	Governmental Activities- Internal Service Funds
ASSETS	
Current assets:	
Pooled cash and investments	\$583,279
Accounts receivable	9,289
Due from other governments	17,683
Prepaid expenses	4,153
Inventory	259,498
Total current assets	<u>873,902</u>
Noncurrent assets:	
Buildings and improvements	809,359
Machinery and equipment	1,790,330
Less: Accumulated depreciation	<u>(1,864,097)</u>
Total noncurrent assets	<u>735,592</u>
Total assets	<u><u>\$1,609,494</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$107,509
Accrued payroll	87,706
Total current liabilities	<u>195,215</u>
Noncurrent liabilities:	
Accrued vacation and sick leave benefits	<u>166,474</u>
Total liabilities	<u>361,689</u>
NET ASSETS	
Invested in capital assets	735,592
Unrestricted	<u>512,213</u>
Total net assets	<u>1,247,805</u>
Total liabilities and net assets	<u><u>\$1,609,494</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, 2000

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$5,760,901
Total operating revenues	<u>5,760,901</u>
OPERATING EXPENSES	
Personal services	2,100,796
Repairs and maintenance	878,658
Contractual services	2,363,135
Other materials and expenses	500,911
Depreciation	195,593
Total operating expenses	<u>6,039,093</u>
Operating income (loss)	<u>(278,192)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	83,637
Change in net assets	<u>(194,555)</u>
Total net assets--beginning	1,442,360
Total net assets--ending	<u><u>\$1,247,805</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2000
 Increase (Decrease) in cash

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for services	\$5,734,513
Cash paid to suppliers for goods or services	(3,770,493)
Cash paid to employees for services	(2,169,961)
Net cash provided (used) by operating activities	<u>(205,941)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(115,794)
Sale of capital assets	11,970
Net cash used by capital and related financing activities	<u>(103,824)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	83,637
Net cash provided by investing activities	<u>83,637</u>
Net increase (decrease) in cash	(226,128)
Cash at beginning of year	809,407
Cash at end of year	<u><u>\$583,279</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	(\$278,192)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	195,593
(Increase) decrease in receivables	(26,320)
(Increase) decrease in inventories	3,537
Increase (decrease) in accounts payable	(34,650)
Net (increase) decrease in other operating net assets	(65,909)
Net cash provided (used) by operating activities	<u><u>(\$205,941)</u></u>

See accompanying notes to the basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2000

	Volunteer Firefighter Pension	Decesed Police Dependents Private Purpose Trust	Agency Funds
ASSETS			
Pooled cash and investments		\$58,179	\$620,004
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$1,232,777		
Other investments			282,004
Accounts receivable	35,644		
Total assets	<u>1,268,421</u>	<u>58,179</u>	<u>\$902,008</u>
LIABILITIES			
Accounts payable			\$60,234
Withholdings payable			554,899
Undistributed moneys			282,004
Unclaimed moneys			4,871
Total liabilities			<u>\$902,008</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$1,268,421</u>	<u>\$58,179</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2000

ADDITIONS			
Employer contributions	\$35,644		
Investment earnings (loss)	137,501	\$4,308	
Total additions	<u>173,145</u>	<u>4,308</u>	
DEDUCTIONS			
Pension payments	59,387		
Total deductions	<u>59,387</u>		
Net increase (decrease)	113,758	4,308	
Net assets--beginning of year	1,154,663	53,871	
Net assets--end of year	<u>\$1,268,421</u>	<u>\$58,179</u>	

See accompanying notes to the basic financial statements.



CITY OF KETTERING

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NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

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. 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 benefit the 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 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, 1999, 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

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

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 \$19,117,671 and the bank balance was \$19,684,835. 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, 2000.

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			\$690,223	\$690,223
Corporate Bonds			<u>10,469,588</u>	<u>10,469,588</u>
			<u>\$11,159,811</u>	<u>\$11,159,811</u>
Money Market Mutual Funds				820,177
Pension Plan Pooled Investment Fund				1,232,777
State Treasurer's Investment Pool				<u>1,853,058</u>
Total Investments				<u>\$15,065,823</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, 1999
Lien date	December 31, 1999
Tax bill mailed	January 20, 2000
First installment payment due	February 15, 2000
Second installment payment due	July 15, 2000

The assessed values for the City at December 31, 1999, were as follows:

	Assessed Value Category
Real Estate	\$985,879,090
Public Utility Real Property	157,630
Tangible Personal Property	79,345,524
Public Utility Personal Property	<u>35,332,650</u>
Total	<u>\$1,100,714,894</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	\$4,139,508
Sales taxes	1,882,296
Gasoline taxes	1,079,098
Vehicle license taxes	798,423
Miscellaneous other taxes	<u>285,620</u>
	<u>\$8,184,945</u>

6. LOANS RECEIVABLE

The City used a portion of the Federal Community Development Block Grant (CDBG) to provide low interest loans for housing rehabilitation, as well as for economic and job development. The loans are payable in installments to 2024. Fund balance has been reserved for the loans receivable at December 31, 2000, as it does not represent currently available spendable resources. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures.

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2000, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$8,674,353 **	\$655,575	\$362,716	\$8,967,212
Construction in progress	560,371		560,371	
Subtotal	<u>9,234,724</u>	<u>655,575</u>	<u>923,087</u>	<u>8,967,212</u>
Capital assets being depreciated:				
Buildings and improvements	33,304,740	1,912,277	236,743	34,980,274
Machinery and equipment	13,233,575	2,080,468	969,658	14,344,385
Infrastructure	85,068,435	10,326,970		95,395,405
Subtotal	<u>131,606,750</u>	<u>14,319,715</u>	<u>1,206,401</u>	<u>144,720,064</u>
Accumulated depreciation:				
Buildings and improvements	(14,260,634)	(1,752,021)	17,757	(15,994,898)
Machinery and equipment	(9,148,029)	(926,995)	841,144	(9,233,880)
Infrastructure	(23,261,988)	(2,869,883)		(26,131,871)
Subtotal	<u>(46,670,651)</u>	<u>(5,548,899)*</u>	<u>858,901</u>	<u>(51,360,649)</u>
Net capital assets being depreciated	<u>84,936,099</u>	<u>8,770,816</u>	<u>347,500</u>	<u>93,359,415</u>
Net capital assets	<u>\$94,170,823</u>	<u>\$9,426,391</u>	<u>\$1,270,587</u>	<u>\$102,326,627</u>

*Depreciation expense was charged to governmental functions as follows:

General government	\$439,672
Police	243,511
Fire	286,221
Public works	2,927,415
Leisure services	1,456,487

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>195,593</u>
Total depreciation expense	<u>\$5,548,899</u>

** The beginning balance for Land was restated due to an asset that was misclassified in 1999 as a capital asset. It should have been an asset held for resale.

8. RISK MANAGEMENT

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

Insurance coverage is as follows:

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

The deductible per occurrence for all types is \$2,500. Pool coverage is \$2,501 - \$5,000 for boiler and machinery, \$2,501 - \$7,500 for crime, \$2,501 - \$150,000 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, 1999, 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

The Police and Fire Pension Fund, the Public Employees Retirement System and the Volunteer Firefighters Pension are reported using GASB 27.

Substantially all City employees are covered by one of two cost-sharing multiple-employer defined benefit pension plans, namely, the Police and 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 the remaining amount necessary to pay benefits when due. For 2000, the City contributed 19.5% of annual covered salary for Police and 24% for Fire. The City's contributions to the plan for the years ending December 31, 1998, 1999, and 2000, were \$1,557,599, \$1,617,247, and \$1,655,769 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, 1998, 1999, and 2000, were \$1,827,140, \$1,933,700 and \$1,628,503 respectively, equal to the required contributions for the year.

The Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on a December 31, 1998, actuarial study, which indicated that actuarial assets

exceeded actuarial liabilities. The temporary rate rollback was 20% making the City's contribution rate for 2000, 10.84%. The rate has gone back to 13.55% for 2001.

VOLUNTEER FIREFIGHTERS PENSION

Principal Mutual Life Insurance Company administers a single-employer, defined benefit pension plan for the Volunteer Firefighters. At January 1, 2000, the Plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	60
Terminated employees entitled to benefits but not yet receiving them	38
Active members	<u>70</u>
Total	<u><u>168</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, 2000, 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>
1995	\$0	\$0	100%
1996	0	0	100%
1997	28,603	28,603	100%
1998	40,785	40,785	100%
1999	40,684	40,684	100%
2000	35,644	35,644	100%

For the fiscal years ended December 31, 1998, 1999 and 2000, the Annual Pension cost (APC) was \$40,785, \$40,684 and \$35,644 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 2000 employer contribution rate was 19.5% of covered payroll for Police and 24% for Fire of which 7.25% was used to fund health care. The City's contribution for the year ended December 31, 2000, was \$350,632 for Police and \$215,389 for Fire to pay postemployment benefits.

The number of participants eligible to receive health care benefits as of December 31, 1999, were 12,467 for Police and 9,807 for Fire. The Fund's total health care expenses for the year ended December 31, 1999, were \$95,004,633.

