

**CITY OF KETTERING, OHIO**



**Single Audit Reports**

**December 31, 2012**





# Dave Yost • Auditor of State

City Council  
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 Plattenburg & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

May 1, 2013

**CITY OF KETTERING, OHIO**  
Schedule of Expenditures of Federal Awards  
For the year ended December 31, 2012

Federal Grantor/Pass Through Grantor/Program Title	Grant or Pass-Through Number	Federal CFDA Number	Grant Award Date	Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Direct programs:				
Community Development Block Grants/Entitlement Grants	B-10-MC-39-0011	14.218	1/1/10	\$750,351
Passed through the Board of County Commissioners of Montgomery County:				
Lead-Based Paint Hazard Control in Privately-Owned Housing	OH-LHB0448-09	14.900	1/1/10	4,121
Passed through the City of Dayton, Ohio:				
HOME Investment Partnerships Program	M-07-MC-39-0205	14.239	3/22/08	233,762
ARRA - Neighborhood Stabilization Program	B-09-CN-OH-0029	14.256	1/14/10	752,694
Passed through the State of Ohio Department of Development				
Community Development Block Grants/State's program	A-Z-08-281-1	14.228	4/1/09	222,973
Total U.S. Department of Housing and Urban Development				<u>1,963,901</u>
<u>U.S. Department of Justice</u>				
Passed through the City of Dayton, Ohio:				
ARRA - Edward Byrne Memorial Justice Assistance Grant	2009-F2300-OH-SB	16.804	5/19/09	1,131
Total U.S. Department of Justice				<u>1,131</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through the Board of County Commissioners of Montgomery County:				
Block Grants for Prevention and Treatment of Substance Abuse	57-8355-CMMCO-P-13-0038	93.959	7/1/12	20,227
Block Grants for Prevention and Treatment of Substance Abuse	57-8355-CMMCO-P-12-0038	93.959	7/1/11	11,330
Total U.S. Department of Health and Human Services				<u>31,557</u>
<u>U.S. Department of Transportation</u>				
Passed through the State of Ohio Governor's Highway Safety Office:				
Highway Planning and Construction	E051260/80095	20.205	7/19/07	488,245
Highway Planning and Construction	E080494	20.205	5/6/08	1,382,836
Highway Planning and Construction	E080492	20.205	5/6/08	739,308
Passed through the City of Dayton, Ohio:				
Highway Planning and Construction	OVTIF-2012-57-00-00-00393-00	20.205	10/1/11	8,800
Passed through Ohio Traffic Safety Office:				
State and Community Highway Safety	HVEO 1	20.600	9/5/12	792
Alcohol Traffic Safety and Drunk Driving Prevention	HVEO 2	20.601	9/5/12	791
Total U.S. Department of Transportation				<u>2,620,772</u>
TOTAL - ALL FEDERAL PROGRAMS				<u>\$4,617,361</u>

**CITY OF KETTERING, OHIO**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**December 31, 2012**

**NOTE 1 - GENERAL:**

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

**NOTE 2 - BASIS OF ACCOUNTING:**

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

**NOTE 3- RELATIONSHIP TO BASIC FINANCIAL STATEMENTS:**

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

**NOTE 4- SUBRECIPIENTS:**

The City was a pass-through entity of CDBG funds to two subrecipients, Miami Valley Fair Housing Board for \$32,000 and HomeOwnership Center of Greater Dayton for \$22,038.

**NOTE 5- LOANS OUTSTANDING:**

At December 31, 2012, the City has the following amounts outstanding under federal loan programs:

HOME Investment Partnership Loan Program (CFDA #14.239)	\$704,189
Community Development Block Grant- Business Revolving loan (CFDA #14.218)	91,605
Community Development Block Grant- Housing Rehab Loans (CFDA #14.218)	304,972
Less: Allowance for Uncollectable Accounts	<u>(86,694)</u>
Net Loans Outstanding	<u><u>\$1,014,072</u></u>

Of the loans noted above, \$76,250 is subject to certain on-going compliance requirements; as such the entire outstanding balance of these loans is included in the Schedule of Expenditures of Federal Awards as part of the HOME Investment Partnerships Program (CFDA #14.239).

The remaining loans above do not have on-going compliance attributes requiring the reporting the balances in the Schedule of Expenditures of Federal Awards. These loans are reported on the City's financial statements within the Community Development Funds. During 2012, the City issued \$27,878 of new loans under Housing Rehab Loans program (CFDA #14.218) and issued \$28,153 of new loans under the HOME Investment Partnership loan program (CFDA #14.239), which are included within the reported federal expenditures of the respective programs for the year.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 1, 2013, wherein we noted the City adopted GASB Statement No. 65 as disclosed in Note 13.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plattenburg & Associates, Inc.*

Dayton, Ohio  
April 1, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Kettering, Ohio's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

## **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 1, 2013, which contained unmodified opinions on those financial statements, wherein we noted the City adopted GASB Statement No. 65 as disclosed in Note 13. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plattenburg & Associates, Inc.*

Dayton, Ohio  
April 1, 2013

**CITY OF KETTERING, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2012**

**Section I – Summary of Auditor’s Results**

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were the any other significant control deficiencies reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under Section .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Neighborhood Stabilization Program - ARRA CFDA# 14.256 Highway Planning and Construction CFDA# 20.205
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**CITY OF KETTERING**  
**DECEMBER 31, 2012**

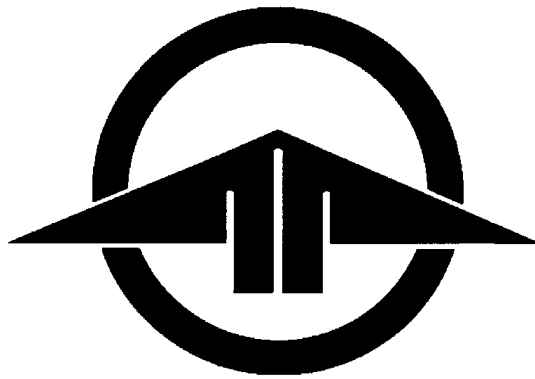
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
***OMB CIRCULAR A-133***

The City of Kettering had no prior audit findings or questioned costs.

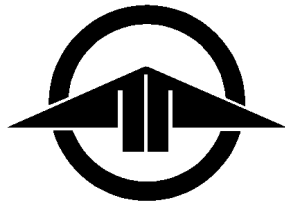
**CITY OF KETTERING, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2012**



Prepared by:  
Department of Finance  
Nancy H. Gregory, CPA, Director



CITY OF KETTERING



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2012****TABLE OF CONTENTS**

	<b>Page</b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	iii
City Officials	vi
Department of Finance Staff	vii
City Organizational Chart	viii
Certificate of Achievement for Excellence in Financial Reporting	ix
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	2
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Fund Balance Sheets - Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Statement of Net Position - Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Statement of Fiduciary Net Position - Fiduciary Funds	19
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	19
Notes to the Basic Financial Statements	21
Required Supplementary Information:	
Budget (GAAP Budget) to Actual Comparison Schedule - General Fund	34
Budget (GAAP Budget) to Actual Comparison Schedule - Street Maintenance Fund	36
Budget (GAAP Budget) to Actual Comparison Schedule - Parks Recreation and Cultural Arts Fund	37
Budget (GAAP Budget) to Actual Comparison Schedule - Fraze Pavilion Fund	38
Budget (GAAP Budget) to Actual Comparison Schedule - Community Development Fund	39
Budget (GAAP Budget) to Actual Comparison Schedule - Emergency Medical Fund	40
Notes to the Required Supplementary Information	41
<b>SUPPLEMENTAL DATA</b>	
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (GAAP Budget)	45
Debt Service Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Budget)	48
Capital Projects Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Budget)	49
Detailed Schedule of Expenditures Compared to Budget (GAAP Budget)	50
Internal Service Funds:	
Combining Statement of Net Position	51
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	52
Combining Statement of Cash Flows	53
Agency Funds:	
Combining Statement of Changes in Assets and Liabilities	54
Miscellaneous Schedules:	
Debt Schedule	55

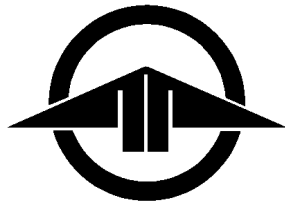
**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**TABLE OF CONTENTS - CONTINUED**

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	<b>Schedule</b>	<b>Page</b>
STATISTICAL SECTION		
Net Position by Category Last Ten Years	1	58
Changes in Net Position Last Ten Years	2	59
Fund Balances, Governmental Funds Last Ten Years	3	60
Changes in Fund Balances, Governmental Funds Last Ten Years	4	61
Income Tax by Payer Type and Income Tax Rate Last Ten Years	5	62
Ranking of Top Ten Income Tax Withholders Current Year and Ten Years Ago	6	62
Ratios of Outstanding Debt by Type and Legal Debt Margins Last Ten Years	7	63
Direct and Overlapping Debt	8	64
Demographic and Economic Statistics Last Ten Years	9	64
Principal Employers Current Year and Ten Years Ago	10	65
City Government Employees by Function/Program Last Ten Years	11	65
Operating Indicators by Function/Program Last Ten Years	12	66
Capital Asset and Infrastructure Statistics by Function/Program Last Ten Years	13	66

## **INTRODUCTORY SECTION**



CITY OF KETTERING



April 1, 2013

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, 2012, 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.

The City provides various services including police and fire protection, parks, recreation and cultural arts, street maintenance, planning, zoning and other general governmental services. The City does not maintain utility operations. In addition to general governmental activities, the City oversees the Kettering Volunteer Firefighters Pension Plan, and the activities of the Plan are included in the reporting entity. However, Montgomery County, Greene County, Beavercreek, Centerville, Kettering, Sugarcreek and West Carrollton School Districts, Miami Conservancy District, Miami Valley Regional Transit Authority, Ohio Police and Fire Pension Fund and the Ohio Public Employees Retirement System 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 twenty local cities involved in a public entity risk pool, Miami Valley Risk Management Association, 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 satisfaction of the residents with the services they receive. In Kettering, people like what they find. A recent survey showed that 94% of residents are satisfied with Kettering as a place to live.

## ECONOMIC CONDITION AND OUTLOOK

Our local economy has been hit hard by declining employment as a result of the recession. This has a direct impact on our largest General Fund revenue, income tax. Fortunately the vote of our residents to increase the income tax rate effective January 1, 2007 increased our General Fund significantly during 2007 and 2008. That vote has put the City in a better position to weather the uncertainties of the current economy. In addition, the City has implemented mandatory filing of municipal income tax for all residents ages eighteen and older. Mandatory filing is effective for tax years beginning January 1, 2012. The expected results are increased revenue and the establishment of a more accurate tax base allowing for more efficient follow up and improved delinquency collections.

Although the City has been negatively impacted by a decline in employment in the area, the overall effect was diminished due to the diversity of the employment base. Kettering's business base ranges from some major employers headquartered in Kettering to many midsize companies specializing in technology or professional services down to smaller family owned businesses. Kettering's largest

employers include Kettering Medical Center (KMC), G.E. Money, and Reynolds & Reynolds. KMC employs 3,500 and continued to work on a master plan that includes additional growth on vacant land across the street from the main campus. Reynolds & Reynolds, a fortune 1000 company based in Dayton since 1866, continues to employ 1,150 at its Miami Valley Research Park campus. G.E. Money employs 1,450 people and has plans to invest \$1.5 million for improvements in their facility at the Kettering Business Park (KBP). Other major employers in the city include Kettering City Schools, Limited Brands Inc., a catalogue order center for Victoria's Secret, Eastman Kodak a manufacturer of digital printers, and a number of engineering firms and computer hardware and software related businesses.

In the area of new employment, Mound Laser and Photonics Center broke ground on a new 20,000 square foot Kettering facility. The \$4 million project will employ 36 with plans to create at least 50 new jobs in the next three years. Aviation Ground Equipment Corporation purchased a 25,000 square foot building and began renovations of \$150,000 on the facility. McAfee Heating and Air Conditioning purchased and renovated a second location for a distribution center that will employ an additional 25 people. The Shops at 3000, located at one of the entry points in Kettering, is an 8,200 square foot retail center that opened during 2012 and is almost completely occupied.

Kettering is about 95% developed so a primary focus of economic development in the city is on the redevelopment of underutilized sites. The residential portion of the redevelopment of Kettering Pointe, formerly Van Buren Shopping Center, continued during 2012. The housing portion includes 35 lots of which 18 have been built or are under construction. The retail portion of the site is complete and fully leased with 10 retail sites, a post office and WesBanco Bank. Phase 3 of Madison's Grant, a Ryan Homes housing development continued during 2012. Sixteen single family homes were completed during 2012. Madison's Grant will include 154 new homes when the development is complete.

Implementation of the plans for improvements to the city's parks and recreation facilities continued throughout 2012. This program of extensive improvements is the result of passage of the Parks and Recreation Bond Levy by Kettering voters in November 2008. The voters approved a \$12.3 million levy with debt service to be paid from property tax revenues over a period of twenty years beginning in 2009. In addition to the voted portion, the city

committed an additional \$5 million of general funds for a total investment of \$17.3 million. The city celebrated the grand reopening of eleven neighborhood parks with new play equipment, landscaping, and specialty features such as a splash pad at one park and public art projects at two parks. The summer of 2012 marked the second season for the Adventure Reef Waterpark offering new taller, faster slides, a deep water area, and many new water features. As a result of the extensive improvements at the Kettering Recreation Complex, total attendance at our fitness facilities increased 21% in 2012. In addition to new programs and classes, including cycling and TRX, the new fitness wing provides an additional 9,800 square feet of space for new equipment and cardio machines. The removable roof above the indoor pool was replaced with a retractable roof allowing patrons to enjoy the pool year round with no down time.

Kettering participates in ED/GE, a revenue sharing program that includes about thirty communities in Montgomery County. Money from the program is distributed to the communities for economic development projects after an application for funds is filed and a board of local officials for the communities reviews and approves the projects. Although Kettering did not receive any funds for 2012, the City has benefited significantly in the past from this program and will continue to apply for future funds as eligible opportunities become available. The ED/GE program was to expire after 2010, but a new agreement has extended the program for an additional nine years.

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

For a more in-depth analysis of the City's current economic condition, please see the Management Discussion and Analysis (MD&A) portion of the report starting on page 5 of the Financial Section.

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City

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

**Budgetary Controls.** The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund are included in the annual appropriated budget. For more detailed budget information, please see the Notes to the Required Supplementary Information on page 41 of this report.