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 2000 employer contribution rate was 10.84%, of which 4.3% was used to fund health care. The City's contribution for the year ended December 31, 2000, was \$646,027 to fund post-employment benefits.

OPEB are advanced-funded on an actuarially determined basis. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation. The investment assumption rate for 1999 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 401,339 as of December 31, 1999, the date the latest actuarial review was performed. The Funds actuarially determined accrued liability for OPEB's at December 31, 1999, are \$12,473.6 million with net assets available for OPEB of \$10,805.5 million, leaving an unfunded actuarial liability of \$1,668.1 million.

11. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2000, 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%	\$275,000		\$45,000	\$230,000	\$45,000
Service center, 9.00%	330,000		55,000	275,000	55,000
Improvement bonds-					
Series 1991, 4.5%-6.65%	407,308		23,024	384,284	24,140
Improvement bonds-					
Series 1992, 3.25%-6.45%	777,117		38,585	738,532	38,236
Improvement Refunding, 2.65%-5.25%	3,930,000		485,000	3,445,000	510,000
Recreation Center Refunding, 2.65%-16.9%	<u>4,699,352</u>		<u>775,000</u>	<u>3,924,352</u>	<u>810,000</u>
Total general obligation bonds	10,418,777		1,421,609	8,997,168	1,482,376
Special assessment bonds:					
1983 David Road Improvement, 9.75%	68,000		17,000	51,000	17,000
Improvement bonds-					
Series 1991, 4.5%-6.65%	1,282,691		66,975	1,215,716	70,860
Improvement bonds-					
Series 1992, 3.7%-5.9%	<u>27,883</u>		<u>6,415</u>	<u>21,468</u>	<u>6,764</u>
Total special assessment bonds	1,378,574		90,390	1,288,184	94,624
Other:					
Accrued vacation and sick leave benefits	2,479,879	\$102,316		2,582,195	1,678,427
Ohio Public Works Commission Long-Term Promissory Notes, 0%	<u>757,129</u>		<u>71,135</u>	<u>685,994</u>	<u>71,134</u>
Total other	3,237,008	102,316	71,135	3,268,189	1,749,561
Total long-term liabilities	<u>\$15,034,359</u>	<u>\$102,316</u>	<u>\$1,583,134</u>	<u>\$13,553,541</u>	<u>\$3,326,561</u>

The accrued vacation and sick leave benefits liability will be liquidated by several of the City's governmental and internal service funds. In the past, approximately 73% has been paid by the General Fund, 10% 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, 2000, are as follows:

	General Obligation Bonds		Promissory Notes		Special Assessment Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2001	\$1,482,376	\$462,983	\$71,134	\$0	\$94,624
2002	1,547,816	387,057	71,134	0	99,184	78,730
2003	1,617,858	306,420	71,134	0	104,142	72,115
2004	1,705,564	220,866	71,134	0	84,436	65,157
2005	940,019	980,279	71,134	0	89,671	59,922
2006-2016	<u>1,703,535</u>	<u>2,904,069</u>	<u>330,324</u>	<u>0</u>	<u>816,127</u>	<u>231,018</u>
Total	<u>\$8,997,168</u>	<u>\$5,261,674</u>	<u>\$685,994</u>	<u>\$0</u>	<u>\$1,288,184</u>	<u>\$591,890</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, 2000, the City had a legal debt margin for total debt of \$106,695,428 and a legal debt margin for unvoted debt of \$55,584,035.

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 2000 were \$144,789.

Construction and other commitments at December 31, 2000, were approximately \$2,150,000.

13. CONTINGENT LIABILITIES

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

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

14. PRIOR YEAR RESTATEMENTS

In March 2000, the GASB issued Interpretation #6. This interpretation clarified the accounting for certain liabilities including compensated absences. As a result of this interpretation, the City has removed the portion of the compensated absences liability previously residing in the governmental funds.

Additionally, in 1999, the City purchased and demolished an old strip mall with the intent to resell the land. This asset was recorded as a Capital asset rather than an Asset held for resale.

Finally, when the City adopted GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions," it failed to accrue intergovernmental revenue/other taxes distributed by the State of Ohio as well as the portion of income taxes receivable but not "available."

The impact of these restatements are as follows:

	<u>Statement of Activities</u>	<u>General</u>	<u>Street Maintenance</u>	<u>Parks, Recreation & Cultural Arts</u>	<u>Fraze Pavilion</u>	<u>Other Special Revenue Governmental Funds</u>
Fund Balance/ Net Assets at the Beginning of the Year	\$115,791,364	\$26,045,352	\$281,305	\$55,686	\$76,193	\$1,527,746
Restatement for GASB Interpretation #6		126,749	19,198	14,307	299	
Restatement for Asset Reclassification		1,552,323				
Restatement for Income Taxes & Other Taxes	<u>3,751,483</u>	<u>37,500</u>	<u>113,800</u>			<u>9,300</u>
Fund Balance/ Net Assets at the Beginning of the Year, as Restated	<u>\$119,542,847</u>	<u>\$27,761,924</u>	<u>\$414,303</u>	<u>\$69,993</u>	<u>\$76,492</u>	<u>\$1,537,046</u>

15. DEFICIT FUND BALANCE

The DESC Reuse special revenue fund had a deficit fund balance of \$28,492 on December 31, 2000. This fund receives federal grant monies on a reimbursement basis. The 2001 grant revenue will eliminate the deficit.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	2000			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1, as restated	\$27,761,924	\$27,761,924	\$27,761,924	
Resources (inflows)				
Income taxes	22,668,000	23,071,000	23,566,678	\$495,678
Property taxes	5,885,000	6,230,000	6,206,693	(23,307)
Licenses and permits	440,000	440,000	457,172	17,172
Intergovernmental revenue	1,957,000	1,957,000	2,046,994	89,994
Charges for services	46,000	8,000	18,011	10,011
Fines and forfeits	1,045,000	1,011,000	1,043,089	32,089
Investment earnings	1,800,000	1,900,000	2,507,862	607,862
Special assessments	300,000	326,000	330,527	4,527
Refunds and reimbursements	600,000	600,000	921,299	321,299
Miscellaneous	90,000	112,000	122,876	10,876
Transfer from other funds				
Amounts available for appropriation	<u>62,592,924</u>	<u>63,416,924</u>	<u>64,983,125</u>	<u>1,566,201</u>
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	186,500	186,500	177,926	8,574
Operating expenditures	77,319	77,309	63,188	14,121
Capital outlay				
Total mayor and council	<u>263,819</u>	<u>263,809</u>	<u>241,114</u>	<u>22,695</u>
Municipal court:				
Personal services	572,000	572,000	570,650	1,350
Operating expenditures	355,409	350,631	217,708	132,923
Capital outlay				
Total municipal court	<u>927,409</u>	<u>922,631</u>	<u>788,358</u>	<u>134,273</u>
Clerk of courts:				
Personal services	534,300	534,300	508,613	25,687
Operating expenditures	111,320	111,257	76,719	34,538
Capital outlay	5,000	5,000		5,000
Total clerk of courts	<u>650,620</u>	<u>650,557</u>	<u>585,332</u>	<u>65,225</u>
Office of City Manager:				
Personal services	416,900	419,900	415,315	4,585
Operating expenditures	63,293	63,253	62,168	1,085
Capital outlay				
Total office of city manager	<u>480,193</u>	<u>483,153</u>	<u>477,483</u>	<u>5,670</u>
Law department:				
Personal services	514,800	484,800	473,273	11,527
Operating expenditures	153,568	183,544	159,886	23,658
Capital outlay				
Total law department	<u>668,368</u>	<u>668,344</u>	<u>633,159</u>	<u>35,185</u>
Finance department:				
Personal services	1,078,400	1,075,400	1,015,139	60,261
Operating expenditures	465,668	468,573	426,364	42,209
Capital outlay				
Total finance department	<u>1,544,068</u>	<u>1,543,973</u>	<u>1,441,503</u>	<u>102,470</u>
Administrative support:				
Personal services	345,800	345,800	332,831	12,969
Operating expenditures	77,329	77,260	66,495	10,765
Capital outlay				
Total administrative support	<u>423,129</u>	<u>423,060</u>	<u>399,326</u>	<u>23,734</u>