## OTHER INFORMATION

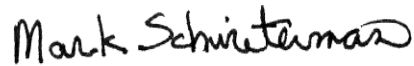
**Independent Audit.** The basic financial statements of the City of Kettering were audited by Plattenburg & Associates, Inc. Certified Public Accountants. See page 2 of the Financial Section of this report for their unqualified opinion.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kettering, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2011. 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 30 consecutive years (fiscal years ended 1982-2011). 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, 2012. In order to receive this award, the City must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

**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,



Mark Schwieterman  
City Manager



Nancy H. Gregory, CPA  
Director of Finance

## **CITY OF KETTERING, OHIO**

### CITY OFFICIALS

Donald E. Patterson, Mayor  
Amy Schrimpf, Vice Mayor  
Bruce E. Duke  
Tony Klepacz  
Rob Scott  
Joseph D. Wanamaker  
Ashley Webb

### CITY MANAGER

Mark Schwieterman

### INDEPENDENT AUDITORS

Plattenburg & Associates, Inc.  
Certified Public Accountants



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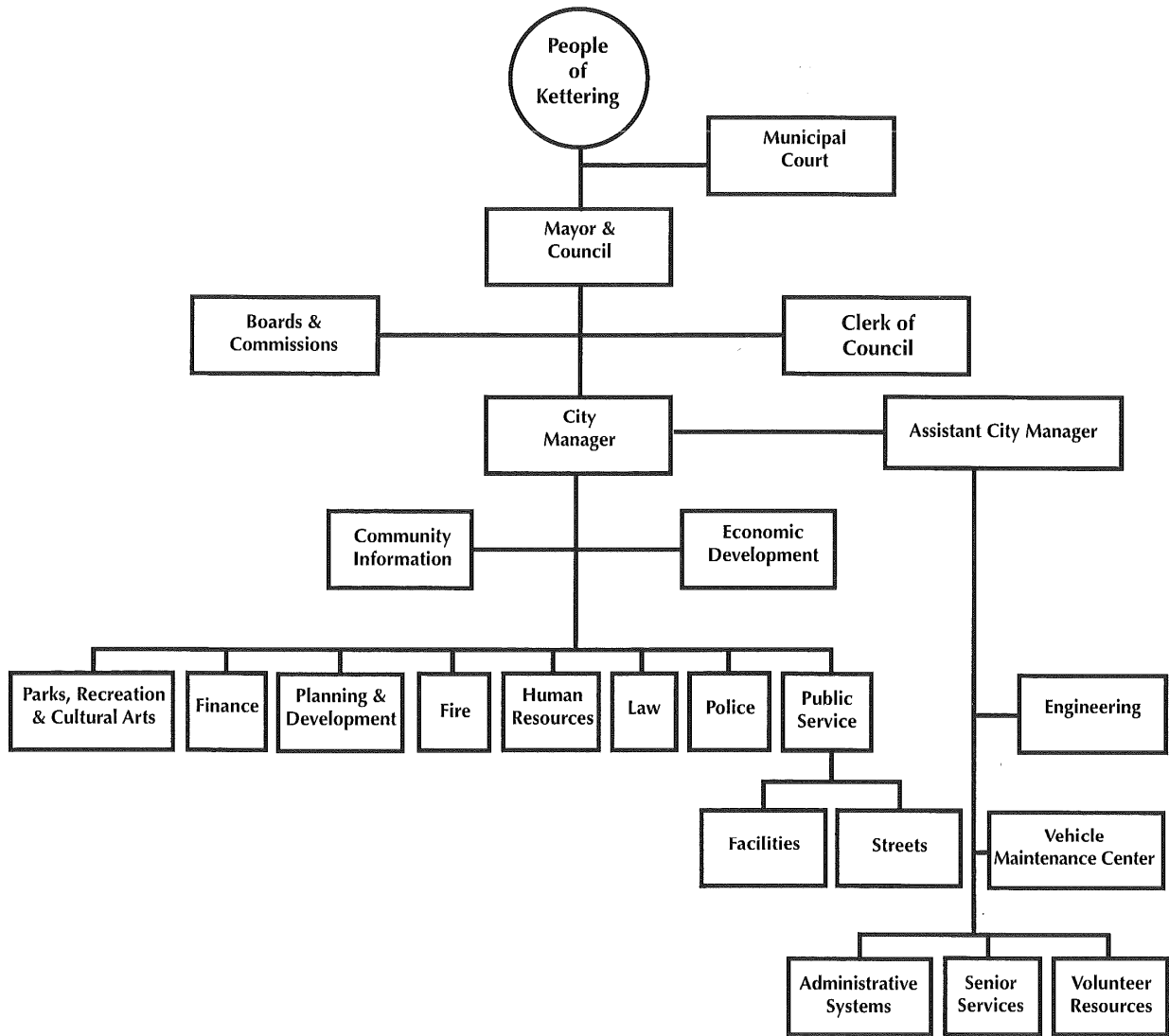
## CITY OF KETTERING, OHIO

### DEPARTMENT OF FINANCE

#### STAFF

Nancy H. Gregory, CPA	Finance Director
Scott J. Schwarberg, CPA	Assistant Finance Director
Kelly M. O'Connell, CPA	Budget Manager
Marcy K. Bare, CPA	Tax Manager
Estelle O. Gibson, CPA	Purchasing Manager
Joy J. Kuhn	Secretary
Kimberly L. Stevens, CPA	Financial Analyst
Martin J. Van Oss, CPA	Financial Analyst
Rhonda L. South	Finance Technician II
Mary Anne Marshall	Finance Technician II
Sharin L. Day	Finance Technician II
Lynn A. Blumenschein	Finance Technician II
Kimberly M. Koogler	Finance Technician II
Rachel F. Dexter, CPA	Finance Technician II
Amanda M. Harold	Finance Technician II
Lou Ann Gubser	Finance Technician I
Patricia A. Siefert	Finance Technician I
Julie M. Byerly	Finance Technician I
Joyce A. Foley	Finance Technician I
Melissa K. Schultz, CPA inactive	Finance Technician I
Candace M. Grooms	Finance Clerk - Part-Time
Kathy L. Powers	Finance Clerk - Part-Time

# City of Kettering 2012 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, 2011

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.

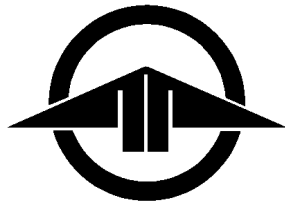


*Christopher P. Moirrell*

President

*Jeffrey R. Emer*

Executive Director



CITY OF KETTERING

**FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 13 to the financial statements, in 2012, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 – 9 and 34 – 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and the schedule of bonds and notes and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of bonds and notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the schedule of bonds and notes are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Dayton, Ohio  
April 1, 2013



**MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)**

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, 2012.

**FINANCIAL HIGHLIGHTS**

1. Net position increased \$8,808,000 or 4.4% while unrestricted net position increased \$4,752,900 or 9.7%.
2. Total revenues decreased 1.9% while total expenses increased 3.5%.
3. Capital grants and contributions decreased \$4,465,600 or 44.4.3%.
4. Operating grants and contributions increased \$705,955 or 97.3%.
5. Income taxes increased \$6,041,000 or 16.6%
6. Other taxes decreased \$4,039,300 or 39.2%.
7. Total costs of services increased by 3.6%, while net costs of services increased by 13%.
8. The General Fund reported an increase in fund balance of \$2,476,700.
9. The Frazee Pavilion required no General Fund transfer for the seventh time in its 22-year history.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 10 and 11) 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 12. For governmental funds, 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 Position and the Statement of Activities*

Our analysis of the City as a whole begins on page 6. 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 Position 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, deferred outflows, liabilities and deferred inflows 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 position and changes in it. You can think of the City's net position — the difference between assets, deferred outflows and liabilities, deferred inflows — as one way to measure the City's financial health. Over time, increases or decreases in the City's net position is 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 8. The fund financial statements begin on page 12 and provide detailed information about the most significant funds — not the City as a whole. Some funds are required to be

established by State law and by bond covenants. However, the Finance Director establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds — governmental and proprietary — use different accounting approaches.

- Governmental funds — Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- Proprietary funds — The City uses internal service funds (a component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities. An example of an internal service fund would be the City's Administrative Operations Fund, which accounts for activities of the Vehicle Maintenance Center, the Print Shop, and others. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position 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 Position and Changes in Fiduciary Net Position on page 19. 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 2012 the City produced a 4.4% increase in total net position. This compares with a 6.8% increase in 2011. Revenues generated were \$77.7 million and expenses from all programs were \$68.9 million resulting in a surplus for the year of \$8,808,000. The unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — increased \$4,752,900.

Explanations for the larger fluctuations between years are as follows:

- Operating grants and contributions were higher because of increased CDBG grant activity and increased sponsorships for the Frazee Pavilion.
- Capital grants and contributions were much higher last year because of outside funding for several roadway projects.
- Income taxes were higher due to an improving economy, increased corporate estimated payments and an amnesty program.
- Investment earnings increased due to a larger portfolio and higher interest rates.
- Other taxes decreased substantially due to a decrease in estate tax revenue.
- Net Cost of Services was higher in 2012 because of the significant capital grant revenues received in 2011 as mentioned above.

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

	<b>NET POSITION</b>	
	2012	Restated 2011
Current and other assets	\$88,512,628	\$83,451,494
Capital assets	153,888,813	151,057,632
Total assets	<u>242,401,441</u>	<u>234,509,126</u>
Long-term debt outstanding	(19,732,950)	(20,671,451)
Other liabilities	(6,337,140)	(5,946,028)
Total liabilities	<u>(26,070,090)</u>	<u>(26,617,479)</u>
Deferred inflows of resources	<u>(8,800,409)</u>	<u>(9,168,836)</u>
Net position:		
Net investment in capital assets	138,528,286	134,783,717
Restricted	15,278,141	14,967,488
Unrestricted	<u>53,724,515</u>	<u>48,971,606</u>
Total net position	<u><u>\$207,530,942</u></u>	<u><u>\$198,722,811</u></u>

	<b>CHANGES IN NET POSITION</b>	
	2012	2011
Revenues		
Program revenues:		
Charges for services	\$11,108,525	\$10,758,442
Operating grants and contributions	1,431,456	725,501
Capital grants and contributions	5,584,310	10,049,879
General revenues:		
Income taxes	42,345,005	36,303,996
Property taxes	8,176,061	8,896,724
Other taxes	6,253,383	10,292,717
Investment earnings	791,959	629,983
Other general revenue	<u>1,988,618</u>	<u>1,501,041</u>
Total revenues	<u>77,679,317</u>	<u>79,158,283</u>
Program expenses		
General government	14,533,955	13,824,699
Police	14,631,811	14,346,393
Fire	10,903,086	10,533,420
Public works	14,186,561	13,388,960
Leisure services	14,030,681	13,840,098
Interest on long-term debt	<u>585,092</u>	<u>635,755</u>
Total expenses	<u>68,871,186</u>	<u>66,569,325</u>
Increase (decrease) in net position	8,808,131	12,588,958
Net position beginning, as restated (note 13)	<u>198,722,811</u>	<u>186,133,853</u>
Net position ending	<u><u>\$207,530,942</u></u>	<u><u>\$198,722,811</u></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

	Total Cost of Services		Net Cost of Services	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Police	\$14,631,811	\$14,346,393	\$14,558,780	\$14,293,832
Fire	10,903,086	10,533,420	9,373,220	8,894,525
Public works	14,186,561	13,388,960	9,360,343	3,917,494
Leisure services	14,030,681	13,840,098	6,364,629	6,810,888
All others	14,533,955	13,824,699	10,504,831	10,483,009
	<u>\$68,286,094</u>	<u>\$65,933,570</u>	<u>\$50,161,803</u>	<u>\$44,399,748</u>

Total costs of services for 2012 increased by \$2,352,524 while net costs of services increased by \$5,762,055. The largest increases in net costs of services were in the Public works function. This function received significant grant revenues in 2011 for roadway projects.

The capital asset activity for the year was more than normal. Capital asset additions totaled \$12.6 million compared to \$23.9 million in 2011 which was a very high year. 2012's larger additions included over \$7 million in street improvements, \$881,000 in parks improvements, \$808,000 for land for a new fire station, and over \$722,000 for a new nature center. Total net capital assets for 2012 were \$153,888,813. Of this total, \$12,177,631 was not being depreciated and the capital assets being depreciated totaled \$266,982,504 with accumulated depreciation of \$125,271,322.

In 2012 the City retired three debt issues; two of the issues were general obligation and one special assessment. All of the issues were for street improvements; two issued in 1991 and the other issued in 1992. At December 31, 2012, the City had various debt issues outstanding, which included \$13,425,000 of general obligation bonds and \$1,756,027 of promissory notes. As of December 31, 2012, the City's net general obligation bonded debt of \$12,557,621 was well below the legal limit of \$117,348,942 and debt per capita equaled \$223.59.

For more detail on capital asset and long-term debt activity, refer to note 6 and note 11 respectively in the Notes to the Basic Financial Statements.

### THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 12 and 13) reported a combined fund balance of \$64.5 million, which is 2.4% higher than last year's total of \$63 million.

The City's General Fund experienced a \$1,891,500, or 3.7% overall increase in revenues for 2012. At the same time expenditures increased by \$1,328,300 or 3.6%, and transfers out increased by \$245,000 or 2.1%. The City's General Fund balance increased in 2012 for the second year in a row. Income taxes increased in 2012 due to an amnesty program, an improving economy and increased corporate estimated tax payments. Investment earnings increased for the year due to higher rates of return and a larger portfolio. Intergovernmental revenue decreased in 2012 and will continue to remain at 2012 levels due to state cuts in sales tax sharing with local jurisdictions. Total revenues for the General Fund were \$52.35 million while total expenditures were \$38 million. Transfers to other funds totaled \$11.9 million resulting in the \$2,476,700, or 5.9% increase to the General Fund balance.

The Frazee Pavilion, an outdoor amphitheater accounted for in a major special revenue fund, has produced a surplus only four times since it began operations in 1991. In 2012 it produced its fifth and largest surplus ever of \$660,800.

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Increased ticket and concession revenue as well as expenditure control are responsible for the large surplus. The Parks, Recreation & Cultural Arts Fund saw revenues increase slightly over 2011 levels. The Community Development Fund saw an increase in both revenues and expenditures during 2012. The increases were for property acquisition to stabilize neighborhoods. The Capital Projects Fund also saw a significant decrease in both revenues and expenditures. In 2011 bond levy money for construction on parks and recreation projects, and significant grant funding for roadway projects all contributed to abnormally high numbers. 2012 returned to more normal, albeit still high spending. There were no other material changes to the major funds in 2012.

There were two significant variations in the City's original General Fund budget and the final General Fund budget. Budgeted "Transfers to other funds" was increased during the year by just over \$3.5 million because of lower than anticipated estate tax revenues and funding of a residential neighborhood development that was originally supposed to be funded with debt financing. There was also a significant variance between actual expenditures and final budgeted expenditures for "Transfers to other funds". Because of lower than expected expenditures in the Capital Projects Fund, the required transfers were reduced. Capital Project Fund expenditures were lower due to the City planning many new capital projects, which, in hindsight, proved to be an overly optimistic number to accomplish in one year. Another significant variation in the City's original General Fund budget and the final General fund budget was in the Administrative support operating expenditures. During 2012 the City decided to charge all telecommunication expenditures to administrative support rather than to every individual department.

As mentioned above, 2012 produced an increase to the General Fund balance. This increase can be attributed primarily to increased income tax revenues. The City was fortunate this year to have an increase in income tax revenues, since many other revenue sources declined. The future will present mounting financial challenges for the City resulting from property tax revenue declines due to lower property values, the phase out of tangible property tax, the State reducing the local share of sales tax distributions, and finally the State's total elimination of the estate tax in 2013. The City has always used estate tax revenues to help finance capital projects. Beginning in 2013, the City will be forced to transfer more from the General Fund to finance capital projects.

**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

<b>ASSETS</b>	
Pooled cash and investments (note 2)	\$66,804,751
Receivables:	
Income taxes (net of allowance for \$999,111)	8,095,500
Property taxes	8,044,453
Interest	707,445
Accounts	408,127
Special assessments	750,000
Loans (net of allowance for \$86,694)	1,014,071
Due from other governments	2,145,087
Prepaid expenses	19,617
Inventory	523,577
Capital assets not being depreciated (note 6)	12,177,631
Capital assets being depreciated, net (note 6)	141,711,182
Total assets	<u>242,401,441</u>
<b>LIABILITIES</b>	
Accounts payable	1,990,992
Salary and benefits payable	2,236,386
Accrued interest payable	51,718
Accrued health claims	442,419
Unearned revenue	1,615,625
Noncurrent liabilities (note 11)	
Due within one year	3,341,081
Due in more than one year	16,391,869
Total liabilities	<u>26,070,090</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Income taxes	517,056
Property taxes	8,283,353
Total deferred inflows	<u>8,800,409</u>
<b>NET POSITION</b>	
Net investment in capital assets	138,528,286
Restricted for:	
Debt service	867,379
Social services	1,412,417
Public safety	11,231,818
Road construction/Public works	98,742
Leisure services	35,726
Municipal court activities	1,632,059
Unrestricted	53,724,515
Total net position	<u>\$207,530,942</u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$14,533,955	\$2,530,640	\$754,675	\$743,809	(\$10,504,831)
Police	14,631,811	35,060	10,382	27,589	(14,558,780)
Fire	10,903,086	1,529,866			(9,373,220)
Public works	14,186,561	13,306		4,812,912	(9,360,343)
Leisure services	14,030,681	6,999,653	666,399		(6,364,629)
Interest on long-term debt	585,092				(585,092)
Total	<u>\$68,871,186</u>	<u>\$11,108,525</u>	<u>\$1,431,456</u>	<u>\$5,584,310</u>	<u>(50,746,895)</u>
General revenues:					
Taxes:					
Income taxes					42,345,005
Property taxes, levied for general purposes					7,278,599
Property taxes, levied for debt service					897,462
Estate taxes					1,962,711
Sales taxes					1,213,806
Gasoline taxes					1,878,676
Vehicle license taxes					761,302
Cell phone taxes					160,825
Miscellaneous other taxes					276,063
Investment earnings					791,959
Refunds and reimbursements					1,801,694
Miscellaneous					186,924
Total general revenues					<u>59,555,026</u>
Change in net position					8,808,131
Net position--beginning, as restated (note 13)					<u>198,722,811</u>
Net position--ending					<u>\$207,530,942</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
<b>ASSETS</b>				
Pooled cash and investments	\$43,177,051	\$275,227	\$407,934	\$1,502,339
Receivables:				
Income taxes (net of allowance for \$999,111)	8,095,500			
Property taxes	6,583,453			
Interest	707,445			
Accounts	60,075	147	33,712	
Special assessments	400,000			
Loans (net of allowance for \$86,694)				
Due from other governments	576,924	1,060,298		
Prepaid expenditures	16,988	249	1,892	443
Inventory		144,886		
Total assets	<u>\$59,617,436</u>	<u>\$1,480,807</u>	<u>\$443,538</u>	<u>\$1,502,782</u>
<b>LIABILITIES</b>				
Accounts payable	\$606,740	\$116,374	\$213,855	\$40,330
Accrued payroll	1,376,799	150,607	177,323	11,865
Unearned revenue	1,425,542		36,705	153,378
Total liabilities	<u>3,409,081</u>	<u>266,981</u>	<u>427,883</u>	<u>205,573</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Income taxes	4,582,540			
Property taxes	6,983,453			
Grants and other taxes	401,600	863,700		
Total deferred inflows of resources	<u>11,967,593</u>	<u>863,700</u>		
<b>FUND BALANCES</b>				
Nonspendable: Inventory and prepaids	16,988	145,135	1,892	443
Restricted for:				
Debt service				
Social services				
Public safety				
Road construction / Public works				
Leisure services				
Municipal court activities				
Committed to:				
Social services	56,256			
Public safety	356,576			
Road construction / Public works	2,079	204,991		
Leisure services			13,763	1,296,766
Economic development	449,994			
Other purposes	652,687			
Unassigned:	42,706,182			
Total fund balances	<u>44,240,762</u>	<u>350,126</u>	<u>15,655</u>	<u>1,297,209</u>
Total liabilities, deferred inflows & fund balances	<u>\$59,617,436</u>	<u>\$1,480,807</u>	<u>\$443,538</u>	<u>\$1,502,782</u>

See accompanying notes to the basic financial statements.



Revenue Funds					
Community Development	Emergency Medical	Debt Service	Capital Projects	Other Special Revenue Governmental Funds	Total Governmental Funds
\$403,531	\$10,087,620	\$867,379	\$2,619,304	\$4,578,728	\$63,919,113
		900,000	226,000	335,000	8,095,500
	306,458		1,038	5,712	8,044,453
			350,000		707,445
1,014,072					407,142
36,402			324,830	146,633	750,000
					1,014,072
					2,145,087
					19,572
					144,886
<u>\$1,454,005</u>	<u>\$10,394,078</u>	<u>\$1,767,379</u>	<u>\$3,521,172</u>	<u>\$5,066,073</u>	<u>\$85,247,270</u>
\$41,588	\$38,389		\$610,914	\$30,038	\$1,698,228
				404,267	2,120,861
<u>41,588</u>	<u>38,389</u>		<u>610,914</u>	<u>434,305</u>	<u>1,615,625</u>
					5,434,714
		\$900,000	576,000	335,000	4,582,540
36,402	166,703		311,766	105,826	8,794,453
<u>36,402</u>	<u>166,703</u>	<u>900,000</u>	<u>887,766</u>	<u>440,826</u>	<u>1,885,997</u>
					15,262,990
					164,458
		867,379			867,379
1,376,015					1,376,015
	10,188,986			876,129	11,065,115
				28,642	28,642
				1,632,059	1,632,059
				6,738	62,994
				12,127	368,703
			1,135,221		1,342,291
			277,726	1,570,084	3,158,339
					449,994
			609,545	65,163	1,327,395
					42,706,182
<u>1,376,015</u>	<u>10,188,986</u>	<u>867,379</u>	<u>2,022,492</u>	<u>4,190,942</u>	<u>64,549,566</u>
<u>\$1,454,005</u>	<u>\$10,394,078</u>	<u>\$1,767,379</u>	<u>\$3,521,172</u>	<u>\$5,066,073</u>	

Amounts reported for governmental activities in the Statement of Net Position (page 10) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 153,426,008

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

- Income taxes receivable 4,065,483
- Grants and other taxes receivable 2,397,097

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 Position. 2,463,130

The following noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds:

- Bonds and notes payable (15,360,527)
- Vacation and sick leave benefits (3,958,098)
- Accrued interest on bonds payable (51,717)

\$207,530,942

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2012**

	General Fund	Major		Special
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
<b>REVENUES</b>				
Income taxes	\$39,891,659			
Property taxes	6,467,040			
Licenses and permits	511,884	\$13,306		
Intergovernmental revenue	1,155,986	2,466,209	\$13,539	
Charges for services	134,337		3,204,659	\$3,794,993
Fines and forfeits	1,362,895			
Investment earnings	649,553			
Special assessments	401,981			
Refunds and reimbursements	1,762,021	191,612	39,785	264
Miscellaneous	13,604	9,927	40,541	533,240
Total revenues	<u>52,350,960</u>	<u>2,681,054</u>	<u>3,298,524</u>	<u>4,328,497</u>
<b>EXPENDITURES</b>				
Current:				
General government	11,428,002			
Police	13,223,039			
Fire	10,478,142			
Public works	2,860,691	5,404,001		
Leisure services			8,873,142	3,667,658
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	<u>37,989,874</u>	<u>5,404,001</u>	<u>8,873,142</u>	<u>3,667,658</u>
Excess (deficiency) of revenues over expenditures	14,361,086	(2,722,947)	(5,574,618)	660,839
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		2,423,000	5,539,000	
Transfers out	(11,903,130)			
Sale of city assets	18,747	38,074	2,465	
Net change in fund balance	2,476,703	(261,873)	(33,153)	660,839
Fund balances--beginning	41,764,059	611,999	48,808	636,370
Fund balances--ending	<u>\$44,240,762</u>	<u>\$350,126</u>	<u>\$15,655</u>	<u>\$1,297,209</u>

See accompanying notes to the basic financial statements.

Revenue Funds					
Community Development	Emergency Medical	Debt Service	Capital Projects	Other Special Revenue Governmental Funds	Total Governmental Funds
					\$39,891,659
		\$897,462	\$412,517	\$354,141	8,131,160
\$1,496,553			5,042,154	916,010	525,190
	\$1,579,179			81,783	11,090,451
376	99,333	19,913		474,800	8,794,951
		149,593	413,548	22,784	1,837,695
22,384		49,782	147,600	13,894	791,959
8,521			19,000	130,088	965,122
<u>1,527,834</u>	<u>1,678,512</u>	<u>1,116,750</u>	<u>6,034,819</u>	<u>1,993,500</u>	<u>75,010,450</u>
555,716				569,745	12,553,463
				1,599,495	14,822,534
	316,513				10,794,655
				130,647	8,395,339
				10,928	12,551,728
1,294,176	856,414		10,471,408	648,900	13,270,898
		1,092,888			1,092,888
		599,394			599,394
<u>1,849,892</u>	<u>1,172,927</u>	<u>1,692,282</u>	<u>10,471,408</u>	<u>2,959,715</u>	<u>74,080,899</u>
(322,058)	505,585	(575,532)	(4,436,589)	(966,215)	929,551
		570,000	2,172,294	1,198,836	11,903,130
					(11,903,130)
<u>407,649</u>	<u>6,000</u>		<u>125,000</u>		<u>597,935</u>
85,591	511,585	(5,532)	(2,139,295)	232,621	1,527,486
<u>1,290,424</u>	<u>9,677,401</u>	<u>872,911</u>	<u>4,161,787</u>	<u>3,958,321</u>	<u>63,022,080</u>
<u>\$1,376,015</u>	<u>\$10,188,986</u>	<u>\$867,379</u>	<u>\$2,022,492</u>	<u>\$4,190,942</u>	<u>\$64,549,566</u>
Net change in Fund Balance - Governmental Funds					\$1,527,486
Amounts reported for governmental activities in the Statement of Activities (page 11) are different because:					
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.				} Capital outlays	11,976,224
				} Depreciation expense	(8,745,667)
In the Statement of Activities, only the gain on the sale of city assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differ from the change in fund balance by the book value of the asset sold.					(871,046)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.					
				Income taxes receivable	2,453,344
				Grants receivable	427,253
				Property taxes receivable	44,900
				Contribution of fixed assets	428,736
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Position.					1,092,888
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	77,515
				Interest payable	14,302
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 17.)					382,196
Change in Net Position on the Statement of Activities					<u>\$8,808,131</u>

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2012**

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	Governmental Activities- Internal Service Funds
<b>ASSETS</b>	
Current Assets:	
Pooled cash and investments	\$2,885,638
Accounts receivable	984
Prepaid expenses	45
Inventory	378,691
Total current assets	<u>3,265,358</u>
Noncurrent Assets:	
Capital assets:	
Buildings and improvements	757,936
Machinery and equipment	2,084,714
Less: Accumulated depreciation	<u>(2,379,844)</u>
Total noncurrent assets	<u>462,806</u>
Total assets	<u>3,728,164</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	292,764
Accrued payroll	115,526
Accrued health claims	442,419
Total current liabilities	<u>850,709</u>
Noncurrent liabilities:	
Accrued vacation and sick benefits due within one year	236,165
Accrued vacation and sick benefits due within more than one year	178,160
Total noncurrent liabilities	<u>414,325</u>
Total liabilities	<u>1,265,034</u>
<b>NET POSITION</b>	
Net investment in capital assets	462,805
Unrestricted	<u>2,000,325</u>
Total net position	<u>\$2,463,130</u>

See accompanying notes to the basic financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$11,754,341
Total operating revenues	<u>11,754,341</u>
OPERATING EXPENSES	
Personal services	3,216,765
Repairs and maintenance	1,682,776
Contractual services	5,917,984
Other materials and expenses	442,714
Depreciation	102,106
Total operating expenses	<u>11,362,345</u>
Operating income (loss)	<u>391,996</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	<u>(9,800)</u>
Change in net position	382,196
Total net position--beginning	<u>2,080,934</u>
Total net position--ending	<u><u>\$2,463,130</u></u>

See accompanying notes to the basic financial statements.

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2012  
 Increase (Decrease) in cash**

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received for services	\$11,753,125
Cash paid to suppliers for goods or services	(7,455,702)
Cash paid to employees for services	(3,172,621)
Net cash provided (used) by operating activities	<u>1,124,802</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(145,040)
Sale of capital assets	860
Net cash used by capital and related financing activities	<u>(144,180)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	(9,800)
Net cash provided by investing activities	<u>(9,800)</u>
Net increase (decrease) in cash	970,822
Cash at beginning of year	1,914,816
Cash at end of year	<u><u>\$2,885,638</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$391,996
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	102,106
(Increase) decrease in receivables	(356)
(Increase) decrease in inventories	(18,124)
Increase (decrease) in accounts payable	160,879
Increase (decrease) in accrued health claims	442,419
Net (increase) decrease in other operating net position	45,882
Net cash provided (used) by operating activities	<u><u>\$1,124,802</u></u>

See accompanying notes to the basic financial statements.

## FIDUCIARY FUNDS

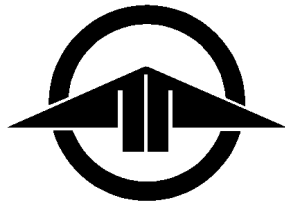
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2012

	Volunteer Firefighter Pension	Deceased Police Dependents Private Purpose Trust	Agency Funds
<b>ASSETS</b>			
Pooled cash and investments		\$90,758	\$796,492
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$2,133,508		
Other investments			256,702
Total assets	<u>2,133,508</u>	<u>90,758</u>	<u>\$1,053,194</u>
<b>LIABILITIES</b>			
Accounts payable			\$2,443
Withholdings payable			789,529
Undistributed moneys			256,702
Unclaimed moneys			4,520
Total liabilities			<u>\$1,053,194</u>
<b>NET POSITION</b>			
Restricted for pension benefits and other purposes	<u>\$2,133,508</u>	<u>\$90,758</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2012

<b>ADDITIONS</b>			
Employer contributions	\$44,427		
Investment earnings (loss)	156,040	\$1,103	
Total additions	<u>200,467</u>	<u>1,103</u>	
<b>DEDUCTIONS</b>			
Pension payments	115,326		
Total deductions	<u>115,326</u>		
Net increase (decrease)	85,141	1,103	
Net position--beginning of year	2,048,367	89,655	
Net position--end of year	<u>\$2,133,508</u>	<u>\$90,758</u>	

See accompanying notes to the basic financial statements.



CITY OF KETTERING



## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

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

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

#### B. Basis of Presentation

*Government-Wide Statements:* The statement of net position 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 should be used to account for and report all financial resources not accounted for and reported in another fund.

**Street Maintenance Fund** – This fund accounts for the portion of gasoline tax and motor vehicle license fees restricted, committed, or assigned for maintenance of streets.

**Parks, Recreation & Cultural Arts Fund** – This fund accounts for money restricted, committed, or assigned for the Parks, Recreation & Cultural Arts department programs and activities.

**Fraze Pavilion Fund** – This fund accounts for moneys restricted, committed, or assigned 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.

**Emergency Medical Fund** – This fund accounts for revenues received for emergency medical services. The revenues are committed or assigned for expenditure on fire equipment or structures.

**Debt Service Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds).

Additionally, the City reports the following fund types:

**Internal Service Funds** – The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost-reimbursement basis. These goods and services include computer services, vehicle maintenance, office supplies, postage, printing services, building maintenance and health insurance. The City has no unbilled service receivables at year end.

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

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

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

#### C. Basis of Accounting

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

Government-wide, proprietary and fiduciary fund financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds do not involve the measurement of results of operations and therefore have no measurement focus.

All governmental funds are accounted for using a current financial resources measurement focus and are reported on a 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 classified as nonspendable in governmental funds for the amount of inventory and prepaid expenditures. When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure is incurred for purposes for which amounts in any unrestricted fund balance classification could be used it is the government’s policy to use assigned resources first, committed resources second, and then unassigned amounts as they are needed.

#### D. Pooled Cash and Investments and Investment 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 expending 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.

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 \$10,000 or greater (\$5,000 or greater for federal funded assets) and a useful life of at least two years. The City has capitalized all infrastructure acquired after January 1, 1980. Capital assets are recorded as expenditures of the current period in the government fund financial statements.

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

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

#### G. Interfund Transactions and Transfers

During the course of normal operations, the City has numerous transactions among funds, most of which are in the form of transfers used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The accompanying financial statements generally reflect such transactions as transfers, with the exception of the internal service funds which are used to account for various supplies and services which are then charged back to the appropriate fund on an "as used" basis. The internal service funds record such charges as operating revenues; all other City funds record payments to the internal service funds as operating expenditures.

#### H. Fund Balance Classifications

Fund balance is reported as restricted when constraints placed on the use of resources are either: a. externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b. imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council enacts legislation requiring specific revenues to be used for a specific purpose. The City Council can modify or rescind that legislation at any time through additional legislation.

Fund balance is reported as assigned when a revenue source is not previously restricted or committed but the Finance Director determines, in the Director's professional opinion, that the assigning of the revenue is the desire or direction of City Council. This authority is given to the Finance Director through ordinance passed by City Council.

#### I. Grants and Other Intergovernmental Revenues

All reimbursement-type grants are recorded as intergovernmental receivables and revenues or deferred inflows of resources 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 City's bank balance was \$11,380,122. Of this amount, \$4,233,005 was insured; the remaining \$7,147,117 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name per Ohio Revised Code Section 135.181. This statute requires all financial institutions acting as public depositories to pledge a pool of collateral with a market value of at least 105% of the total amount of public deposits secured. The City has no deposit policy for custodial credit risk.