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2000**

	2000			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$480,600	\$480,600	\$464,631	\$15,969
Operating expenditures	285,877	272,397	201,659	70,738
Capital outlay				
Total human resources department	<u>766,477</u>	<u>752,997</u>	<u>666,290</u>	<u>86,707</u>
Planning and development:				
Personal services	1,394,100	1,394,100	1,255,718	138,382
Operating expenditures	411,564	405,541	290,028	115,513
Capital outlay				
Total planning and development	<u>1,805,664</u>	<u>1,799,641</u>	<u>1,545,746</u>	<u>253,895</u>
Economic development:				
Personal services	90,800	94,800	94,643	157
Operating expenditures	659,477	690,063	633,942	56,121
Capital outlay				
Total economic development	<u>750,277</u>	<u>784,863</u>	<u>728,585</u>	<u>56,278</u>
Miscellaneous:				
Operating expenditures	646,360	802,337	606,779	195,558
Total miscellaneous	<u>646,360</u>	<u>802,337</u>	<u>606,779</u>	<u>195,558</u>
Total general government	<u>8,926,384</u>	<u>9,095,365</u>	<u>8,113,675</u>	<u>981,690</u>
Police:				
Personal services	6,850,200	6,850,200	6,701,303	148,897
Operating expenditures	1,410,162	1,409,436	1,389,687	19,749
Capital outlay	367,178	359,948	255,207	104,741
Total police	<u>8,627,540</u>	<u>8,619,584</u>	<u>8,346,197</u>	<u>273,387</u>
Fire:				
Personal services	4,819,300	4,819,300	4,516,351	302,949
Operating expenditures	2,355,773	2,338,116	1,496,384	841,732
Capital outlay	1,614,279	1,614,279	1,112,805	501,474
Total fire	<u>8,789,352</u>	<u>8,771,695</u>	<u>7,125,540</u>	<u>1,646,155</u>
Public works:				
Transportation department:				
Personal services	633,100	633,100	631,114	1,986
Operating expenditures	304,273	324,212	283,242	40,970
Capital outlay				
Total transportation department	<u>937,373</u>	<u>957,312</u>	<u>914,356</u>	<u>42,956</u>
Engineering department:				
Personal services	997,700	997,700	857,803	139,897
Operating expenditures	309,274	309,204	193,497	115,707
Capital outlay	55,200	55,200	31,902	23,298
Total engineering department	<u>1,362,174</u>	<u>1,362,104</u>	<u>1,083,202</u>	<u>278,902</u>
Street lighting:				
Operating expenditures	619,982	615,420	530,053	85,367
Total street lighting	<u>619,982</u>	<u>615,420</u>	<u>530,053</u>	<u>85,367</u>
Total public works	<u>2,919,529</u>	<u>2,934,836</u>	<u>2,527,611</u>	<u>407,225</u>
Transfers to other funds	15,997,000	16,782,506	9,543,432	7,239,074
Total charges to appropriations	<u>45,259,805</u>	<u>46,203,986</u>	<u>35,656,455</u>	<u>10,547,531</u>
Fund balance, December 31	<u>\$17,333,119</u>	<u>\$17,212,938</u>	<u>\$29,326,670</u>	<u>\$12,113,732</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, 2000**

	2000			Variance with Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Fund balance, January 1, as restated	\$414,303	\$414,303	\$414,303	
Resources (inflows)				
Licenses and permits			2,660	\$2,660
Intergovernmental revenue	1,725,000	1,725,000	1,766,238	41,238
Refunds and reimbursements	200,000	150,000	220,370	70,370
Miscellaneous		5,000	10,383	5,383
Transfer from the general fund	2,200,000	2,410,000	2,110,000	(300,000)
Amounts available for appropriation	<u>4,539,303</u>	<u>4,704,303</u>	<u>4,523,954</u>	<u>(180,349)</u>
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	2,809,400	2,759,400	2,693,292	66,108
Operating expenditures	1,142,009	1,301,925	1,261,745	40,180
Capital outlay	444,159	444,159	407,933	36,226
Total charges to appropriations	<u>4,395,568</u>	<u>4,505,484</u>	<u>4,362,970</u>	<u>142,514</u>
Fund balance, December 31	<u>\$143,735</u>	<u>\$198,819</u>	<u>\$160,984</u>	<u>(\$37,835)</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, 2000**

	2000			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1, as restated	\$69,993	\$69,993	\$69,993	
Resources (inflows)				
Intergovernmental revenue	25,000	25,000	25,159	\$159
Charges for services	2,476,000	2,474,000	2,429,660	(44,340)
Refunds and reimbursements	40,000	45,000	64,836	19,836
Miscellaneous	32,000	6,000	8,964	2,964
Transfer from the general fund	4,500,000	4,500,000	4,317,000	(183,000)
Amounts available for appropriation	<u>7,142,993</u>	<u>7,119,993</u>	<u>6,915,612</u>	<u>(204,381)</u>
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	3,957,000	3,957,000	3,752,613	204,387
Operating expenditures	3,207,451	3,206,395	3,020,876	185,519
Capital outlay	73,000	73,000	70,290	2,710
Total charges to appropriations	<u>7,237,451</u>	<u>7,236,395</u>	<u>6,843,779</u>	<u>392,616</u>
Fund balance, December 31	<u>(\$94,458)</u>	<u>(\$116,402)</u>	<u>\$71,833</u>	<u>\$188,235</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, 2000**

	2000			Variance with Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Fund balance, January 1, as restated	\$76,492	\$76,492	\$76,492	
Resources (inflows)				
Charges for services	1,560,000	1,464,000	1,478,137	\$14,137
Refunds and reimbursements	30,000	49,000	958	(48,042)
Miscellaneous	245,000	126,000	189,700	63,700
Transfer from the general fund	450,000	450,000	275,000	(175,000)
Amounts available for appropriation	<u>2,361,492</u>	<u>2,165,492</u>	<u>2,020,287</u>	<u>(145,205)</u>
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	439,200	439,200	416,495	22,705
Operating expenditures	1,820,314	1,816,732	1,504,668	312,064
Capital outlay				
Total charges to appropriations	<u>2,259,514</u>	<u>2,255,932</u>	<u>1,921,163</u>	<u>334,769</u>
Fund balance, December 31	<u>\$101,978</u>	<u>(\$90,440)</u>	<u>\$99,124</u>	<u>\$189,564</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, 2000**

	2000			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$2,285,033	\$2,285,033	\$2,285,033	
Resources (inflows)				
Intergovernmental revenue	508,000	468,000	664,738	\$196,738
Refunds and reimbursements			120	120
Miscellaneous	71,000	71,000	64,464	(6,536)
Sale of city assets	300,000	300,000	326,929	26,929
Amounts available for appropriation	<u>3,164,033</u>	<u>3,124,033</u>	<u>3,341,284</u>	<u>217,251</u>
Charges to appropriations (outflows)				
General government	779,630	823,412	809,527	13,885
Capital improvements	771,951	666,019	363,062	302,957
Total charges to appropriations	<u>1,551,581</u>	<u>1,489,431</u>	<u>1,172,589</u>	<u>316,842</u>
Fund balance, December 31	<u>\$1,612,452</u>	<u>\$1,634,602</u>	<u>\$2,168,695</u>	<u>\$534,093</u>

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2000**

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**

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NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET DECEMBER 31, 2000

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
ASSETS						
Pooled cash and investments	\$44,945	\$224,892	\$289,464	\$67,195	\$638,335	\$1,264,831
Receivables:						
Property taxes			309,365			309,365
Accounts					46	46
Due from other governments	60,346			64,544	62,743	187,633
Prepaid expenditures				464		464
Total assets	<u>\$105,291</u>	<u>\$224,892</u>	<u>\$598,829</u>	<u>\$132,203</u>	<u>\$701,124</u>	<u>\$1,762,339</u>
LIABILITIES						
Accounts payable	\$49,013	\$200		\$34,039	\$178,126	\$261,378
Accrued payroll			\$279,342			279,342
Deferred revenue	46,500		309,365	126,656	81,863	564,384
Total liabilities	<u>95,513</u>	<u>200</u>	<u>588,707</u>	<u>160,695</u>	<u>259,989</u>	<u>1,105,104</u>
FUND BALANCES						
Reserved for:						
Encumbrances	840,535			25,081	239,691	1,105,307
Prepaid expenditures				464		464
Unreserved	(830,757)	\$224,692	10,122	(54,037)	201,444	(448,536)
Total fund balances	<u>9,778</u>	<u>224,692</u>	<u>10,122</u>	<u>(28,492)</u>	<u>441,135</u>	<u>657,235</u>
Total liabilities and fund balances	<u>\$105,291</u>	<u>\$224,892</u>	<u>\$598,829</u>	<u>\$132,203</u>	<u>\$701,124</u>	<u>\$1,762,339</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, 2000

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes						
Intergovernmental revenue	\$1,707,000	\$789,933	(\$917,067)			
Charges for services				\$9,500	\$14,216	\$4,716
Fines and forfeits						
Investment earnings	20,000	13,699	(6,301)	10,000	16,489	6,489
Refunds and reimbursements	133,000	5,982	(127,018)			
Miscellaneous				500		(500)
Total revenues	<u>1,860,000</u>	<u>809,614</u>	<u>(1,050,386)</u>	<u>20,000</u>	<u>30,705</u>	<u>10,705</u>
EXPENDITURES						
Current:						
General government				10,800	8,814	1,986
Police						
Fire						
Public works	112,000	99,113	12,887			
Leisure services						
Capital improvements	<u>2,355,031</u>	<u>1,348,895</u>	<u>1,006,136</u>			
Total expenditures	<u>2,467,031</u>	<u>1,448,008</u>	<u>1,019,023</u>	<u>10,800</u>	<u>8,814</u>	<u>1,986</u>
Excess (deficiency) of revenues over expenditures	(607,031)	(638,394)	(31,363)	9,200	21,891	12,691
OTHER FINANCING SOURCES (USES)						
Transfers in	200,000	200,000				
Transfers out						
Net change in fund balance	<u>(407,031)</u>	<u>(438,394)</u>	<u>(31,363)</u>	<u>9,200</u>	<u>21,891</u>	<u>12,691</u>
Fund balances--beginning, as restated	448,172	448,172		202,801	202,801	
Fund balances--ending	<u>\$41,141</u>	<u>\$9,778</u>	<u>(\$31,363)</u>	<u>\$212,001</u>	<u>\$224,692</u>	<u>\$12,691</u>