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, when purchased, A-1 by Standard & Poors Corporation or P-1 by Moody's Commercial Paper Record, corporate bonds rated, when purchased, A or better by Standard & Poors Corporation or Moody's Bond Rating, bankers acceptances issued by banks ranked nationally as being in the top 50 in asset and deposit size, repurchase and reverse repurchase agreements, money market mutual funds whose portfolio consists of authorized investments, and the state treasurer's investment pool. The policy states that no more than 20% of the City's investment portfolio will be placed with any particular issuer, and unless matched to a specific cash flow requirement, the City will not invest in securities maturing more than five years from the date of purchase. It has been the City's practice to invest in securities maturing no more than three years from the date of purchase, and to hold all investments until maturity. The City has no investment policy for custodial credit risk.

The City's investments in corporate bonds, listed below, are 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. On December 31, the City had \$7,110,539 in corporate bonds issued by GE and \$3,476,143 in corporate bonds issued by Caterpillar. These amounts represent 10.4% and 5.1% respectively of the pooled cash and investments. At year-end, \$3,822,835 of the securities in the corporate bond category below are rated "BAA1", the remaining \$53,335,537 are rated "A" or better and all other investment types listed are unrated.

As of December 31, 2012 the City had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-3</u>	<u>3-6</u>	<u>6-7</u>
Corporate Bonds	\$57,158,372	\$32,178,576	\$24,979,796		
Pension Plan Pooled Invest Fund	2,133,508				\$2,133,508
Total	<u>\$59,291,880</u>	<u>\$32,178,576</u>	<u>\$24,979,796</u>		<u>\$2,133,508</u>

### 3. INCOME TAXES

The City levies a 2.25% income tax on substantially all income earned within the City. Additional increases in the income tax rate require voter approval. In 2006, the voters approved an income tax rate increase to 2.25% from 1.75% effective January 1<sup>st</sup>, 2007. 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 and public utility 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. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2008.

The property tax calendar is as follows:

Levy date	December 31, 2011
Lien date	December 31, 2011
Tax bill mailed	January 20, 2012
First installment payment due	February 15, 2012
Second installment payment due	July 15, 2012

The assessed values for the City at December 31, 2011 were as follows:

	<b>Assessed Value</b>
	<b>Category</b>
Real Estate	\$1,099,499,970
Public Utility Real Property	13,410
Public Utility Personal Property	18,095,590
Total	<u>\$1,117,608,970</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. LOANS RECEIVABLE AND NOTES RECEIVABLE

The City used a portion of the Federal Community Development Block Grant (CDBG) to provide low interest loans for housing rehabilitation, as well as for economic and job development. The loans are payable in installments to 2037. Fund balance has been classified as restricted for the loans receivable at December 31, 2012. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures.

## 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$10,842,430	\$1,688,534	(\$846,346)	\$11,684,618
Right of Way	425,583	67,430		493,013
Subtotal	<u>11,268,013</u>	<u>1,755,964</u>	<u>(846,346)</u>	<u>12,177,631</u>
Capital assets being depreciated:				
Buildings and improvements	53,146,894	1,202,671	(29,166)	54,320,399
Machinery and equipment	18,418,896	1,158,464	(608,558)	18,968,802
Infrastructure	185,781,066	8,434,701	(522,464)	193,693,303
Subtotal	<u>257,346,856</u>	<u>10,795,836</u>	<u>(1,160,188)</u>	<u>266,982,504</u>
Accumulated depreciation:				
Buildings and improvements	(29,446,861)	(1,713,874)	29,166	(31,131,569)
Machinery and equipment	(13,766,051)	(998,129)	582,058	(14,182,122)
Infrastructure	(74,344,325)	(6,135,770)	522,464	(79,957,631)
Subtotal	<u>(117,557,237)</u>	<u>(8,847,773) *</u>	<u>1,133,688</u>	<u>(125,271,322)</u>
Net capital assets being depreciated	<u>139,789,619</u>	<u>1,948,063</u>	<u>(26,500)</u>	<u>141,711,182</u>
Net capital assets	<u>\$151,057,632</u>	<u>\$3,704,027</u>	<u>(\$872,846)</u>	<u>\$153,888,813</u>

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

General government	\$689,853
Police	270,531
Fire	380,539
Public works	5,842,781
Leisure services	1,561,963
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>102,106</u>
Total depreciation expense	<u>\$8,847,773</u>

## 7. RISK MANAGEMENT

The City is a member of a public entity risk pool, Miami Valley Risk Management Association, Inc. (MVRMA) with nineteen 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** – \$1,000,000,000 per occurrence
- Crime** - \$2,000,000 per occurrence
- Liability** - \$10,000,000 per occurrence
- Boiler & Machinery** - \$100,000,000 per occurrence
- Public Official Liability** - \$10,000,000 per occurrence

The deductible per occurrence for all types is \$2,500. Pool coverage is \$2,500 - \$350,000 for boiler and machinery, \$2,501 - \$50,000 for crime, \$2,501 - \$250,000 for property, and \$2,501 - \$500,000 for liability. Excess insurance coverage, provided by commercial companies, is the amount in excess of pool coverage to the limits stated above. The City pays an annual premium to MVRMA that 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, 2011, indicates reserves in excess of anticipated claims.

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 the above insurance coverages 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.

Beginning in 2012, employee health insurance is provided through a self-insured plan and is accounted for and financed through an internal service fund. The City has purchased commercial stop-loss insurance for individual claims over \$125,000 and annual aggregate claims in excess of 120% of the expected total claims for the year. The health insurance claim liability of \$442,419 recorded at year-end was calculated by the City's health care broker based on the City's claims experience over the past twelve months.

	Beginning of Year Liability	Current Year Claims & Changes in Estimate	Claim Payments	Balance at Year-End
2011	\$0	\$0	\$0	\$0
2012	0	5,203,488	4,761,069	442,419

## 8. PENSION PLAN OBLIGATIONS

Substantially all City employees are covered by one of two pension plans Ohio Police and Fire Pension Fund (OP&F) or Ohio Public Employees Retirement System (OPERS).

### OHIO POLICE AND FIRE PENSION FUND (OP&F)

OP&F is a cost-sharing multiple-employer defined benefit pension plan, which provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. 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 visiting their website at [www.op-f.org](http://www.op-f.org).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 10% of their annual covered salary and the City is required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to the plan for the years ending December 31, 2010, 2011 and 2012, were \$2,618,896, \$2,667,129 and \$2,658,962 respectively, equal to the required contributions for the year.

### OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

OPERS administers three separate pension plans. 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan. 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. 3) The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Employer contributions are invested by the retirement



system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP and CO. Members of the MD do not qualify for ancillary benefits. 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 stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 10% of their annual covered salary and the City is required to contribute 14%. The City's contributions to the plan for the years ending December 31, 2010, 2011 and 2012, were \$2,758,135, \$2,761,028 and \$2,736,865 respectively, equal to the required contributions for the year.

#### VOLUNTEER FIREFIGHTERS PENSION

Principal Life Insurance Company administers a single-employer, defined benefit pension plan for the Volunteer Firefighters. At January 1, 2012, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	77
Terminated employees entitled to benefits but not yet receiving them	33
Active members	<u>33</u>
Total	<u><u>143</u></u>

On August 1<sup>st</sup>, 2010 the City implemented a soft freeze so that no new members could join the pension plan after that date. On October 1<sup>st</sup>, 2010 the City implemented a hard freeze so that no additional benefits could be earned by existing members after that date. All regular members before August 1<sup>st</sup>, 2010 of the Volunteer Fire Department are eligible for the plan upon completion of 3 years of continuous service before October 1, 2010. 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 before October 1, 2010 not in excess of 10 years and \$10.00 multiplied by the number of years of credited service before October 1, 2010 in excess of 10 years. Benefits vest at 15% upon 3 years of credited service before October 1, 2010 plus 5% for each additional year before October 1, 2010, up to 100%. Benefits are established by and may be amended by City Ordinance.

Financial Statements of the Volunteer Firefighter 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 position available for benefits.

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

The annual required contribution for the current year was determined as part of the January 1, 2012, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included a 5.25% investment rate of return and that benefits will not increase after retirement. The actuarial value of assets was determined using the contract basis. The funded status of the plan as of January 1, 2012, the most recent actuarial valuation date is as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
1/1/2010	\$2,064,070	\$2,305,101	\$241,031	89.5%	\$459,200	52.5%
1/1/2011	2,094,393	2,444,592	350,199	85.7%	656,820	53.3%
1/1/2012	2,090,377	2,381,620	291,243	87.8%	673,704	43.2%

#### SCHEDULE OF EMPLOYER CONTRIBUTIONS

<b>Year Ended December 31</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution</b>	<b>Percent Contributed</b>
2007	\$67,025	\$67,025	100%
2008	69,847	69,847	100%
2009	91,662	91,662	100%
2010	59,726	59,726	100%
2011	45,905	45,905	100%
2012	38,176	44,427	116%

For the fiscal years ended December 31, 2010, 2011 and 2012, the Annual Pension cost (APC) was \$59,726, \$45,905 and \$38,176 respectively; the percentage of APC contributed was 100% in 2010 and 2011 and 116% in 2012. The net pension obligation was (\$6,251).

The first year the City 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.

#### 9. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 9, both the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OP&F) provide post retirement health care coverage, which meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. For both systems, the Ohio Revised Code (ORC) permits, but does not mandate, OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in the ORC Chapter 145 for OPERS and Chapter 742 for OP&F.

##### OHIO POLICE AND FIRE PENSION FUND OPEB

OP&F sponsors a cost-sharing multiple-employer defined post retirement healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

The ORC provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OP&F. A portion of each employer's contribution is set aside for the funding of post retirement health care benefits. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% and 24.0% of covered payroll for police and fire employers respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the ORC to the OP&F board of trustees. The board of trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 155 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2012, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h). The OP&F board of trustees is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions to OP&F allocated to the healthcare plan for 2012, 2011 and 2010 were \$839,888, \$841,537 and \$825,850 respectively, equal to the required contributions for the year.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting their website at [www.op-f.org](http://www.op-f.org).

#### OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB

OPERS administers three separate pension plans, the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO), all of which are described in note 9. OPERS maintains a cost-sharing multiple employer defined benefit post employment healthcare plan, which provides a medical plan, prescription drug program and Medicare Part B premium reimbursement, to age and service retirees with 10 or more years of qualifying Ohio service credit of both the TP and CO. Members of the MD do not qualify for ancillary benefits, including post employment health care coverage. Health care coverage for disability recipients and qualified survivor benefit recipients is available.

The ORC provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution is set aside for the funding of post retirement health care benefits. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 14.0%. The ORC states that the employer contribution may not exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS post employment healthcare plan was established and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2012, the employer contribution allocated to the health care plan was 4.0% and 6.05% for the Traditional Plan and Combined Plan respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions to OPERS allocated to fund post employment benefits for 2012, 2011 and 2010 were \$781,922, \$788,826 and \$1,007,103 respectively, equal to the required contributions for the year. Changes to the health care plan were adopted in 2012 with a transition plan beginning in 2014. Because of these changes and the recent passage of pension legislation, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling (800) 222-7377.

## 10. 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 2012 were \$227,077.

Significant commitments and encumbrances at December 31, 2012 included:

Capital Projects Fund \$1,484,000

## 11. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>General obligation bonds:</b>					
Street Improvement bonds-					
Series 1991, 4.5%-6.65%	\$44,735		\$44,735		
Street Improvement bonds-					
Series 1992, 3.25%-6.45%	85,000		85,000		
Court Facility, 3.0%-4.5%	2,915,000		175,000	2,740,000	180,000
Court Facility discount	(17,950)		1,355	(16,595)	
Recreation & Parks Improvements					
3.0%-5.0%	11,160,000		475,000	10,685,000	495,000
Recreation & Parks premium	208,083		11,988	196,095	
Total general obligation bonds	<u>14,394,868</u>		<u>793,078</u>	<u>13,604,500</u>	<u>675,000</u>
<b>Special assessment bonds:</b>					
Streets Series 1991, 4.5%-6.65%	<u>140,265</u>		<u>140,265</u>		
Total special assessment bonds	<u>140,265</u>		<u>140,265</u>		
<b>Other:</b>					
Accrued vacation and					
sick leave benefits	4,397,536	\$2,519,904	2,545,017	4,372,423	2,492,281
Ohio Public Works Commission					
Long-Term Promissory Notes, 0-3%	<u>1,928,915</u>		<u>172,888</u>	<u>1,756,027</u>	<u>173,800</u>
Total other	<u>6,326,451</u>	<u>2,519,904</u>	<u>2,717,905</u>	<u>6,128,450</u>	<u>2,666,081</u>
Total noncurrent liabilities	<u>\$20,861,584</u>	<u>\$2,519,904</u>	<u>\$3,651,248</u>	<u>\$19,732,950</u>	<u>\$3,341,081</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 76% 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.

From time to time the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year-end there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$4.4 million.

The annual requirements to pay principal and interest on noncurrent obligations at December 31, 2012, are as follows:

	<b>General Obligation Bonds</b>		<b>Promissory Notes</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2013	\$675,000	\$548,018	\$173,800	\$11,868
2014	695,000	528,623	174,735	10,933
2015	720,000	500,823	170,944	9,973
2016	750,000	471,048	162,660	8,988
2017	785,000	440,198	157,542	7,977
2018-2022	4,430,000	1,666,804	803,837	23,756
2023-2027	4,485,000	734,088	112,509	1,843
2028	885,000	38,719	-	-
	<u>\$13,425,000</u>	<u>\$4,928,321</u>	<u>\$1,756,027</u>	<u>\$75,338</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, 2012 the City had a legal debt margin for total debt of \$104,791,321 and a legal debt margin for unvoted debt of \$59,595,872.

## 12. 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 that 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.

## 13. PRIOR YEAR RESTATEMENT

In 2012 the City adopted GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". This statement indicates that debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prior to this statement, these costs were amortized over the duration of the related debt. The City has restated the beginning net position in the statement of activities for the unamortized debt issuance costs. The beginning net position for the year was \$198,924,517; less the unamortized debt issuance costs of \$201,706; equals a restated beginning net position of \$198,722,811.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$41,764,059	\$41,764,059	\$41,764,059	
Resources (inflows)				
Income taxes	38,600,000	38,600,000	39,891,659	\$1,291,659
Property taxes	6,373,000	6,398,000	6,467,040	69,040
Licenses and permits	455,000	460,000	511,884	51,884
Intergovernmental revenue	1,165,000	1,328,000	1,155,986	(172,014)
Charges for services	139,000	129,000	134,337	5,337
Fines and forfeits	1,420,000	1,282,000	1,362,895	80,895
Investment earnings	782,000	440,000	649,553	209,553
Special assessments	400,000	402,000	401,981	(19)
Refunds and reimbursements	1,350,000	1,600,000	1,762,021	162,021
Miscellaneous	8,000	8,000	13,604	5,604
Sale of city assets	20,000	20,000	18,747	(1,253)
Amounts available for appropriation	<u>92,476,059</u>	<u>92,431,059</u>	<u>94,133,766</u>	<u>1,702,707</u>
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	260,600	251,000	248,929	2,071
Operating expenditures	84,671	84,042	63,743	20,299
Capital outlay				
Total mayor and council	<u>345,271</u>	<u>335,042</u>	<u>312,672</u>	<u>22,370</u>
Municipal court:				
Personal services	1,057,100	1,084,500	1,060,543	23,957
Operating expenditures	279,345	279,345	251,621	27,724
Capital outlay				
Total municipal court	<u>1,336,445</u>	<u>1,363,845</u>	<u>1,312,164</u>	<u>51,681</u>
Clerk of courts:				
Personal services	880,000	883,100	836,489	46,611
Operating expenditures	154,552	154,552	117,912	36,640
Capital outlay				
Total clerk of courts	<u>1,034,552</u>	<u>1,037,652</u>	<u>954,401</u>	<u>83,251</u>
Office of City Manager:				
Personal services	572,600	589,100	581,191	7,909
Operating expenditures	59,025	58,486	52,721	5,765
Capital outlay				
Total office of city manager	<u>631,625</u>	<u>647,586</u>	<u>633,912</u>	<u>13,674</u>
Law department:				
Personal services	806,700	764,400	681,898	82,502
Operating expenditures	158,816	460,945	358,483	102,462
Capital outlay				
Total law department	<u>965,516</u>	<u>1,225,345</u>	<u>1,040,381</u>	<u>184,964</u>
Finance department:				
Personal services	1,629,600	1,721,800	1,709,210	12,590
Operating expenditures	552,436	548,480	406,443	142,037
Capital outlay				
Total finance department	<u>2,182,036</u>	<u>2,270,280</u>	<u>2,115,653</u>	<u>154,627</u>
Administrative support:				
Personal services	502,700	504,800	470,857	33,943
Operating expenditures	91,631	745,039	183,519	561,520
Capital outlay				
Total administrative support	<u>594,331</u>	<u>1,249,839</u>	<u>654,376</u>	<u>595,463</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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$664,700	\$667,200	\$616,544	\$50,656
Operating expenditures	382,763	379,863	228,347	151,516
Capital outlay				
Total human resources department	<u>1,047,463</u>	<u>1,047,063</u>	<u>844,891</u>	<u>202,172</u>
Planning and development:				
Personal services	2,154,400	2,162,900	2,006,140	156,760
Operating expenditures	437,620	429,605	307,165	122,440
Capital outlay				
Total planning and development	<u>2,592,020</u>	<u>2,592,505</u>	<u>2,313,305</u>	<u>279,200</u>
Economic development:				
Personal services	131,800	132,500	131,914	586
Operating expenditures	712,724	761,686	461,301	300,385
Capital outlay				
Total economic development	<u>844,524</u>	<u>894,186</u>	<u>593,215</u>	<u>300,971</u>
Miscellaneous:				
Operating expenditures	1,015,702	798,811	653,032	145,779
Total miscellaneous	<u>1,015,702</u>	<u>798,811</u>	<u>653,032</u>	<u>145,779</u>
Total general government	<u>12,589,485</u>	<u>13,462,154</u>	<u>11,428,002</u>	<u>2,034,152</u>
Police:				
Personal services	11,255,600	11,313,700	11,174,868	138,832
Operating expenditures	2,021,689	2,065,294	1,868,019	197,275
Capital outlay	228,000	228,000	180,152	47,848
Total police	<u>13,505,289</u>	<u>13,606,994</u>	<u>13,223,039</u>	<u>383,955</u>
Fire:				
Personal services	8,995,100	9,067,800	9,025,729	42,071
Operating expenditures	1,725,277	1,680,652	1,427,495	253,157
Capital outlay	233,000	233,000	24,918	208,082
Total fire	<u>10,953,377</u>	<u>10,981,452</u>	<u>10,478,142</u>	<u>503,310</u>
Public works:				
Engineering department:				
Personal services	2,095,300	2,104,100	2,044,458	59,642
Operating expenditures	485,765	476,405	352,431	123,974
Capital outlay	13,667	13,404	10,850	2,554
Total engineering department	<u>2,594,732</u>	<u>2,593,909</u>	<u>2,407,739</u>	<u>186,170</u>
Street lighting:				
Operating expenditures	505,998	505,998	452,952	53,046
Total street lighting	<u>505,998</u>	<u>505,998</u>	<u>452,952</u>	<u>53,046</u>
Total public works	<u>3,100,730</u>	<u>3,099,907</u>	<u>2,860,691</u>	<u>239,216</u>
Transfers to other funds	13,676,000	17,154,733	11,903,130	5,251,603
Total charges to appropriations	<u>53,824,881</u>	<u>58,305,240</u>	<u>49,893,004</u>	<u>8,412,236</u>
Fund balance, December 31	<u>\$38,651,178</u>	<u>\$34,125,819</u>	<u>\$44,240,762</u>	<u>\$10,114,943</u>

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - STREET MAINTENANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$611,999	\$611,999	\$611,999	
Resources (inflows)				
Licenses and permits	5,000	11,000	13,306	\$2,306
Intergovernmental revenue	2,515,000	2,465,000	2,466,209	1,209
Refunds and reimbursements	225,000	200,000	191,612	(8,388)
Miscellaneous	15,000	10,000	9,927	(73)
Sale of city assets	5,000	30,000	38,074	8,074
Transfer from the general fund	3,258,000	3,271,000	2,423,000	(848,000)
Amounts available for appropriation	6,634,999	6,598,999	5,754,127	(844,872)
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	3,966,600	3,929,600	3,469,559	460,041
Operating expenditures	1,802,794	1,677,534	1,362,361	315,173
Capital outlay	711,135	694,035	572,081	121,954
Total charges to appropriations	6,480,529	6,301,169	5,404,001	897,168
Fund balance, December 31	\$154,470	\$297,830	\$350,126	\$52,296

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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$48,808	\$48,808	\$48,808	
Resources (inflows)				
Intergovernmental revenue	10,000		13,539	\$13,539
Charges for services	3,554,000	3,291,000	3,204,659	(86,341)
Refunds and reimbursements	33,000	18,000	39,785	21,785
Miscellaneous	25,000	20,000	40,541	20,541
Sale of city assets			2,465	2,465
Transfer from the general fund	5,865,000	5,971,800	5,539,000	(432,800)
Amounts available for appropriation	9,535,808	9,349,608	8,888,797	(460,811)
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	5,546,200	5,426,200	5,256,950	169,250
Operating expenditures	3,935,955	3,788,053	3,577,501	210,552
Capital outlay	40,000	40,000	38,691	1,309
Total charges to appropriations	9,522,155	9,254,253	8,873,142	381,111
Fund balance, December 31	\$13,653	\$95,355	\$15,655	(\$79,700)

See accompanying notes to the required supplementary information.

38 **CITY OF KETTERING, OHIO****REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$636,370	\$636,370	\$636,370	
Resources (inflows)				
Charges for services	2,950,000	3,708,000	3,794,993	\$86,993
Refunds and reimbursements	5,000		264	264
Miscellaneous	285,000	517,000	533,240	16,240
Amounts available for appropriation	3,876,370	4,861,370	4,964,867	103,497
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	746,300	797,400	795,362	2,038
Operating expenditures	2,801,624	3,274,586	2,872,296	402,290
Total charges to appropriations	3,547,924	4,071,986	3,667,658	404,328
Fund balance, December 31	\$328,446	\$789,384	\$1,297,209	\$507,825

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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,290,424	\$1,290,424	\$1,290,424	
Resources (inflows)				
Intergovernmental revenue	1,589,839	1,633,004	1,496,553	(\$136,451)
Investment earnings	1,300	1,300	376	(924)
Refunds and reimbursements			22,384	22,384
Miscellaneous	11,895	11,895	8,521	(3,374)
Sale of city assets		169,859	407,649	237,790
Amounts available for appropriation	<u>2,893,458</u>	<u>3,106,482</u>	<u>3,225,907</u>	<u>119,425</u>
Charges to appropriations (outflows)				
General government	790,472	898,627	555,716	342,911
Capital improvements	1,451,039	1,763,813	1,294,176	469,637
Total charges to appropriations	<u>2,241,511</u>	<u>2,662,440</u>	<u>1,849,892</u>	<u>812,548</u>
Fund balance, December 31	<u>\$651,947</u>	<u>\$444,042</u>	<u>\$1,376,015</u>	<u>\$931,973</u>

See accompanying notes to the required supplementary information.

40 **CITY OF KETTERING, OHIO****REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - EMERGENCY MEDICAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$9,677,401	\$9,677,401	\$9,677,401	
Resources (inflows)				
Charges for services	1,500,000	1,559,000	1,579,179	\$20,179
Investment earnings	131,000	131,000	99,333	(31,667)
Sale of city assets			6,000	6,000
Amounts available for appropriation	11,308,401	11,367,401	11,361,913	(5,488)
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	198,450	223,450	116,663	106,787
Capital outlay	1,299,850	1,299,850	199,850	1,100,000
Total fire	1,498,300	1,523,300	316,513	1,206,787
Capital Improvements		775,000	856,414	(81,414)
Total charges to appropriations	1,498,300	2,298,300	1,172,927	1,125,373
Fund balance, December 31	\$9,810,101	\$9,069,101	\$10,188,986	\$1,119,885

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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## 1. BUDGETS AND BUDGETARY ACCOUNTING

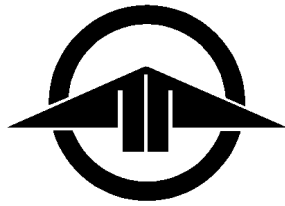
An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings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

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

A temporary appropriations ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriations ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriations ordinance generally controls expenditures at the level of personal services, operating expenditures and capital outlay 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, emergency medical 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 outlay; 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. The Finance Director in conjunction with the annual budgeting process estimates revenues. 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 restricted, committed or assigned fund balance for subsequent year expenditures.



CITY OF KETTERING

**FINANCIAL STATEMENTS  
OF  
INDIVIDUAL FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET DECEMBER 31, 2012

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
<b>ASSETS</b>						
Pooled cash and investments	\$15,273	\$420,148	\$407,631	\$69,876	\$3,665,800	\$4,578,728
Receivables:						
Property taxes			335,000			335,000
Accounts				2,415	3,297	5,712
Due from other governments	83,679		43		62,911	146,633
Prepaid expenditures						
Total assets	<u>\$98,952</u>	<u>\$420,148</u>	<u>\$742,674</u>	<u>\$72,291</u>	<u>\$3,732,008</u>	<u>\$5,066,073</u>
<b>LIABILITIES</b>						
Accounts payable	\$210			\$7,128	\$22,700	\$30,038
Accrued payroll			\$397,225		7,042	404,267
Total liabilities	<u>210</u>		<u>397,225</u>	<u>7,128</u>	<u>29,742</u>	<u>434,305</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes			335,000			335,000
Grants and other taxes	70,100				35,726	105,826
Total deferred inflows of resources	<u>70,100</u>		<u>335,000</u>		<u>35,726</u>	<u>440,826</u>
<b>FUND BALANCES</b>						
Nonspendable: Prepaids						
Restricted for:						
Public safety			10,449		865,680	876,129
Road construction / Public works	28,642					28,642
Leisure services						
Municipal court activities					1,632,059	1,632,059
Committed to:						
Social services					6,738	6,738
Public safety					12,127	12,127
Leisure services		\$420,148			1,149,936	1,570,084
Other purposes				65,163		65,163
Total fund balances	<u>28,642</u>	<u>420,148</u>	<u>10,449</u>	<u>65,163</u>	<u>3,666,540</u>	<u>4,190,942</u>
Total liab, defer inflows & fund bals	<u>\$98,952</u>	<u>\$420,148</u>	<u>\$742,674</u>	<u>\$72,291</u>	<u>\$3,732,008</u>	<u>\$5,066,073</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, 2012

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes						
Intergovernmental revenue	\$669,000	\$669,225	\$225			
Charges for services				\$8,000	\$9,978	\$1,978
Fines and forfeits						
Investment earnings	3,000	2,559	(441)	8,000	5,108	(2,892)
Refunds and reimbursements						
Miscellaneous				4,000	4,461	461
Total revenues	<u>672,000</u>	<u>671,784</u>	<u>(216)</u>	<u>20,000</u>	<u>19,547</u>	<u>(453)</u>
EXPENDITURES						
Current:						
General government				20,000	6,893	13,107
Police						
Fire						
Public works	140,000	105,359	34,641			
Leisure services						
Capital improvements	<u>628,637</u>	<u>626,892</u>	<u>1,745</u>			
Total expenditures	<u>768,637</u>	<u>732,251</u>	<u>36,386</u>	<u>20,000</u>	<u>6,893</u>	<u>13,107</u>
Excess (deficiency) of revenues over expenditures	(96,637)	(60,467)	36,170		12,654	12,654
OTHER FINANCING SOURCES (USES)						
Transfers in	65,000		(65,000)			
Transfers out						
Net change in fund balance	<u>(31,637)</u>	<u>(60,467)</u>	<u>(28,830)</u>		12,654	12,654
Fund balances--beginning	<u>89,109</u>	<u>89,109</u>		<u>407,494</u>	<u>407,494</u>	
Fund balances--ending	<u>\$57,472</u>	<u>\$28,642</u>	<u>(\$28,830)</u>	<u>\$407,494</u>	<u>\$420,148</u>	<u>\$12,654</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, 2012**

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$337,000	\$354,141	\$17,141			
Intergovernmental revenue						
Charges for services				\$72,000	\$71,805	(\$195)
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				15,000	13,851	(1,149)
Miscellaneous						
Total revenues	<u>337,000</u>	<u>354,141</u>	<u>17,141</u>	<u>87,000</u>	<u>85,656</u>	<u>(1,344)</u>
EXPENDITURES						
Current:						
General government				228,710	159,121	69,589
Police	1,473,300	1,440,667	32,633			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,473,300</u>	<u>1,440,667</u>	<u>32,633</u>	<u>228,710</u>	<u>159,121</u>	<u>69,589</u>
Excess (deficiency) of revenues over expenditures	(1,136,300)	(1,086,526)	49,774	(141,710)	(73,465)	68,245
OTHER FINANCING SOURCES (USES)						
Transfers in	1,137,600	1,087,000	(50,600)	178,000	105,000	(73,000)
Transfers out						
Net change in fund balance	<u>1,300</u>	<u>474</u>	<u>(826)</u>	<u>36,290</u>	<u>31,535</u>	<u>(4,755)</u>
Fund balances--beginning	9,975	9,975		33,628	33,628	
Fund balances--ending	<u>\$11,275</u>	<u>\$10,449</u>	<u>(\$826)</u>	<u>\$69,918</u>	<u>\$65,163</u>	<u>(\$4,755)</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, 2012

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes				\$337,000	\$354,141	\$17,141
Intergovernmental revenue	\$527,458	\$246,785	(\$280,673)	1,196,458	916,010	(280,448)
Charges for services				80,000	81,783	1,783
Fines and forfeits	453,000	474,800	21,800	453,000	474,800	21,800
Investment earnings	34,000	15,117	(18,883)	45,000	22,784	(22,216)
Refunds and reimbursements	5,000	43	(4,957)	20,000	13,894	(6,106)
Miscellaneous	97,000	125,627	28,627	101,000	130,088	29,088
Total revenues	<u>1,116,458</u>	<u>862,372</u>	<u>(254,086)</u>	<u>2,232,458</u>	<u>1,993,500</u>	<u>(238,958)</u>
EXPENDITURES						
Current:						
General government	610,711	403,731	206,980	859,421	569,745	289,676
Police	424,864	158,828	266,036	1,898,164	1,599,495	298,669
Fire	2,000		2,000	2,000		2,000
Public works	33,363	25,288	8,075	173,363	130,647	42,716
Leisure services	131,832	10,928	120,904	131,832	10,928	120,904
Capital improvements	186,086	22,008	164,078	814,723	648,900	165,823
Total expenditures	<u>1,388,856</u>	<u>620,783</u>	<u>768,073</u>	<u>3,879,503</u>	<u>2,959,715</u>	<u>919,788</u>
Excess (deficiency) of revenues over expenditures	(272,398)	241,589	513,987	(1,647,045)	(966,215)	680,830
OTHER FINANCING SOURCES (USES)						
Transfers in	14,039	6,836	(7,203)	1,394,639	1,198,836	(195,803)
Transfers out						
Net change in fund balance	(258,359)	248,425	506,784	(252,406)	232,621	485,027
Fund balances--beginning	3,418,115	3,418,115		3,958,321	3,958,321	
Fund balances--ending	<u>\$3,159,756</u>	<u>\$3,666,540</u>	<u>\$506,784</u>	<u>\$3,705,915</u>	<u>\$4,190,942</u>	<u>\$485,027</u>

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DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2012

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$896,000	\$897,462	\$1,462
Investment earnings	34,000	19,913	(14,087)
Special assessments	149,000	149,593	593
Refunds and reimbursements	50,000	49,782	(218)
Total revenues	<u>1,129,000</u>	<u>1,116,750</u>	<u>(12,250)</u>
EXPENDITURES			
Current:			
General government	2,000		2,000
Debt service:			
Principal	1,092,888	1,092,888	
Interest	609,395	599,394	10,001
Total expenditures	<u>1,704,283</u>	<u>1,692,282</u>	<u>12,001</u>
Deficiency of revenues over expenditures	(575,283)	(575,532)	(249)
OTHER FINANCING SOURCES (USES)			
Transfers in	580,000	570,000	(10,000)
Net change in fund balance	4,717	(5,532)	(10,249)
Fund balances--beginning	<u>872,911</u>	<u>872,911</u>	
Fund balances--ending	<u>\$877,628</u>	<u>\$867,379</u>	<u>(\$10,249)</u>

CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$412,000	\$412,517	\$517
Intergovernmental	4,910,000	5,042,154	132,154
Special assessments	397,000	413,548	16,548
Refunds and reimbursements	60,000	147,600	87,600
Miscellaneous	19,000	19,000	
Total revenues	<u>5,798,000</u>	<u>6,034,819</u>	<u>236,819</u>
EXPENDITURES			
Capital improvements	15,505,156	10,471,408	5,033,748
Total expenditures	<u>15,505,156</u>	<u>10,471,408</u>	<u>5,033,748</u>
Deficiency of revenues over expenditures	(9,707,156)	(4,436,589)	5,270,567
OTHER FINANCING SOURCES (USES)			
Transfers in	5,899,294	2,172,294	(3,727,000)
Sale of City Assets	125,000	125,000	
Net change in fund balance	<u>(3,682,862)</u>	<u>(2,139,295)</u>	<u>1,543,567</u>
Fund balances--beginning	<u>4,161,787</u>	<u>4,161,787</u>	
Fund balances--ending	<u><u>\$478,925</u></u>	<u><u>\$2,022,492</u></u>	<u><u>\$1,543,567</u></u>

CAPITAL PROJECTS FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2012

---

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$1,079,665	\$1,004,738	\$74,927
Street construction	10,395,247	6,280,446	4,114,801
Drainage	200,000	155,481	44,519
Parks and recreation	2,438,392	1,848,073	590,319
Tree planting and landscaping	104,685	73,900	30,785
Other	<u>1,287,167</u>	<u>1,108,770</u>	<u>178,397</u>
Total capital projects fund	<u>\$15,505,156</u>	<u>\$10,471,408</u>	<u>\$5,033,748</u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF NET POSITION  
 DECEMBER 31, 2012

	Administrative Operations	Health Insurance	Totals
<b>ASSETS</b>			
Current Assets:			
Pooled cash and investments	\$708,087	\$2,177,551	\$2,885,638
Accounts receivable	984		984
Prepaid expenses	45		45
Inventory	378,691		378,691
Total current assets	<u>1,087,807</u>	<u>2,177,551</u>	<u>3,265,358</u>
Noncurrent Assets:			
Capital assets:			
Buildings and improvements	757,936		757,936
Machinery and equipment	2,084,714		2,084,714
Less: Accumulated depreciation	<u>(2,379,844)</u>		<u>(2,379,844)</u>
Total noncurrent assets	<u>462,806</u>		<u>462,806</u>
Total assets	<u>1,550,613</u>	<u>2,177,551</u>	<u>3,728,164</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	292,478	286	292,764
Accrued payroll	115,526		115,526
Accrued health claims		442,419	442,419
Total current liabilities	<u>408,004</u>	<u>442,705</u>	<u>850,709</u>
Noncurrent liabilities:			
Accrued vacation and sick benefits due within 1 year	236,165		236,165
Accrued vacation and sick benefits due in more than 1 year	<u>178,160</u>		<u>178,160</u>
Total noncurrent liabilities	<u>414,325</u>		<u>414,325</u>
Total liabilities	<u>822,329</u>	<u>442,705</u>	<u>1,265,034</u>
<b>NET POSITION</b>			
Net investment in capital assets	462,805		462,805
Unrestricted	<u>265,479</u>	<u>1,734,846</u>	<u>2,000,325</u>
Total net position	<u>\$728,284</u>	<u>\$1,734,846</u>	<u>\$2,463,130</u>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Administrative Operations	Health Insurance	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$5,976,893	\$5,777,448	\$11,754,341
Total operating revenues	<u>5,976,893</u>	<u>5,777,448</u>	<u>11,754,341</u>
<b>OPERATING EXPENSES</b>			
Personal services	3,216,765		3,216,765
Repairs and maintenance	1,682,776		1,682,776
Contractual services	714,496	5,203,488	5,917,984
Other materials and expenses	442,714		442,714
Depreciation	102,106		102,106
Total operating expenses	<u>6,158,857</u>	<u>5,203,488</u>	<u>11,362,345</u>
Operating income (loss)	<u>(181,964)</u>	<u>573,960</u>	<u>391,996</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	8,323	(18,123)	(9,800)
Change in net position	(173,641)	555,837	382,196
Total net position--beginning	<u>901,925</u>	<u>1,179,009</u>	<u>2,080,934</u>
Total net position--ending	<u>\$728,284</u>	<u>\$1,734,846</u>	<u>\$2,463,130</u>



INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2012  
 Increase (Decrease) in cash

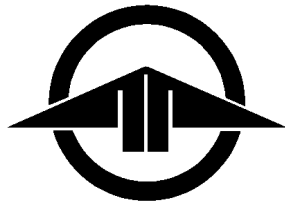
	Administrative Operations	Health Insurance	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received for services	\$5,975,677	\$5,777,448	\$11,753,125
Cash paid to suppliers for goods or services	(2,697,561)	(4,758,141)	(7,455,702)
Cash paid to employees for services	(3,172,621)		(3,172,621)
Net cash provided (used) by operating activities	<u>105,495</u>	<u>1,019,307</u>	<u>1,124,802</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(145,040)		(145,040)
Sale of capital assets	860		860
Net cash used by capital and related financing activities	<u>(144,180)</u>		<u>(144,180)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	8,323	(18,123)	(9,800)
Net cash provided by investing activities	<u>8,323</u>	<u>(18,123)</u>	<u>(9,800)</u>
Net increase (decrease) in cash	(30,362)	1,001,184	970,822
Cash at beginning of year	738,449	1,176,367	1,914,816
Cash at end of year	<u>\$708,087</u>	<u>\$2,177,551</u>	<u>\$2,885,638</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	(\$181,964)	\$573,960	\$391,996
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	102,106		102,106
(Increase) decrease in receivables	(356)		(356)
(Increase) decrease in inventories	(18,124)		(18,124)
Increase (decrease) in accounts payable	160,593	286	160,879
Increase (decrease) in accrued health claims		442,419	442,419
Net (increase) decrease in other operating net position	43,240	2,642	45,882
Net cash provided (used) by operating activities	<u>\$105,495</u>	<u>\$1,019,307</u>	<u>\$1,124,802</u>

**AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance December 31 2011	Additions	Deductions	Balance December 31 2012
<b><u>PAYROLL WITHHOLDING FUND</u></b>				
ASSETS - Cash	\$251,073	\$11,430,026	\$10,891,570	\$789,529
LIABILITIES - Withholdings payable	\$251,073	\$11,430,026	\$10,891,570	\$789,529
<b><u>MUNICIPAL COURT FUND</u></b>				
ASSETS - Investments with fiscal agent	\$339,628	\$4,161,992	\$4,244,918	\$256,702
LIABILITIES - Undistributed moneys	\$339,628	\$4,161,992	\$4,244,918	\$256,702
<b><u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u></b>				
ASSETS - Cash	\$38,560	\$76,822	\$108,419	\$6,963
LIABILITIES				
Accounts payable	\$33,309	\$71,919	\$102,785	\$2,443
Unclaimed moneys	5,251	4,903	5,634	4,520
Total liabilities	\$38,560	\$76,822	\$108,419	\$6,963
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash	\$289,633	\$11,506,848	\$10,999,989	\$796,492
Investments with fiscal agent	339,628	4,161,992	4,244,918	256,702
Total assets	\$629,261	\$15,668,840	\$15,244,907	\$1,053,194
<b>LIABILITIES</b>				
Accounts payable	\$33,309	\$71,919	\$102,785	\$2,443
Withholdings payable	251,073	11,430,026	10,891,570	789,529
Undistributed moneys	339,628	4,161,992	4,244,918	256,702
Unclaimed moneys	5,251	4,903	5,634	4,520
Total liabilities	\$629,261	\$15,668,840	\$15,244,907	\$1,053,194

DEBT SCHEDULE  
DECEMBER 31, 2012

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2013	
						Principal	Interest
General Obligation Bonds:							
Court facility	3/29/2005	3.0-4.5	12/1/2024	\$3,950,000	\$2,740,000	\$180,000	\$115,300
Court facility discount					(16,595)		
Recreation & parks improvement	5/28/2009	3.0-5.0	12/1/2028	12,300,000	10,685,000	495,000	432,718
Recreation & parks improv premium					196,095		
Total general obligation bonds					<u>13,604,500</u>	<u>675,000</u>	<u>548,018</u>
Promissory Notes:							
Ohio public works commission:							
Bridge replacements	12/1/1994	0.00	7/1/2015	280,393	37,309	14,020	0
Rushland drive improvement	7/1/1996	0.00	7/1/2016	122,577	24,515	6,129	0
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	760,359	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	318,111	24,809	9,359
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	360,202	34,305	0
Ridgeway Bridge Rehab	12/31/2004	1.00	7/1/2025	380,000	255,531	18,501	2,509
Total promissory notes					<u>1,756,027</u>	<u>173,800</u>	<u>11,868</u>
Total					<u>\$15,360,527</u>	<u>\$848,800</u>	<u>\$559,886</u>



CITY OF KETTERING

## STATISTICAL SECTION

This part of the City of Kettering's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b><u>Category</u></b>	<b><u>Schedule #s</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>1, 2, 3 &amp; 4</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the income tax.	<b>5 &amp; 6</b>
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	<b>7 &amp; 8</b>
<b>Economic and Demographic Information</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	<b>9 &amp; 10</b>
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	<b>11, 12 &amp; 13</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

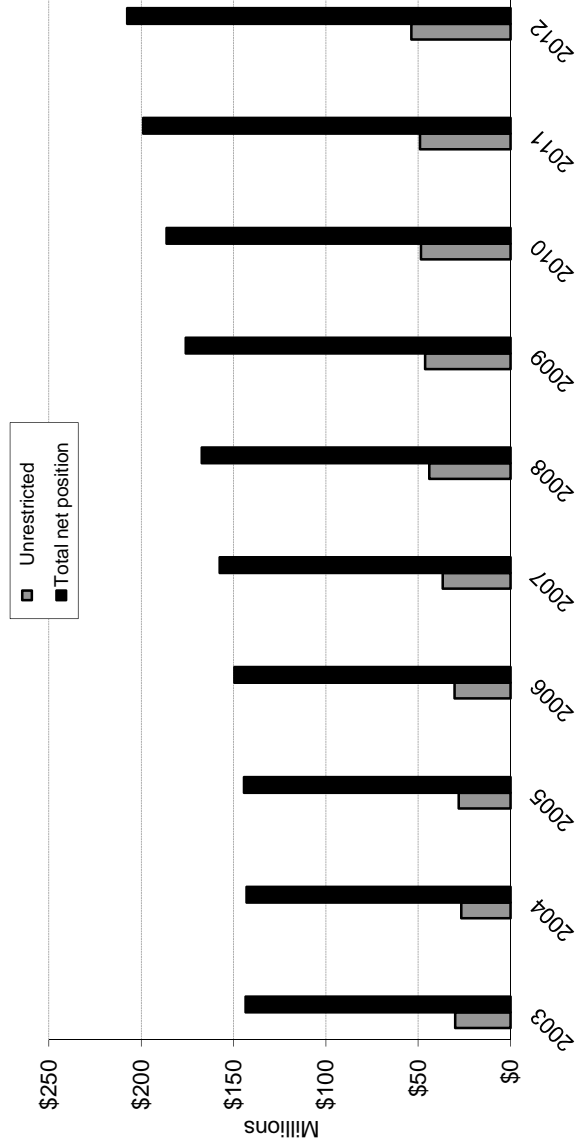
**SCHEDULE 1**

**NET POSITION BY CATEGORY  
LAST TEN YEARS (accrual basis of accounting)**

	Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Net investment in capital assets	\$109,267,077	\$112,412,581	\$112,076,412	\$113,557,610	\$113,438,967	\$113,942,666	\$105,196,955	\$124,238,000	\$134,783,717	\$138,528,286
Restricted for:										
Debt service	34,549	15,178	15,638	16,476	16,697	12,367	715,127	797,685	872,911	867,379
Social services	1,863,768	1,043,771	1,255,296	1,379,856	1,495,228	1,409,593	1,691,954	1,913,673	1,858,591	1,412,417
Public safety	1,084,425	1,251,530	1,756,451	3,124,736	4,550,806	6,472,806	8,422,177	9,189,154	10,725,180	11,231,818
Leisure services	38,496	11,039	36,232	43,756	64,198	58,234	12,064,953	86,165	16,073	35,726
Municipal court activities	957,095	1,112,424	660,228	764,100	876,020	1,054,048	1,236,513	1,399,197	1,537,730	1,632,059
Other purposes	284,734	403,659	407,886	379,322	327,576	279,542	171,133	204,394	158,709	98,742
Unrestricted	29,905,347	26,619,777	28,054,056	30,230,404	36,673,435	44,019,123	46,312,490	48,507,291	48,971,606	53,724,515
<b>Total net position</b>	<b>\$143,435,491</b>	<b>\$142,869,959</b>	<b>\$144,262,199</b>	<b>\$149,496,260</b>	<b>\$157,442,927</b>	<b>\$167,248,379</b>	<b>\$175,811,302</b>	<b>\$186,335,559</b>	<b>\$198,924,517</b>	<b>\$207,530,942</b>

**Note:** Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. Net position is considered restricted when (1) and external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the city.

**Net Position (accrual basis)**



# CITY OF KETTERING, OHIO

## SCHEDULE 2

### CHANGES IN NET POSITION LAST TEN YEARS (accrual basis of accounting)

Expenses	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	\$12,142,127	\$13,210,288	\$12,339,967	\$14,150,379	\$17,232,295	\$13,755,091	\$13,175,646	\$12,813,463	\$13,824,699	\$14,533,955
Police	10,840,287	11,282,263	11,530,015	12,914,191	12,849,315	13,760,327	13,658,265	14,161,364	14,346,393	14,631,811
Fire	7,768,263	8,768,088	8,380,554	8,709,771	8,392,687	9,666,999	9,968,087	10,504,095	10,533,420	10,903,086
Public works	11,236,775	11,926,820	11,813,178	11,360,485	12,263,789	13,404,095	12,901,084	13,425,510	13,388,960	14,186,561
Leisure services	11,479,183	11,834,644	11,873,881	12,416,056	12,234,615	13,254,478	12,836,109	13,038,928	13,840,098	14,030,681
Interest on long term debt	386,200	292,918	1,168,357	1,180,009	1,148,457	1,144,483	504,262	671,334	635,755	585,092
Total expenses	53,852,835	57,315,021	57,105,952	60,730,891	64,661,158	64,985,473	63,043,453	64,614,694	66,569,325	68,871,186
<b>Program Revenues</b>										
Charges for services:										
General government	2,344,241	2,436,404	2,704,373	2,496,686	2,623,279	2,644,901	2,443,428	2,475,623	2,428,295	2,530,640
Fire	1,144,791	986,737	1,156,577	1,343,281	1,433,964	1,522,104	1,430,458	1,407,084	1,638,795	1,529,866
Leisure services	4,398,036	5,085,696	5,379,969	5,344,896	5,852,344	6,439,659	6,001,520	6,142,517	6,650,937	6,999,653
Other activities	67,602	62,639	55,265	56,126	64,520	85,171	63,138	42,761	40,415	48,366
Operating grants and contributions	1,388,760	1,623,605	1,563,184	1,253,950	1,225,065	2,367,960	1,484,287	1,594,869	725,501	1,431,456
Capital grants and contributions:										
Public works	6,560,882	2,583,208	2,187,075	3,216,110	3,286,179	1,677,377	3,692,950	4,944,692	9,465,720	4,812,912
Other activities	58,653	29,216	203,067	904,254	302,002	36,521	163,106	1,286,315	584,159	771,398
Total program revenues	15,962,965	12,807,505	13,249,510	14,615,303	14,787,353	14,773,693	15,278,887	17,893,861	21,533,822	18,124,291
<b>Net (Expense)/Revenue<sup>1</sup></b>										
General government	(8,920,581)	(9,489,609)	(8,400,440)	(9,876,734)	(13,528,315)	(10,308,033)	(9,710,841)	(7,945,813)	(10,483,009)	(10,504,831)
Police	(10,692,821)	(11,201,292)	(11,402,343)	(12,759,270)	(12,776,771)	(13,656,869)	(13,526,758)	(14,120,321)	(14,293,832)	(14,558,780)
Fire	(6,568,248)	(7,763,976)	(7,217,962)	(7,366,390)	(7,495,208)	(8,144,890)	(8,537,529)	(9,096,708)	(8,894,525)	(9,373,220)
Public works	(4,519,146)	(9,261,925)	(9,459,374)	(8,338,835)	(8,935,470)	(10,692,207)	(9,200,350)	(8,464,176)	(3,917,494)	(9,360,343)
Leisure services	(6,802,874)	(6,497,796)	(6,207,966)	(6,794,350)	(5,989,584)	(6,265,298)	(6,284,826)	(6,422,481)	(6,810,888)	(6,364,629)
Interest on long term debt	(386,200)	(292,918)	(1,168,357)	(1,180,009)	(1,148,457)	(1,144,483)	(504,262)	(671,334)	(635,755)	(585,092)
Total net expense	(37,889,870)	(44,507,516)	(43,856,442)	(46,115,588)	(49,873,805)	(50,211,780)	(47,764,566)	(46,720,833)	(45,035,503)	(50,746,895)
<b>General Revenues</b>										
Taxes										
Income taxes	25,607,227	27,526,627	26,832,269	31,286,014	37,037,639	38,381,641	34,846,179	37,352,248	36,303,996	42,345,005
Property taxes, levied for general purposes	7,025,307	7,134,615	7,533,530	8,086,778	8,054,971	8,220,419	8,094,861	8,117,860	7,920,953	7,278,599
Property taxes, levied for debt service	1,183,447	1,205,190	1,279,605	1,304,564	1,288,494	1,303,288	1,252,025	1,276,080	975,771	897,462
Other taxes	8,302,792	6,259,591	6,829,478	7,300,029	7,849,842	8,607,168	7,464,283	7,630,175	10,292,717	6,253,383
Investment earnings	780,231	513,456	983,308	1,717,776	2,094,842	1,954,419	2,963,720	1,173,152	629,983	791,959
Refunds & reimbursements	1,284,483	1,182,084	1,547,397	1,327,366	1,249,838	1,296,369	1,484,720	1,516,425	1,271,393	1,801,694
Miscellaneous	436,467	120,421	243,095	327,122	244,846	253,928	221,701	179,150	229,648	186,924
Total general revenues	44,619,954	43,941,984	45,248,682	51,349,649	57,820,472	60,017,232	56,327,489	57,245,090	57,624,461	59,555,026
<b>Change in Net Position</b>	\$6,730,084	(\$565,532)	\$1,332,240	\$5,234,061	\$7,946,667	\$9,805,452	\$8,562,923	\$10,524,257	\$12,588,958	\$8,808,131