41 **CITY OF KETTERING, OHIO**

**NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL (GAAP BUDGET) - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2000**

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$314,000	\$326,659	\$12,659			
Intergovernmental revenue				\$135,000	\$17,947	(\$117,053)
Charges for services				60,000	61,505	1,505
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				13,000	8,678	(4,322)
Miscellaneous						
Total revenues	<u>314,000</u>	<u>326,659</u>	<u>12,659</u>	<u>208,000</u>	<u>88,130</u>	<u>(119,870)</u>
EXPENDITURES						
Current:						
General government				423,341	361,744	61,597
Police	965,000	939,525	25,475			
Fire						
Public works						
Leisure services						
Capital improvements				330,000	129,089	200,911
Total expenditures	<u>965,000</u>	<u>939,525</u>	<u>25,475</u>	<u>753,341</u>	<u>490,833</u>	<u>262,508</u>
Excess (deficiency) of revenues over expenditures	(651,000)	(612,866)	38,134	(545,341)	(402,703)	142,638
OTHER FINANCING SOURCES (USES)						
Transfers in	675,000	609,126	(65,874)	441,000	264,544	(176,456)
Transfers out						
Net change in fund balance	<u>24,000</u>	<u>(3,740)</u>	<u>(27,740)</u>	<u>(104,341)</u>	<u>(138,159)</u>	<u>(33,818)</u>
Fund balances--beginning, as restated	13,862	13,862		109,667	109,667	
Fund balances--ending	<u>\$37,862</u>	<u>\$10,122</u>	<u>(\$27,740)</u>	<u>\$5,326</u>	<u>(\$28,492)</u>	<u>(\$33,818)</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, 2000

	Special Safety Grants & Programs			Total 2000		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes				\$314,000	\$326,659	\$12,659
Intergovernmental revenue	\$1,449,711	\$239,982	(\$1,209,729)	3,291,711	1,047,862	(2,243,849)
Charges for services				69,500	75,721	6,221
Fines and forfeits	96,000	92,315	(3,685)	96,000	92,315	(3,685)
Investment earnings	14,000	20,022	6,022	44,000	50,210	6,210
Refunds and reimbursements				146,000	14,660	(131,340)
Miscellaneous	55,000	57,618	2,618	55,500	57,618	2,118
Total revenues	<u>1,614,711</u>	<u>409,937</u>	<u>(1,204,774)</u>	<u>4,016,711</u>	<u>1,665,045</u>	<u>(2,351,666)</u>
EXPENDITURES						
Current:						
General government	480,699	205,042	275,657	914,840	575,600	339,240
Police	176,532	67,509	109,023	1,141,532	1,007,034	134,498
Fire	7,000		7,000	7,000		7,000
Public works	65,598	64,261	1,337	177,598	163,374	14,224
Leisure services		9,675	(9,675)		9,675	(9,675)
Capital improvements	2,507,492	1,452,621	1,054,871	5,192,523	2,930,605	2,261,918
Total expenditures	<u>3,237,321</u>	<u>1,799,108</u>	<u>1,438,213</u>	<u>7,433,493</u>	<u>4,686,288</u>	<u>2,747,205</u>
Excess (deficiency) of revenues over expenditures	(1,622,610)	(1,389,171)	233,439	(3,416,782)	(3,021,243)	395,539
OTHER FINANCING SOURCES (USES)						
Transfers in	1,306,506	1,067,762	(238,744)	2,622,506	2,141,432	(481,074)
Transfers out						
Net change in fund balance	<u>(316,104)</u>	<u>(321,409)</u>	<u>(5,305)</u>	<u>(794,276)</u>	<u>(879,811)</u>	<u>(85,535)</u>
Fund balances--beginning, as restated	762,544	762,544		1,537,046	1,537,046	
Fund balances--ending	<u>\$446,440</u>	<u>\$441,135</u>	<u>(\$5,305)</u>	<u>\$742,770</u>	<u>\$657,235</u>	<u>(\$85,535)</u>

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2000

	Final Budget	2000 Actual	Variance
REVENUES			
Property taxes	\$1,181,000	\$1,206,793	\$25,793
Investment earnings	50,000	87,920	37,920
Special assessments	181,000	181,230	230
Total revenues	<u>1,412,000</u>	<u>1,475,943</u>	<u>63,943</u>
EXPENDITURES			
Current:			
General government	5,000	2,915	2,085
Debt service:			
Principal	1,620,633	1,583,134	37,499
Interest	625,480	625,480	
Total expenditures	<u>2,251,113</u>	<u>2,211,529</u>	<u>39,584</u>
Deficiency of revenues over expenditures	(839,113)	(735,586)	103,527
OTHER FINANCING SOURCES (USES)			
Transfers in	800,000	700,000	(100,000)
Net change in fund balance	(39,113)	(35,586)	3,527
Fund balances--beginning	153,118	153,118	
Fund balances--ending	<u>\$114,005</u>	<u>\$117,532</u>	<u>\$3,527</u>

CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Final Budget	2000 Actual	Variance
REVENUES			
Intergovernmental	\$4,274,000	\$4,484,721	(\$210,721)
Special assessments	891,000	906,695	(15,695)
Refunds and reimbursements	369,000	278,178	90,822
Miscellaneous	75,000	68,136	6,864
Total revenues	<u>5,609,000</u>	<u>5,737,730</u>	<u>(128,730)</u>
EXPENDITURES			
Capital improvements	11,939,954	6,694,815	5,245,139
Total expenditures	<u>11,939,954</u>	<u>6,694,815</u>	<u>5,245,139</u>
Deficiency of revenues over expenditures	(6,330,954)	(957,085)	5,373,869
OTHER FINANCING SOURCES (USES)			
Transfers in	6,000,000		(6,000,000)
Net change in fund balance	(330,954)	(957,085)	(626,131)
Fund balances--beginning	3,296,479	3,296,479	
Fund balances--ending	<u>\$2,965,525</u>	<u>\$2,339,394</u>	<u>(\$626,131)</u>

CAPITAL PROJECTS FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Final Budget</u>	<u>2000 Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$351,657	\$118,032	\$233,625
Street construction	7,992,653	5,238,652	2,754,001
Drainage	219,049	8,100	210,949
Parks and recreation	723,857	358,099	365,758
Tree planting and landscaping	81,000	76,122	4,878
Other	2,571,738	895,810	1,675,928
Total capital projects fund	<u>\$11,939,954</u>	<u>\$6,694,815</u>	<u>\$5,245,139</u>

INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2000

	Administrative Operations	Health Insurance	Totals 2000
ASSETS			
Current assets:			
Pooled cash and investments	\$391,696	\$191,583	\$583,279
Accounts receivable	9,125	164	9,289
Due from other governments	17,683		17,683
Prepaid expenses	4,153		4,153
Inventory	259,498		259,498
Total current assets	<u>682,155</u>	<u>191,747</u>	<u>873,902</u>
Noncurrent assets:			
Buildings and improvements	809,359		809,359
Machinery and equipment	1,790,330		1,790,330
Less: Accumulated depreciation	(1,864,097)		(1,864,097)
Total noncurrent assets	<u>735,592</u>		<u>735,592</u>
Total assets	<u>\$1,417,747</u>	<u>\$191,747</u>	<u>\$1,609,494</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$107,319	\$190	\$107,509
Accrued payroll	87,706		87,706
Total current liabilities	<u>195,025</u>	<u>190</u>	<u>195,215</u>
Noncurrent liabilities:			
Accrued vacation and sick leave benefits	166,474		166,474
Total liabilities	<u>361,499</u>	<u>190</u>	<u>361,689</u>
NET ASSETS			
Invested in capital assets	735,592		735,592
Unrestricted	320,656	191,557	512,213
Total net assets	<u>1,056,248</u>	<u>191,557</u>	<u>1,247,805</u>
Total liabilities and net assets	<u>\$1,417,747</u>	<u>\$191,747</u>	<u>\$1,609,494</u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Administrative Operations	Health Insurance	Totals 2000
OPERATING REVENUES			
Charges for services	\$4,225,658	\$1,535,243	\$5,760,901
Total operating revenues	<u>4,225,658</u>	<u>1,535,243</u>	<u>5,760,901</u>
OPERATING EXPENSES			
Personal services	2,100,796		2,100,796
Repairs and maintenance	878,658		878,658
Contractual services	523,452	1,839,683	2,363,135
Other materials and expenses	500,911		500,911
Depreciation	195,593		195,593
Total operating expenses	<u>4,199,410</u>	<u>1,839,683</u>	<u>6,039,093</u>
Operating income (loss)	<u>26,248</u>	<u>(304,440)</u>	<u>(278,192)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	48,882	34,755	83,637
Change in net assets	75,130	(269,685)	(194,555)
Total net assets--beginning	<u>981,118</u>	<u>461,242</u>	<u>1,442,360</u>
Total net assets--ending	<u>\$1,056,248</u>	<u>\$191,557</u>	<u>\$1,247,805</u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2000
 Increase (Decrease) in cash