(1) Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in parentheses indicate that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses mean that program revenues were more than sufficient to cover expenses.

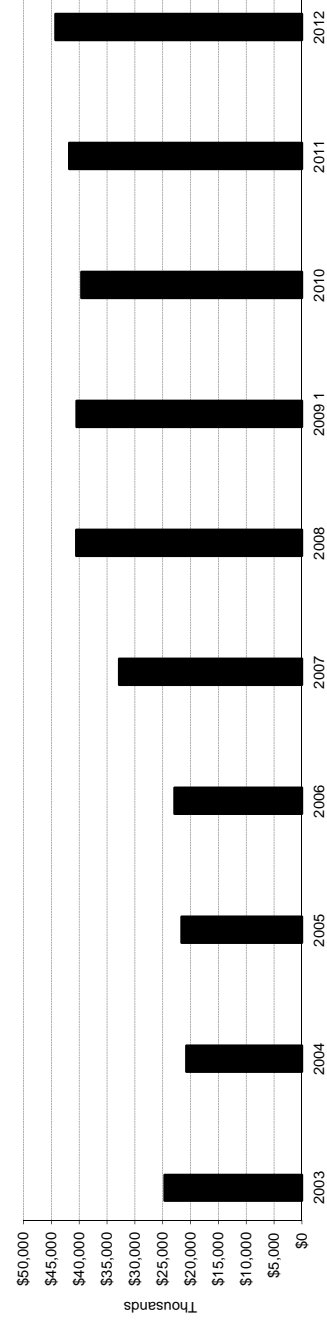
SCHEDULE 3

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN YEARS (modified accrual basis of accounting)

	Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$1,919,131	\$2,310,521	\$2,001,802	\$978,704	\$1,309,942	\$873,976				
Unreserved	22,751,848	18,448,822	19,604,920	21,888,750	31,525,822	39,652,679				
Nondisposable Committed							\$20,601	\$24,580	\$23,113	\$16,988
Assigned							851,917	642,664	621,688	1,517,592
Unassigned							237,019	104,717		
Total general fund	<u>\$24,670,979</u>	<u>\$20,759,343</u>	<u>\$21,606,722</u>	<u>\$22,867,454</u>	<u>\$32,835,764</u>	<u>\$40,526,655</u>	<u>\$40,457,246</u>	<u>\$39,595,363</u>	<u>\$41,764,059</u>	<u>\$44,240,762</u>
All Other Governmental Funds										
Reserved	\$5,796,672	\$5,176,218	\$5,944,495	\$7,288,657	\$2,799,221	\$3,621,226				
Unreserved, reported in:										
Special revenue funds	2,360,777	2,481,977	2,767,404	4,314,413	6,350,672	7,336,947				
Debt service fund	34,549	15,178	15,638	16,476	16,697	12,367				
Capital project fund	18,903	10,463	227,841	10,046	1,196,328	19,910				
Nondisposable, reported in:										
Special revenue funds							\$205,878	\$145,322	\$149,325	\$147,470
Restricted, reported in:										
Special revenue funds							10,998,459	12,249,153	13,930,248	14,101,831
Debt service fund							715,127	797,685	872,911	867,379
Capital project fund							12,012,909	6,834,838		
Committed, reported in:										
Special revenue funds							1,802,782	2,266,782	2,645,510	3,169,632
Capital project fund							4,101,197	5,956,668	4,161,787	2,022,492
Unassigned, reported in:							(427,369)	(379,052)	(501,760)	
Special revenue funds							\$29,408,983	\$27,871,396	\$21,258,021	\$20,308,804
Total all other governmental funds	<u>\$8,210,901</u>	<u>\$7,683,836</u>	<u>\$8,955,378</u>	<u>\$11,629,592</u>	<u>\$10,362,918</u>	<u>\$10,990,450</u>	<u>\$29,408,983</u>	<u>\$27,871,396</u>	<u>\$21,258,021</u>	<u>\$20,308,804</u>

General Fund Balance



(1) Fund balance classifications changed in 2009 due to the adoption of GASB Statement No. 54.

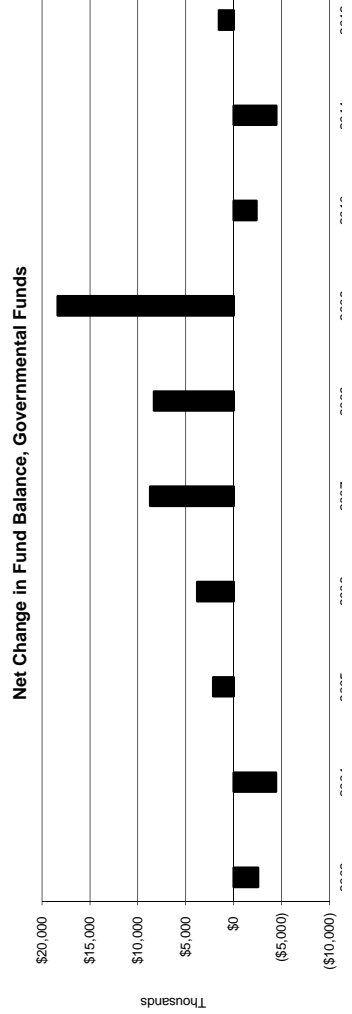


**CITY OF KETTERING, OHIO**

**SCHEDULE 4**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN YEARS (modified accrual basis of accounting)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>REVENUES</b>										
Income taxes	\$26,033,273	\$26,783,319	\$27,221,521	\$31,241,870	\$37,128,614	\$38,244,422	\$35,321,466	\$36,417,018	\$37,392,845	\$39,891,659
Property taxes	8,175,853	8,339,304	8,811,235	9,433,041	9,341,485	9,399,507	9,345,887	9,391,640	8,970,024	8,131,160
Licenses and permits	567,654	606,617	488,598	541,457	567,742	626,290	528,823	491,322	459,696	525,190
Intergovernmental revenue	14,669,208	8,597,471	9,156,001	11,159,023	11,238,227	10,158,897	11,890,457	14,648,675	20,011,549	11,090,451
Charges for services	5,448,625	6,436,412	6,925,229	6,909,899	7,517,918	8,152,788	7,663,257	7,730,157	8,352,103	8,794,951
Fines and forfeits	1,674,642	1,681,735	1,914,989	1,762,075	1,919,736	1,867,005	1,780,070	1,835,344	1,828,209	1,837,695
Investment earnings	780,228	513,456	983,308	1,717,776	2,094,842	1,954,417	2,963,721	1,173,151	629,984	791,959
Special assessments	1,024,871	1,203,717	1,402,805	902,767	978,014	1,024,719	1,006,879	1,019,237	924,751	965,122
Refunds and reimbursements	1,861,388	1,743,828	3,078,251	2,318,409	1,993,372	2,898,427	2,101,691	2,931,420	2,181,056	2,227,342
Miscellaneous	669,066	551,897	503,483	540,471	555,991	691,840	555,813	560,693	523,814	754,921
<b>Total revenues</b>	<b>60,904,808</b>	<b>56,457,756</b>	<b>60,485,420</b>	<b>66,526,788</b>	<b>73,335,921</b>	<b>75,018,312</b>	<b>73,158,064</b>	<b>76,198,657</b>	<b>81,274,031</b>	<b>75,010,450</b>
<b>EXPENDITURES</b>										
Current:										
General government	11,320,369	12,664,622	11,687,503	13,105,797	12,117,032	12,558,705	12,153,096	12,476,529	12,050,675	12,553,463
Police	10,786,712	11,230,625	11,308,886	12,901,716	12,828,081	13,576,481	13,641,191	13,976,571	14,398,245	14,822,534
Fire	7,831,880	8,585,929	8,328,226	8,152,880	8,807,160	9,553,065	9,564,579	11,028,998	10,357,123	10,794,655
Public works	8,173,691	8,529,615	7,674,931	7,528,693	8,117,038	10,145,609	8,514,496	8,391,628	8,631,543	8,395,339
Leisure services	10,438,031	10,352,928	10,602,498	10,725,786	11,387,262	12,487,222	12,084,992	12,173,718	12,450,737	12,551,728
Capital improvements	12,781,912	7,778,704	10,294,799	7,966,574	9,676,701	6,652,398	10,221,062	18,983,100	25,101,663	13,270,898
Debt service:										
Principal	1,952,988	2,057,118	1,387,380	1,313,385	667,018	642,739	775,290	1,021,134	1,062,000	1,092,888
Interest	386,244	301,213	1,153,773	1,178,485	1,144,194	1,140,310	463,231	672,521	637,150	599,394
<b>Total expenditures</b>	<b>63,671,827</b>	<b>61,500,754</b>	<b>62,437,996</b>	<b>62,873,316</b>	<b>64,744,486</b>	<b>66,756,529</b>	<b>67,417,937</b>	<b>78,724,199</b>	<b>84,689,136</b>	<b>74,080,899</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(2,767,019)</b>	<b>(5,042,998)</b>	<b>(1,952,576)</b>	<b>3,653,472</b>	<b>8,591,435</b>	<b>8,261,783</b>	<b>5,740,127</b>	<b>(2,525,542)</b>	<b>(3,415,105)</b>	<b>929,551</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	11,332,160	12,455,731	8,980,139	10,657,427	8,733,378	9,835,396	15,445,122	15,221,132	10,508,166	11,903,130
Transfers out	(11,332,160)	(12,455,731)	(8,980,139)	(10,657,427)	(8,733,378)	(9,835,396)	(15,445,122)	(15,221,132)	(11,658,166)	(11,903,130)
General obligation debt issuance	11,140	303,995	3,987,766				12,539,751			
Sale of city assets	216,623	300,302	83,731	127,789	110,201	56,640	69,246	126,073	120,426	597,935
<b>Net change in fund balance</b>	<b>(\$2,539,256)</b>	<b>(\$4,438,701)</b>	<b>\$2,118,921</b>	<b>\$3,781,261</b>	<b>\$8,701,636</b>	<b>\$8,318,423</b>	<b>\$18,349,124</b>	<b>(\$2,399,469)</b>	<b>(\$4,444,679)</b>	<b>\$1,527,486</b>
Debt service as a percentage of noncapital expenditures	4.72%	4.50%	4.97%	4.60%	3.29%	2.96%	2.16%	2.85%	2.79%	2.72%

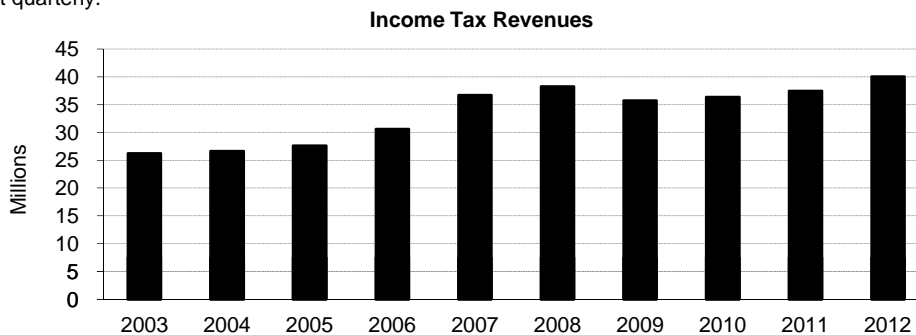


**INCOME TAX BY PAYER TYPE AND INCOME TAX RATE  
LAST TEN YEARS (cash basis of accounting)**

Year	Individual		Total			Total	Income Tax Rate
	Withholding	Non-withholding	Individual	Corporate	Partnership		
2003	21,881,920	2,781,028	24,662,948	854,079	754,846	26,271,873	1.75%
2004	22,392,839	2,396,909	24,789,748	1,177,124	708,022	26,674,894	1.75%
2005	23,197,704	2,562,530	25,760,234	1,322,451	526,016	27,608,701	1.75%
2006	25,095,721	2,648,736	27,744,457	1,938,223	935,584	30,618,264	1.75%
2007	32,012,871	2,982,064	34,994,935	1,223,994	515,509	36,734,438	2.25%
2008	30,332,016	4,067,241	34,399,257	2,840,391	1,068,253	38,307,901	2.25%
2009	28,511,501	3,837,474	32,348,975	1,782,656	1,616,788	35,748,419	2.25%
2010	28,673,437	3,871,009	32,544,446	2,712,061	1,122,567	36,379,074	2.25%
2011	29,645,857	4,084,942	33,730,799	2,704,278	1,013,804	37,448,881	2.25%
2012	30,426,208	4,607,103	35,033,311	3,489,120	1,522,725	40,045,156	2.25%

Source: City of Kettering, Ohio, Finance Department

The City levies a 2.25% 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.


**RANKING OF TOP TEN INCOME TAX WITHHOLDERS  
CURRENT YEAR AND TEN YEARS AGO (cash basis of accounting)**

2012		2002					
Rank	Name	2012 Rank	Rank	Name			
1	Kettering Medical Center	-	1	Delphi Automotive Systems LLC			
2	GE Money	1	2	Kettering Medical Center			
3	Reynolds & Reynolds Company	3	3	Reynolds & Reynolds Company			
4	Federal Government	4	4	Federal Government			
5	Kettering Board of Education	5	5	Kettering Board of Education			
6	City of Kettering	2 <sup>1</sup>	6	Monogram Services Co LLC			
7	Eastman Kodak Company	7 <sup>1</sup>	7	Scitex Digital Printing Inc.			
8	Limited Brands Inc. & Subs	6	8	City of Kettering			
9	Meadwestvaco Corporation	10	9	Time Warner Entertainment Inc.			
10	Time Warner Entertainment Inc.	8 <sup>1</sup>	10	Intimate Brands Inc.			
Combined percentage of Total Income taxes		31.1%		Combined percentage of Total Income taxes		33.5%	

Source: City of Kettering, Ohio, Finance Department

Due to legal restrictions and confidentiality requirements, the City cannot disclose the amount of withholdings by taxpayer. The City chose not to disclose percentages and number of filers by income level because the City does not require all taxpayers to file a return, therefore it does not have, nor can it obtain, this type of information.

(1) GE Money reports the activity formerly known as Monogram Services Co LLC.; Scitex Digital Printing Inc. was purchased by Eastman Kodak Company; Limited Brands Inc. & Subs reports the activity formerly known as Intimate Brands Inc.

# CITY OF KETTERING, OHIO

## SCHEDULE 7

### RATIOS OF OUTSTANDING DEBT BY TYPE AND LEGAL DEBT MARGINS - LAST TEN YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Obligation Bonds	\$4,349,119	\$2,643,554	\$5,563,536	\$4,564,339	\$4,218,631	\$3,879,270	\$15,689,899	\$14,963,217	\$14,204,735	\$13,425,000
Percent of estimated actual property value	0.13%	0.08%	0.16%	0.12%	0.11%	0.10%	0.44%	0.42%	0.41%	0.42%
Per capita	76	46	97	79	73	67	273	266	253	239
Special Assessment Bonds	990,233	905,798	816,127	720,807	619,149	510,730	395,101	271,783	140,265	
Promissory Notes	3,241,766	3,278,644	3,075,818	2,856,949	2,637,298	2,442,338	2,272,048	2,100,914	1,928,915	1,756,027
Total Gross Indebtedness	8,581,118	6,827,996	9,455,481	8,142,095	7,475,078	6,832,338	18,357,048	17,335,914	16,273,915	15,181,027
Percentage of personal income	0.50%	0.40%	0.53%	0.44%	0.39%	0.35%	1.02%	0.93%	0.85%	0.77%
Per capita	149	119	164	142	130	119	319	309	290	270
Less debt outside limitations:										
Special Assessment Debt	990,233	905,798	816,127	720,807	619,149	510,730	395,101	271,783	140,265	
Promissory Notes	3,241,766	3,278,644	3,075,818	2,856,949	2,637,298	2,442,338	2,272,048	2,100,914	1,928,915	1,756,027
Less debt service fund balance	34,549	15,178	15,638	16,476	16,697	12,367	715,127	797,685	872,911	867,379
Net debt within limitations for both Voted and Unvoted debt	4,314,570	2,628,376	5,547,898	4,547,863	4,201,934	3,866,903	14,974,772	14,165,532	13,331,824	12,557,621
Debt limitation for both Voted and Unvoted debt										
10.5% of assessed valuation	124,670,352	122,665,459	122,629,124	134,354,645	132,966,025	131,355,181	129,749,975	131,262,545	128,476,660	117,348,942
Legal debt margin for Voted and Unvoted debt	\$120,355,782	\$120,037,083	\$117,081,226	\$129,806,782	\$128,764,091	\$127,488,278	\$114,775,203	\$117,097,013	\$115,144,836	\$104,791,321
Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit	3.46%	2.14%	4.52%	3.38%	3.16%	2.94%	11.54%	10.79%	10.38%	10.70%
Net debt within limitations for both Voted and Unvoted debt	\$4,314,570	\$2,628,376	\$5,547,898	\$4,547,863	\$4,201,934	\$3,866,903	\$14,974,772	\$14,165,532	\$13,331,824	\$12,557,621
Less voted debt	1,369,352	429,352	294,663	180,147	82,780	0	12,075,000	11,625,000	11,160,000	10,685,000
Net debt within limitations for Unvoted debt	2,945,218	2,199,024	5,253,235	4,367,716	4,119,154	3,866,903	2,899,772	2,540,532	2,171,824	1,872,621
Debt limitation for Unvoted debt										
5.5% of assessed valuation	65,303,518	64,253,336	64,234,303	70,376,243	69,648,870	68,805,095	67,964,273	68,756,571	67,297,298	61,468,493
Legal debt margin for Unvoted debt	\$62,358,300	\$62,054,312	\$58,981,068	\$66,008,527	\$65,529,716	\$64,938,192	\$65,064,501	\$66,216,039	\$65,125,474	\$59,595,872
Net debt within limitations for Unvoted debt as a percentage of debt limit	4.51%	3.42%	8.18%	6.21%	5.91%	5.62%	4.27%	3.69%	3.23%	3.05%

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT  
DECEMBER 31, 2012

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Kettering <sup>1</sup>	Amount Applicable to City of Kettering
City of Kettering	\$14,313,648	100.0%	\$14,313,648
Overlapping debt:			
Kettering City School District	84,450,844	91.4%	77,188,071
Montgomery County	27,137,683	11.9%	3,229,384
Beavercreek Local School District	100,523,507	0.8%	804,188
Total overlapping debt	<u>212,112,034</u>		<u>81,221,643</u>
Total direct and overlapping debt	<u>\$226,425,682</u>		<u>\$95,535,291</u>

Source: Individual jurisdictions.

(1) The percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's assessed value that is within the City's boundaries and dividing it by each unit's total assessed value.

Individual jurisdictions with immaterial amounts of overlapping debt are excluded from this table.

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS

Year	Population <sup>1</sup>	Personal Income <sup>2</sup>	Per capita Personal Income <sup>1,2</sup>	Unemployment Rate <sup>3</sup>	Avg Sale Price for a Single Family Home <sup>4</sup>	Total Assessed Property Value <sup>5</sup>	Estimated Actual Property Value <sup>5</sup>
2003	57,502	1,711,087,014	29,757	5.1%	138,690	1,187,336,684	3,433,251,092
2004	57,502	1,719,884,820	29,910	5.4%	135,081	1,168,242,464	3,453,224,812
2005	57,502	1,787,162,160	31,080	5.2%	141,345	1,167,896,415	3,423,470,549
2006	57,502	1,840,777,025	32,012	4.7%	137,664	1,279,568,048	3,789,173,634
2007	57,502	1,895,821,619	32,970	5.1%	136,445	1,266,343,094	3,826,742,530
2008	57,502	1,952,885,850	33,962	6.2%	124,105	1,251,001,727	3,906,048,887
2009	57,502	1,803,685,371	31,367	9.8%	121,340	1,235,714,050	3,567,340,682
2010	56,163	1,859,630,280	33,111	9.9%	125,734	1,250,119,480	3,583,279,738
2011	56,163	1,909,460,933	33,999	8.3%	108,793	1,223,587,240	3,490,854,036
2012	56,163	1,960,626,848	34,910	6.9%	110,466	1,117,608,970	3,187,939,565

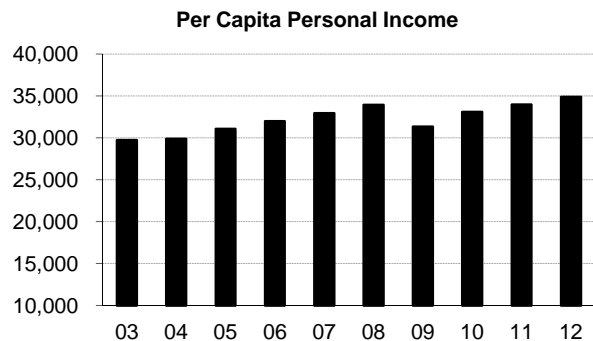
(1) 2000 & 2010 United States Census Bureau.

(2) City of Kettering, Ohio, Finance Department.

(3) Ohio Bureau of Employment Services.

(4) Dayton Area Board of Realtors, Dayton, Ohio (2012 price range: \$15,000 - \$567,000).

(5) Montgomery County, Ohio, Auditor's Office.



PRINCIPAL EMPLOYERS  
CURRENT YEAR AND ELEVEN YEARS AGO

Employer	2012		2001	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Kettering Medical Center	3,570	13.47%	Kettering Medical Center	3,200 10.63%
GE Money	1,470	5.55%	Delphi Automotive Systems	2,800 9.30%
Reynolds & Reynolds Company	1,150	4.34%	Victoria's Secret Catalog <sup>1</sup>	1,200 3.99%
Kettering City Schools	1,032	3.89%	GE Card Services <sup>2</sup>	1,200 3.99%
Limited Brands Inc.	1,000	3.77%	Kettering City Schools	900 2.99%
City of Kettering	900	3.40%	City of Kettering	900 2.99%
Kroger	630	2.38%	Reynolds & Reynolds Company	700 2.33%
Meijer Inc.	550	2.08%	Scitex Digital Printing <sup>3</sup>	650 2.16%
Eastman Kodak Company	450	1.70%	Defense Finance and Accounting Services	500 1.66%
<b>Total</b>	<b>10,752</b>	<b>40.57%</b>	<b>Total</b>	<b>12,050 40.03%</b>

Source: City of Kettering, Ohio, Office of Economic Development

(1) Limited Brands Inc. owns Victoria's Secret Catalog

(3) Scitex Digital Printing was purchased by Eastman Kodak Company

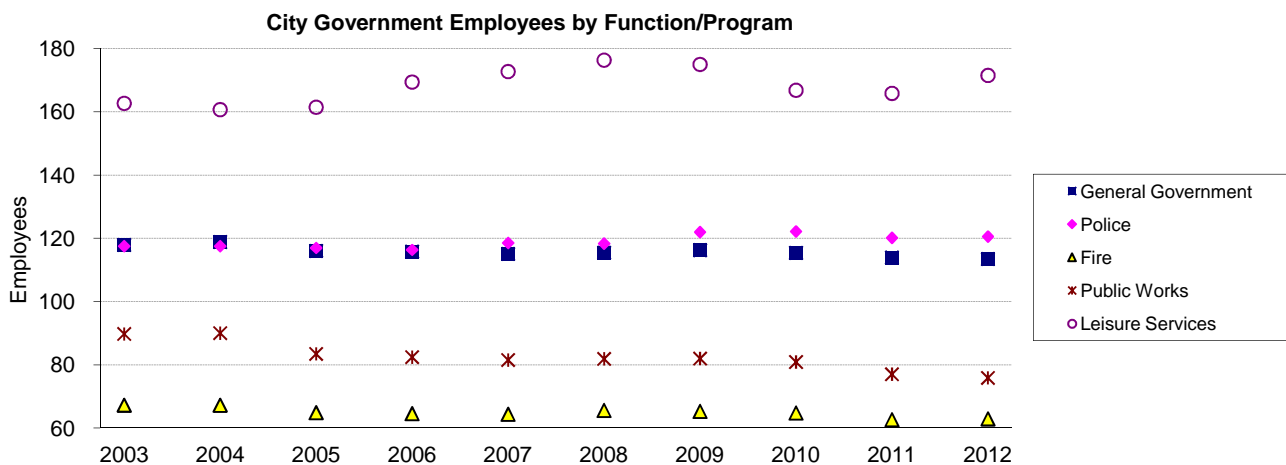
(2) GE Card Services is now GE Money

SCHEDULE 11

CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM (full-time equivalents)  
LAST TEN YEARS

Function/program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	117.9	118.9	116.1	115.9	115.1	115.5	116.3	115.4	114.0	113.5
Police	117.6	117.6	117.0	116.4	118.5	118.4	122.0	122.2	120.2	120.6
Fire	67.3	67.3	64.9	64.6	64.4	65.6	65.3	64.8	62.7	63.0
Public Works	89.8	90.1	83.5	82.5	81.6	81.9	82.0	80.9	77.1	75.9
Leisure Services	162.7	160.7	161.5	169.4	172.8	176.4	175.0	166.8	165.9	171.5
<b>Total</b>	<b>555.3</b>	<b>554.5</b>	<b>543.0</b>	<b>548.8</b>	<b>552.4</b>	<b>557.8</b>	<b>560.6</b>	<b>550.3</b>	<b>539.8</b>	<b>544.5</b>

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN YEARS

<u>Function/program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
Positions filled <sup>1</sup>	17	5	5	7	14	26	10	7	14	21
Permits issued <sup>2</sup>	3,824	3,217	3,301	3,053	2,884	2,779	2,467	2,857	2,773	2,520
Inspections performed <sup>2</sup>	7,435	6,974	6,684	6,352	7,639	6,871	6,254	7,101	5,933	6,100
CDBG loan applications <sup>3</sup>	10	18	24	25	96	86	53	60	44	60
Payroll checks processed <sup>4</sup>	20,648	21,710	20,569	20,003	20,093	20,819	20,955	20,873	20,629	20,873
Purchase orders issued <sup>5</sup>	2,002	2,120	2,063	2,069	2,054	2,281	2,166	1,978	2,158	2,000
Ordinances & resolutions <sup>6</sup>	243	206	227	220	182	211	236	198	175	201
Court cases <sup>7</sup>	18,742	18,358	22,593	21,727	22,962	22,051	20,657	19,903	20,049	18,640
Police										
Criminal arrests <sup>8</sup>	2,854	2,813	3,085	3,030	2,812	2,762	2,710	2,813	3,171	3,400
Calls for service <sup>9</sup>	71,524	69,621	72,643	67,394	67,287	65,131	62,172	61,684	67,331	66,441
Fire										
Fire alarms <sup>10</sup>	2,393	1,604	1,324	1,337	1,197	1,544	1,599	1,603	1,960	1,786
Medic alarms <sup>10</sup>	5,120	4,881	5,214	5,445	5,815	5,896	5,485	5,600	5,557	5,565
Public Works										
Asphalt resurfacing (miles) <sup>11</sup>	16	10	4	6	4	7	10	11	14	9
Truckloads of leaves picked-up <sup>12</sup>	2,062	1,988	1,895	2,050	1,837	1,655	1,858	1,623	1,388	1,298
Tons of snow melting salt used <sup>12</sup>	5,452	4,654	6,465	1,560	4,544	6,341	3,368	5,917	4,708	1,603
Leisure Services										
Recreation complex attendance <sup>13</sup>	1,081,740	1,145,268	1,141,493	1,243,657	1,199,370	1,175,368	1,110,815	1,168,708	981,121	1,046,817
Fraze Pavilion tickets sold <sup>13</sup>	77,727	80,480	78,540	72,383	90,232	90,825	87,969	82,511	92,883	90,343

- (1) City of Kettering, Human Resources Department  
(2) City of Kettering, Planning and Development Dept. Permits and inspections performed include Building, Electrical, Plumbing & Heating.  
(3) City of Kettering, Planning and Development Department. Community Development Block Grant (CDBG) loan applications processed include housing rehabilitation, purchase rehabilitation, and business loan applications.  
(4) City of Kettering, Finance Department. Payroll checks include electronic funds transfers processed for payroll.  
(5) City of Kettering, Finance Department.  
(6) City of Kettering, Law Department  
(7) City of Kettering, Municipal Court  
(8) City of Kettering, Police Department. Criminal arrests include arrests by detective section and patrol.  
(9) City of Kettering, Police Department.  
(10) City of Kettering, Fire Department.  
(11) City of Kettering, Public Service Department, Engineering Division  
(12) City of Kettering, Public Service Department, Street Division  
(13) City of Kettering, Parks, Recreation, and Cultural Arts Department

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM  
LAST TEN YEARS

<u>Function/program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
Square footage occupied <sup>1</sup>	25,582	25,582	43,108	43,108	43,108	54,933	54,933	54,933	54,933	54,933
Police										
Stations <sup>1</sup>	1	1	1	1	1	1	1	1	1	1
Square footage of building <sup>1</sup>	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515
Fire										
Stations <sup>1</sup>	7	7	7	7	7	7	7	7	7	7
Public Works										
Miles of roads <sup>2</sup>	246	246	246	246	246	246	246	246	246	247
Miles of storm sewer/channel <sup>2</sup>	174	175	175	175	175	175	175	175	175	175
Leisure Services										
Number of parks <sup>3</sup>	21	21	21	21	21	21	21	21	21	21
Area of parks (acres) <sup>3</sup>	419	419	419	419	419	419	419	419	419	419
Recreation complexes square ft <sup>1</sup>	145,000	145,000	153,512	153,512	153,512	153,512	153,512	161,119	161,119	161,119

- (1) City of Kettering, Facilities Department  
(2) City of Kettering, Public Service Department, Engineering Division  
(3) City of Kettering, Parks, Recreation, and Cultural Arts Department



# Dave Yost • Auditor of State

**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 14, 2013**