	Administrative Operations	Health Insurance	Totals 2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for services	\$4,199,434	\$1,535,079	\$5,734,513
Cash paid to suppliers for goods or services	(1,931,000)	(1,839,493)	(3,770,493)
Cash paid to employees for services	(2,169,961)		(2,169,961)
Net cash provided (used) by operating activities	<u>98,473</u>	<u>(304,414)</u>	<u>(205,941)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(115,794)		(115,794)
Sale of capital assets	11,970		11,970
Net cash used by capital and related financing activities	<u>(103,824)</u>		<u>(103,824)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	48,882	34,755	83,637
Net cash provided by investing activities	<u>48,882</u>	<u>34,755</u>	<u>83,637</u>
Net increase (decrease) in cash	43,531	(269,659)	(226,128)
Cash at beginning of year	348,165	461,242	809,407
Cash at end of year	<u>\$391,696</u>	<u>\$191,583</u>	<u>\$583,279</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$26,248	(\$304,440)	(\$278,192)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	195,593		195,593
(Increase) decrease in receivables	(26,156)	(164)	(26,320)
(Increase) decrease in inventories	3,537		3,537
Increase (decrease) in accounts payable	(34,840)	190	(34,650)
Net (increase) decrease in other operating net assets	(65,909)		(65,909)
Net cash provided (used) by operating activities	<u>\$98,473</u>	<u>(\$304,414)</u>	<u>(\$205,941)</u>

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2000

	Balance December 31 1999	Additions	Deductions	Balance December 31 2000
<u>PAYROLL WITHHOLDING FUND</u>				
ASSETS - Cash	\$178,685	\$8,137,098	\$7,760,884	\$554,899
LIABILITIES - Withholdings payable	\$178,685	\$8,137,098	\$7,760,884	\$554,899
<u>MUNICIPAL COURT FUND</u>				
ASSETS - Investments with fiscal agent	\$349,214	\$3,137,387	\$3,204,597	\$282,004
LIABILITIES - Undistributed moneys	\$349,214	\$3,137,387	\$3,204,597	\$282,004
<u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u>				
ASSETS - Cash	\$9,801	\$205,639	\$150,335	\$65,105
LIABILITIES				
Accounts payable	\$3,431	\$200,348	\$143,545	\$60,234
Unclaimed moneys	6,370	5,291	6,790	4,871
Total liabilities	\$9,801	\$205,639	\$150,335	\$65,105
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$188,486	\$8,342,737	\$7,911,219	\$620,004
Investments with fiscal agent	349,214	3,137,387	3,204,597	282,004
Total assets	\$537,700	\$11,480,124	\$11,115,816	\$902,008
LIABILITIES				
Accounts payable	\$3,431	\$200,348	\$143,545	\$60,234
Withholdings payable	178,685	8,137,098	7,760,884	554,899
Undistributed moneys	349,214	3,137,387	3,204,597	282,004
Unclaimed moneys	6,370	5,291	6,790	4,871
Total liabilities	\$537,700	\$11,480,124	\$11,115,816	\$902,008

**DEBT SCHEDULE
DECEMBER 31, 2000**

Schedule of Bonds and Notes							
PURPOSE	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2001	
						Principal	Interest
General Obligation Bonds:							
Fire station	9/1/1985	9.00%	12/1/2005	\$855,000	\$230,000	\$45,000	\$20,700
Service center	9/1/1985	9.00	12/1/2005	1,050,000	275,000	55,000	24,750
Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	524,921	384,284	24,140	24,863
Improvement bonds-series 1992	11/1/1992	3.25-6.45	12/1/2012	994,303	738,532	38,236	46,380
Improvement refunding	8/1/1993	2.65-5.25	12/1/2006	6,845,000	3,445,000	510,000	173,540
Recreation center refunding	8/1/1993	2.65-16.9	12/1/2008	9,289,352	3,924,352	810,000	172,750
Total general obligation bonds					8,997,168	1,482,376	462,983
Special Assessment Bonds:							
David road project	9/1/1983	9.75	12/1/2003	340,000	51,000	17,000	4,973
Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	1,665,079	1,215,716	70,860	78,732
Improvement bonds-series 1992	11/1/1992	3.7-5.90	12/1/2003	60,697	21,468	6,764	1,243
Total special assessment bonds					1,288,184	94,624	84,948
Promissory Notes:							
Ohio public works commission:							
Bridge replacements	12/1/1994	0.00	7/1/2015	280,393	205,545	14,020	0
Rushland drive improvement	7/1/1996	0.00	7/1/2016	122,577	98,062	6,129	0
Dorothy lane resurfacing	1/1/1998	0.00	1/1/2008	509,850	382,387	50,985	0
Total promissory notes					685,994	71,134	0
Total					<u>\$10,971,346</u>	<u>\$1,648,134</u>	<u>\$547,931</u>



CITY OF KETTERING

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STATISTICAL SECTION

STATISTICAL TABLES

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

TABLE 1

GENERAL FUND EXPENDITURES BY FUNCTION LAST TEN YEARS

Year	General Government	Police	Fire	Public Works	Total
1991	\$5,047,580	\$6,184,434	\$3,868,633	\$2,364,353	\$17,465,000
1992	5,389,103	6,546,244	4,187,416	2,372,035	18,494,798
1993	5,513,493	6,690,210	4,718,823	2,360,820	19,283,346
1994	5,825,863	6,726,297	4,452,656	2,457,186	19,462,002
1995	6,021,347	7,025,655	4,515,232	2,351,286	19,913,520
1996	6,397,684	6,846,440	4,849,644	2,426,320	20,520,088
1997	6,837,321	7,389,255	5,952,310	2,476,005	22,654,891
1998	7,032,117	8,144,972	5,796,677	2,564,389	23,538,155
1999	8,111,801	8,282,945	6,094,966	2,449,749	24,939,461
2000	8,113,675	8,346,197	7,125,540	2,527,611	26,113,023

Source: City of Kettering, Ohio, Finance Department

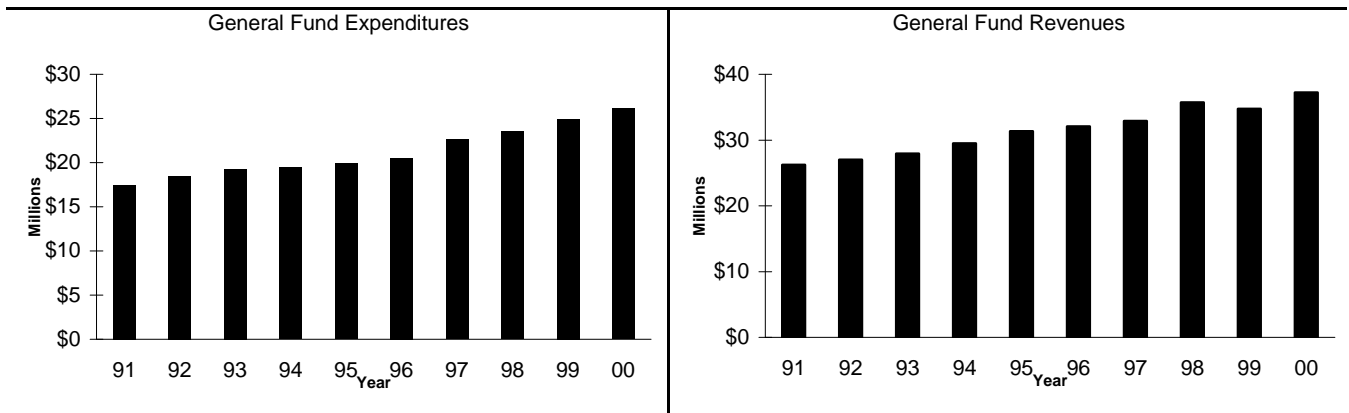


TABLE 2

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
1991	\$22,065,417	\$250,323	\$1,392,537	\$10,442	\$580,075	\$1,924,354	\$26,223,148
1992	23,037,668	264,301	1,405,136	8,006	507,478	1,786,244	27,008,833
1993	23,708,029	288,795	1,529,688	8,369	658,983	1,753,307	27,947,171
1994	24,707,151	309,874	1,635,308	9,526	672,562	2,174,181	29,508,602
1995	25,873,657	317,865	1,688,634	6,419	812,396	2,660,042	31,359,013
1996	26,167,848	366,175	1,722,082	4,207	964,953	2,841,089	32,066,354
1997	26,418,288	479,108	1,776,530	4,661	1,002,608	3,220,117	32,901,312
1998	27,956,308	422,204	1,933,745	6,601	1,198,264	4,199,220	35,716,342
1999	28,369,507	395,804	1,938,355	7,325	985,659	3,044,378	34,741,028
2000	29,773,371	457,172	2,046,994	18,011	1,043,089	3,882,564	37,221,201

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
1991	\$17,291,839
1992	18,129,495
1993	18,787,082
1994	19,610,464
1995	20,612,658
1996	20,988,312
1997	20,670,634
1998	22,251,839
1999	22,512,947
2000	23,566,678

Source: City of Kettering, Ohio, Finance Department

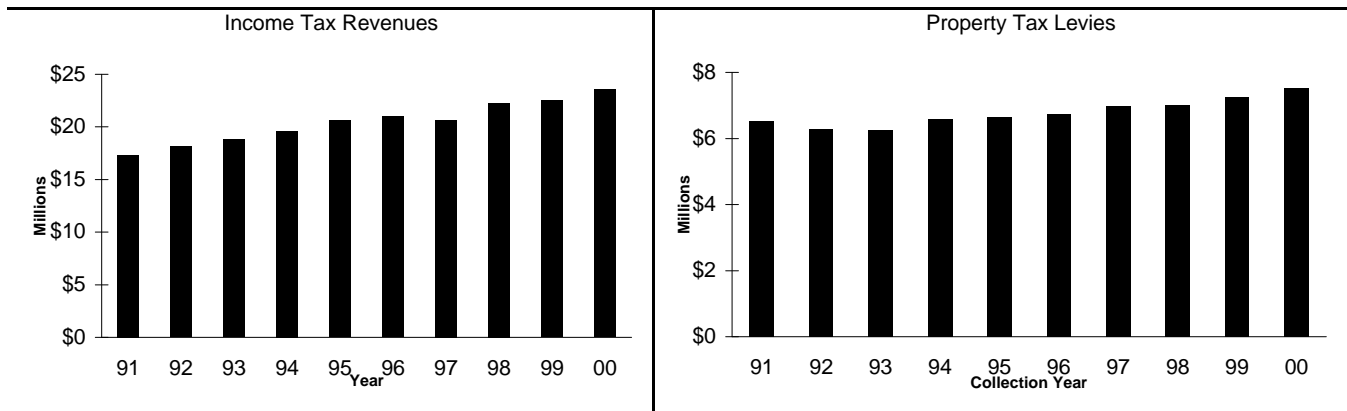


TABLE 4

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
1990	1991	\$6,520,584	\$6,192,375	95.0%	\$110,760	\$6,303,135	96.7%	\$395,950	6.1%
1991	1992	6,292,453	6,104,645	97.0%	186,993	6,291,638	100.0%	395,950	6.3%
1992	1993	6,232,635	6,025,984	96.7%	177,423	6,203,407	99.5%	425,178	6.8%
1993	1994	6,594,502	6,463,440	98.0%	213,058	6,676,498	101.2%	343,182	5.2%
1994	1995	6,656,424	6,483,653	97.4%	229,479	6,713,132	100.9%	286,474	4.3%
1995	1996	6,721,527	6,480,204	96.4%	212,488	6,692,692	99.6%	315,309	4.7%
1996	1997	6,986,031	6,897,817	98.7%	159,073	7,056,890	101.0%	225,631	3.2%
1997	1998	7,003,538	6,832,172	97.6%	166,231	6,998,403	99.9%	231,866	3.3%
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%	408,713	5.4%

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	
1990	1991	\$745,231,550	\$32,790,340	\$76,617,617	\$854,639,507	\$2,445,792,292
1991	1992	750,810,090	34,621,670	71,633,577	857,065,337	2,455,307,113
1992	1993	753,928,010	35,585,710	67,181,541	856,695,261	2,458,391,903
1993	1994	808,688,600	36,012,530	67,119,616	911,820,746	2,615,029,851
1994	1995	807,499,470	36,222,690	69,928,626	913,650,786	2,623,078,537
1995	1996	812,138,430	34,017,380	69,339,517	915,495,327	2,631,770,962
1996	1997	898,480,630	35,886,430	70,425,059	1,004,792,119	2,884,674,180
1997	1998	901,762,550	36,848,300	73,300,040	1,011,910,890	2,906,512,889
1998	1999	917,110,670	39,178,060	71,164,376	1,027,453,106	2,944,151,764
1999	2000	985,879,090	35,490,280	79,345,524	1,100,714,894	3,169,669,776

Source: Montgomery County, Ohio, Auditor's Office

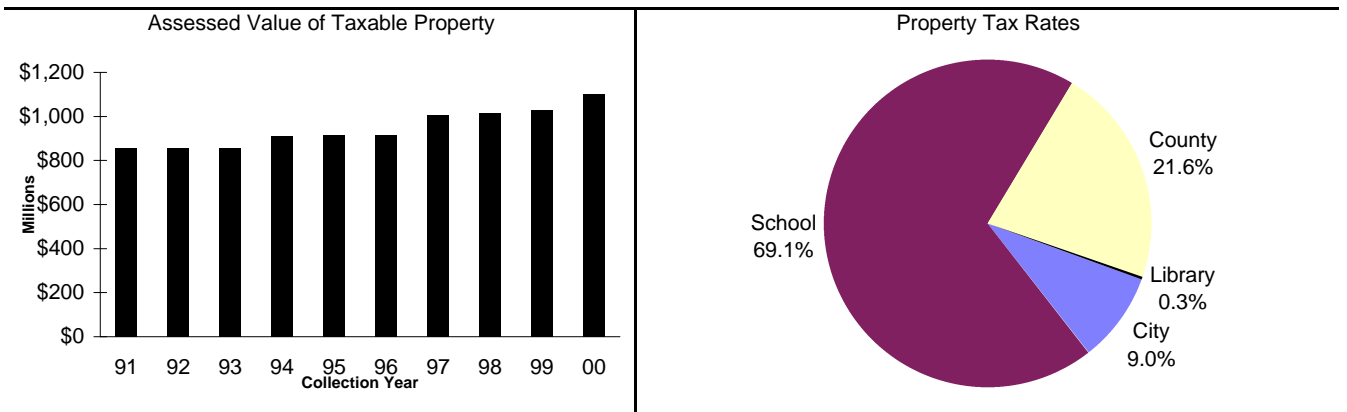


TABLE 6

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
1990	1991	5.70	1.41	0.30	7.41	48.90	13.65		69.96
1991	1992	5.70	1.25	0.30	7.25	48.90	13.65		69.80
1992	1993	5.70	1.17	0.30	7.17	48.90	13.65		69.72
1993	1994	5.70	1.17	0.30	7.17	49.81	16.14		73.12
1994	1995	5.70	1.17	0.30	7.17	49.80	16.64	0.72	74.33
1995	1996	5.70	1.17	0.30	7.17	53.10	16.64	0.72	77.63
1996	1997	5.70	1.00	0.30	7.00	53.10	16.64	0.72	77.46
1997	1998	5.70	1.00	0.30	7.00	53.10	16.64	0.26	77.00
1998	1999	5.70	0.98	0.30	6.98	53.10	16.64	0.26	76.98
1999	2000	5.70	0.92	0.30	6.92	53.10	16.64	0.26	76.92

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
1991	\$445,549	\$422,324	94.8%	\$23,225
1992	491,047	477,107	97.2%	13,940
1993	661,266	639,597	96.7%	21,669
1994	834,659	789,793	94.6%	44,866
1995	875,666	808,362	92.3%	67,304
1996	893,792	884,674	99.0%	9,118
1997	894,868	857,338	95.8%	37,530
1998	898,529	865,006	96.3%	33,523
1999	1,001,408	970,484	96.9%	30,924
2000	1,104,287	1,075,962	97.4%	28,325

Source: Montgomery County, Ohio, Auditor's Office

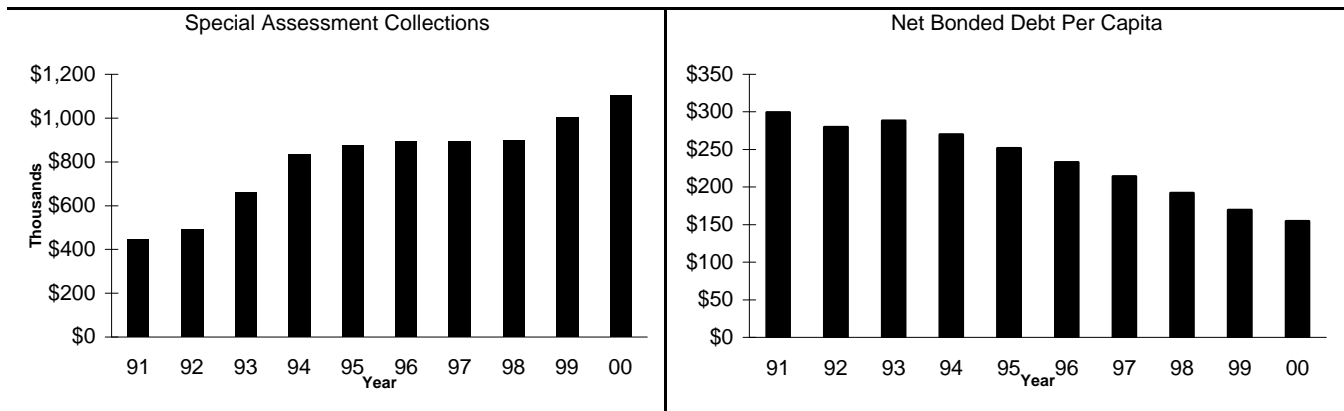


TABLE 8

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
1991	60,525	\$854,639,507	\$22,884,921	\$4,780,000	\$18,104,921	2.12%	\$299.13
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

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, 2000**

	10-1/2% of Assessed Valuation(1)	5-1/2% of Assessed Valuation(2)
Overall Debt Limitations	\$115,575,064	\$60,539,319
Gross Indebtedness	10,971,346	10,971,346
Less debt outside limitations:		
Voted debt		3,924,352
Special assessment debt	1,288,184	1,288,184
Promissory notes	685,994	685,994
Less debt service available fund balance	117,532	117,532
Net debt within limitations	8,879,636	4,955,284
Legal debt margin within limitations	\$106,695,428	\$55,584,035

Source: City of Kettering, Ohio, Finance Department

(1) Applies to both voted and unvoted debt.

(2) Applies only to unvoted debt.

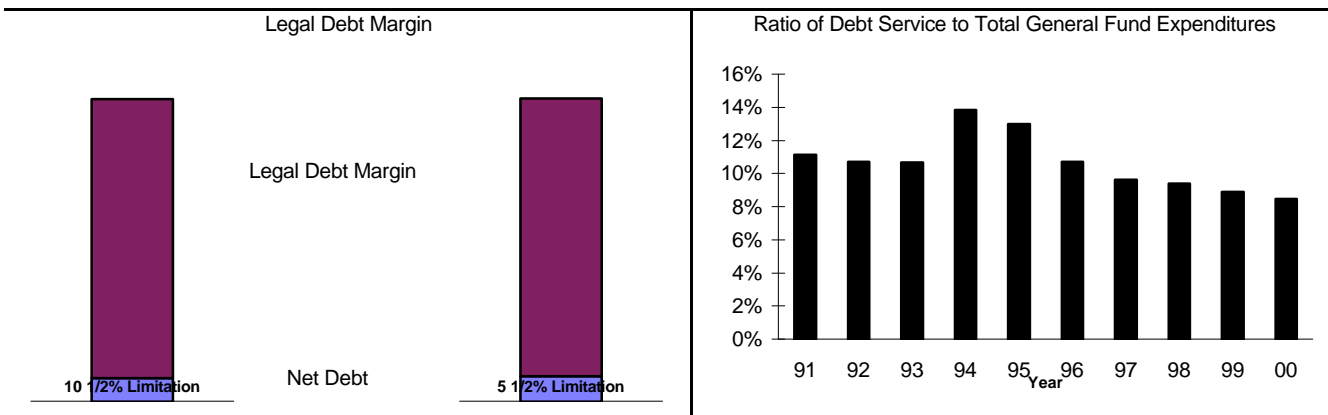


TABLE 10

**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
1991	\$650,000	\$1,291,195	\$1,941,195	\$17,465,000	11.1%
1992	685,000	1,298,004	1,983,004	18,494,798	10.7%
1993	1,077,895	980,703	2,058,598	19,283,346	10.7%
1994	1,662,000	1,029,617	2,691,617	19,462,002	13.8%
1995	1,626,750	956,002	2,582,752	19,913,520	13.0%
1996	1,311,020	884,630	2,195,650	20,520,088	10.7%
1997	1,357,148	826,868	2,184,016	22,654,891	9.6%
1998	1,442,641	764,450	2,207,091	23,538,155	9.4%
1999	1,523,134	697,513	2,220,647	24,939,461	8.9%
2000	1,583,134	625,480	2,208,614	26,113,023	8.5%

Source: City of Kettering, Ohio, Finance Department

(1) Principal payments shown net of refinanced debt.

TABLE 11

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2000**

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Kettering	Amount Applicable to City of Kettering
State of Ohio			
City of Kettering	\$8,879,636	100.0%	\$8,879,636
Kettering City School District	14,422,493	90.7%	13,081,201
Montgomery County	43,268,553	12.2%	5,278,763
Beavercreek Local School District	40,091,083	0.5%	200,455
Total	\$106,661,765		\$27,440,056

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.

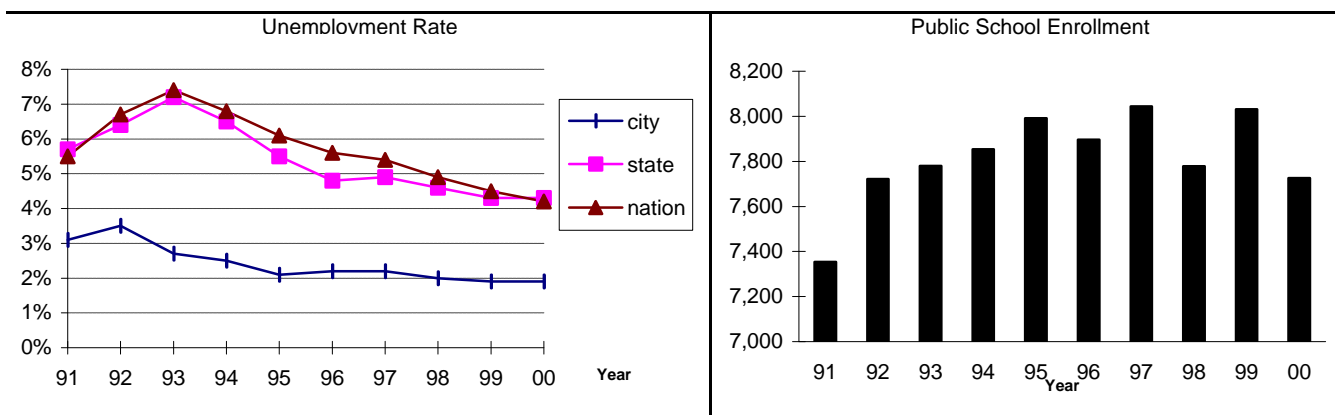


TABLE 12

DEMOGRAPHIC STATISTICS LAST TEN YEARS

Year	Population(1)(3)	Per Capita Income(3)(5)	Unemployment Rate(4)	Public School Enrollment(2)
1991	60,525	\$19,229	3.1%	7,353
1992	60,525	20,853	3.5%	7,721
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	57,500	26,475	1.9%	7,725

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	
1991	174	\$10,748,963	140	\$2,874,578	\$6,728,755,000
1992	184	9,112,603	164	5,385,151	4,068,798,000
1993	260	12,563,963	177	7,008,075	3,834,335,000
1994	238	28,871,108	145	4,431,111	4,034,766,000
1995	178	26,306,619	143	7,777,188	3,995,114,000
1996	172	40,184,215	147	8,555,747	3,899,145,000
1997	178	82,833,051	164	8,889,562	3,530,314,000
1998	137	25,430,152	213	10,590,067	3,264,705,000
1999	118	24,932,701	152	8,569,914	2,994,378,000
2000	89	58,217,405	139	9,830,923	191,473,000

Sources:

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

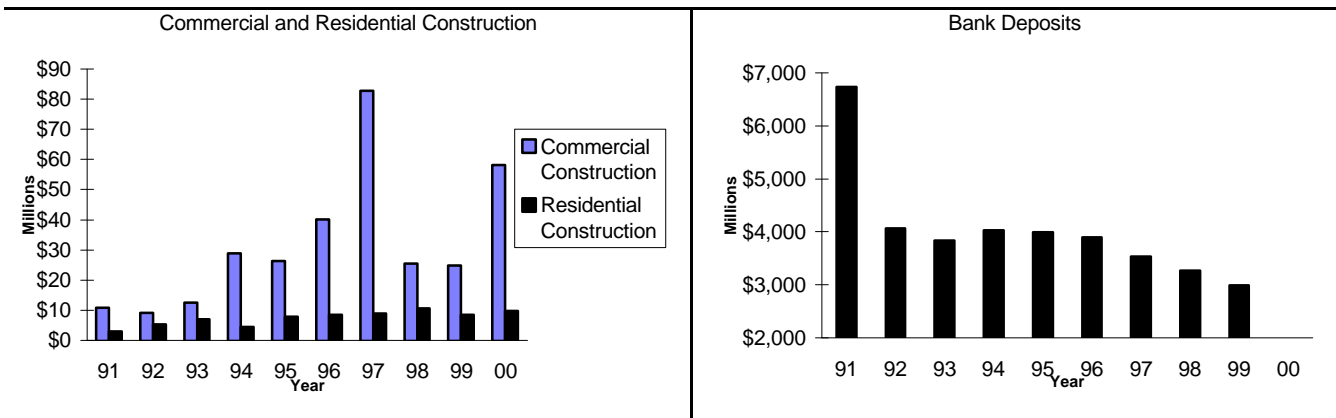


TABLE 14

PRINCIPAL TAXPAYERS (PROPERTY TAXES) DECEMBER 31, 2000

Taxpayer	Type of Business	2000 Assessed Valuation	% of Total Assessed Valuation
Dayton Power and Light Co.	Gas & electric utility	\$24,442,830	2.22%
Ohio Bell Telephone Co.	Telephone utility	11,570,470	1.05%
Reynolds and Reynolds	Automotive parts manufacturer	9,283,210	0.84%
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%
Beerman Corp.	Property management	5,208,070	0.47%
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%
Total		84,404,900	7.67%
All others		1,016,309,994	92.33%
Total		\$1,100,714,894	100.00%

Source: Montgomery County, Ohio, Auditor's Office

**MISCELLANEOUS STATISTICS
DECEMBER 31, 2000**

DATE OF INCORPORATION	1955
FORM OF GOVERNMENT	Council - Manager
AREA	18.409 Square Miles
MILES OF STREETS	244.66
FIRE PROTECTION:	
Number of stations	7
Number of firefighters and officers (exclusive of volunteer firefighters)	49
POLICE PROTECTION:	
Number of stations	1
Number of police officers	82
EDUCATION (PUBLIC ONLY):	
Attendance centers	12
Number of classrooms	476
Number of teachers	468
Number of students	7,725
BUILDING PERMITS ISSUED	4,465
RECREATION AND CULTURE:	
Number of parks	21 with 408 acres
Recreation complex square footage	145,000 sq ft
Annual attendance at recreation complex	900,909
Number of libraries	2
EMPLOYEES (FULL-TIME ONLY):	
Classified service	264
Exempt	123

Sources:

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

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CITY OF KETTERING

CITY OF KETTERING

Reports Issued Pursuant to the
OMB Circular A-133

For the year ended December 31, 2000

CITY OF KETTERING

TABLE OF CONTENTS

December 31, 2000

	<u>Page(s)</u>
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1-2
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	3-4
Schedule of Expenditures of Federal Awards for the year ended December 31, 2000.....	5
Notes to the Schedule of Expenditures of Federal Awards.....	6
Schedule of Findings and Questioned Costs	7-11



Two Nationwide Plaza
Columbus OH 43215-2577

Telephone 614 249 2300
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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, 2000, and have issued our report thereon dated March 24, 2001. 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 24, 2001



Two Nationwide Plaza
Columbus OH 43215-2577

Telephone 614 249 2300
Fax 614 249 2348

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

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

and

The Honorable Jim Petro
Auditor of State

Compliance

We have audited the compliance of the City of Kettering, Ohio (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2000. 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.

As described in items 00-1and 00-4 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Subrecipient Monitoring and Suspension and Debarment that are applicable to its HOME Investment Partnerships Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2000.

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.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 00-1 through 00-4.

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. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 00-1, 00-2 and 00-4 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, 2000, and have issued our report thereon dated March 24, 2001. 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 24, 2001

CITY OF KETTERING, OHIO

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2000

<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-98MC-39-0011	14.218	4/18/98	\$ 268,144
Community Development Block Grant	B-99MC-39-0011	14.218	4/1/99	306,752
Community Development Block Grant	B-00MC-39-0011	14.218	3/15/00	<u>350,872</u>
Total CFDA # 14.218				<u>925,768</u>
Passed through the Board of County Commissioners of Montgomery County:				
HOME Investments Partnership Program	M-95-DC-39-0208	14.239	12/16/96	103,000
HOME Investments Partnership Program	M-96-DC-39-0208	14.239	12/16/97	12,124
HOME Investments Partnership Program	M-98-DC-39-0210	14.239	5/25/99	<u>226,076</u>
Total CFDA # 14.239				341,200
Lead Based Paint Hazard Control in Privately-Owned Housing	OHLAG-0056-95	14.900	12/16/95	<u>29,770</u>
Total Passed through the Board of County Commissioners of Montgomery County				<u>370,970</u>
Total Department of Housing and Urban Development				<u>1,296,738</u>
<u>Department of Defense</u>				
AirForce Base Conversion Agency Caretaker Agreement	Cooperative Agreement	12.000	5/24/96	<u>16,323</u>
Total Department of Defense				<u>16,323</u>
<u>Department of Justice</u>				
Local Law Enforcement Block Grant Program	98-LBVX-2330	16.592	11/4/98	27,007
National Criminal History Improvement Program	98-RVR399046	16.554	7/29/98	<u>2,500</u>
Total Department of Justice				<u>29,507</u>
<u>Department of Transportation</u>				
State and Community Highway Safety	99-GR1-1153	20.600	10/4/99	14,013
State and Community Highway Safety	01192.0	20.600	10/1/99	4,400
State and Community Highway Safety	01-GR1-1431	20.600	10/1/00	<u>2,880</u>
Total Department of Transportation				<u>21,293</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,363,861</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, 2000

Note A—General

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

Note B—Basis of Accounting

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

Note C—Relationship to Basic Financial Statements

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

Note D—Subrecipients

The City was a pass-through entity of the HOME Investment Partnerships Program funds to one subrecipient, The Franklin Foundation for \$103,000.

CITY OF KETTERING, OHIO

Schedule of Findings and Questioned Costs

For the year ended December 31, 2000

(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: **Yes**
Material weaknesses: **Yes**
- (e) The type of report issued on compliance for major programs: **Qualified opinion**
- (f) Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133: **Yes**
- (g) Major program: HOME Investment Partnership Program (CFDA # 14.239)
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- (i) Auditee qualified as a low-risk auditee under section .530 of OMB Circular A-133: **Yes**

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

None

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

See findings 00-1 through 00-4.

**Finding 00-1; HOME Investments Partnerships Program CFDA #14.239,
Department of Housing and Urban Development – Subrecipient Monitoring**

Criteria:

24 CFR 92 establishes requirements for subrecipient monitoring, which require the City to (1) identify to subrecipient federal award information; (2) monitor activities to ensure compliance with federal requirements; (3) ensure required audits are performed and prompt corrective action is taken on audit findings; and (4) to evaluate the impact of subrecipient activities on the City’s ability to comply with applicable federal regulations.

Condition:

The City did not provide the subrecipient required information relating to the Federal award (i.e. CFDA title and number) in the agreement between the two entities and no monitoring occurred to ensure compliance with federal requirements.

Questioned Costs:

\$103,000

Effect:

Failure to inform subrecipients of the federal award information could result in subrecipients improperly reporting expenditures in their schedule of expenditures of federal awards, expending federal funds for unallowable purposes, or not receiving a single audit in accordance with OMB Circular A-133. Additionally, failure to monitor subrecipients could result in federal funds being expended for unallowable purposes and/or the subrecipients not properly administering the federal program.

Cause:

The City initially considered the service provider to be a “vendor” as opposed to a “subrecipient” as defined in OMB Circular A-133. As such, they did not believe that it was necessary to notify the service provider of the federal award information or perform monitoring activities.

Recommendation:

We recommend the City provide required grant information in subrecipient contracts and perform onsite monitoring procedures to ensure the subrecipient is in compliance with requirements that are direct and material to the Home Investment Partnership Program.

**Finding 00-2; HOME Investments Partnerships Program CFDA #14.239,
Department of Housing and Urban Development –Program Income.**

Criteria:

In order to have adequate controls over program income, segregation of duties should exist between the receiving of loan payments and recording the payments into the accounting system or other oversight controls should exist to verify receipts are properly recorded.

Condition:

From February 2000 to September 2000, the same employee received loan payments and recorded the payments into the system. Additionally, there was no oversight to ensure that program income received was being correctly receipted into the system, and was not being misappropriated.

Questioned Costs:

None

Effect:

Failure to establish adequate controls over program income could result in inaccurate loan balances and/or loan repayment proceeds being expended for unallowable purposes.

Cause:

The lack of oversight during a ~6 month period was due to employee turnover.

Recommendation:

We recommend the City review the organizational structure and consider changes that will allow for proper segregation of duties over loan receipts and accounting and implement any additional internal controls considered necessary to mitigate potential risks of error.

**Finding 00-3; HOME Investments Partnerships Program CFDA #14.239,
Department of Housing and Urban Development – Inadequate Monitoring of
Eligibility**

Criteria:

The City is responsible for providing tenant based rental assistance to eligible people. This includes having monitoring controls in place to oversee a third party, who is determining eligibility for the City.

Condition:

The City contracted with a third party to provide eligibility verification services as it pertained to the Tenant Based Rental Assistance Program. However, the City did not perform any monitoring or verification of the Dayton Metropolitan Housing Authority to ensure that the eligibility verification services were being performed adequately.

Questioned Costs:

None

Effect:

Failure to adequately monitor eligibility of the applicants could result in federal funds being expended for ineligible purposes.

Cause:

The City believes there was no reason to monitor the third party due to their good reputation and expertise in this environment.

Recommendation:

We recommend the City perform annual reviews of the third party to ensure the eligibility verification process being performed on behalf of the City is proper.

**Finding 00-4; HOME Investments Partnerships Program CFDA #14.239,
Department of Housing and Urban Development – Suspension and Debarment
Requirements in the Contract**

Criteria:

According to the April 2000 OMB Compliance Supplement, an entity is required to receive certification from its subrecipient that the organization and its principals are not suspended or debarred.

Condition:

The City did not obtain certification from its subrecipient.

Questioned Costs:

\$103,000

Effect:

Failure to receive certification that the subrecipient is neither suspended or debarred, could result in federal funds being used by prohibited parties.

Cause:

The City was not aware that the Suspension and Debarment requirement applied to the subrecipients.

Recommendation:

We recommend the City include suspension and debarment language in all subrecipient contracts.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 22, 2001**