

## **City of Kettering, Ohio**

Reports on Internal Controls and Compliance  
and Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2008





Mary Taylor, CPA  
Auditor of State

Honorable Mayor, City Council and City Manager  
City of Kettering  
3600 Shroyer Road  
Kettering, Ohio 45429-2799

We have reviewed the *Independent Auditors' Report* of the City of Kettering, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2008 through December 31, 2008. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 6, 2009

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**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 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 1, 2009. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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springfield, oh 45503

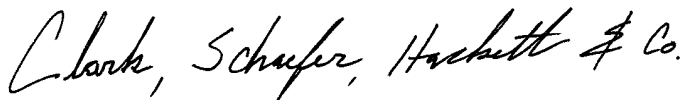
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p. 937.399.2000  
f. 937.399.5433

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

We noted a certain matter that we reported to management of the City in a separate letter dated April 1, 2009.

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co.".

Springfield, Ohio  
April 1, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

**Compliance**

We have audited the compliance of the City of Kettering, Ohio (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

**Internal Control over Compliance**

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

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A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of and for the year ended December 31, 2008, and have issued our report thereon dated April 1, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
April 1, 2009

CITY OF KETTERING, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant or Pass Through Number</u>	<u>Federal CFDA Number</u>	<u>Grant Award Date</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
<i>Direct Program:</i>				
Community Development Block Grants/Entitlement Grants	B-08-MC-39-0011	14.218	1/1/08	660,832
<i>Passed through the City of Dayton, Ohio:</i>				
HOME Investment Partnerships Program	M-07-MC-39-0205	14.239	3/22/08	257,286
Total U.S. Department of Housing and Urban Development				<u>918,118</u>
<u>U.S. Department of Justice</u>				
<i>Direct programs:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	2007-DJBX-0546	16.580	10/1/06	6,200
Total U.S. Department of Justice				<u>6,200</u>
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through the Board of County Commissioners of Montgomery County</i>				
Temporary Assistance for Needy Families	2008	93.558	1/1/08	164,776
Total U.S. Department of Health and Human Services				<u>164,776</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed through the Ohio Emergency Management Agency:</i>				
Hazard Mitigation Grant	DR-1805-OH	97.036	10/24/08	973,903
Total U.S. Department of Homeland Security				<u>973,903</u>
<u>U.S. Department of Transportation</u>				
<i>Passed through the State of Ohio Governor's Highway Safety Office:</i>				
Highway Planning and Construction	E060619/C21169	20.205	7/11/06	135,252
	E035596/06N149	20.205	11/15/05	1,252
	E060608/81028	20.205	8/15/08	40,000
	E051260/80095	20.205	7/19/07	54,813
<i>Passed through AAA Miami Valley:</i>				
Highway Planning and Construction	OVTIF-2008-57-00-00-00257-00	20.205	10/1/07	12,967
<i>Passed through the City of Dayton, Ohio:</i>				
Highway Planning and Construction	OVTIF-2009-57-00-00-00379-01	20.205	10/1/08	361
Total U.S. Department of Transportation				<u>244,645</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 2,307,642</u>

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

**NOTE 1 – GENERAL:**

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

**NOTE 2 – BASIS OF ACCOUNTING:**

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

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

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

**NOTE 4 – SUBRECIPIENTS:**

The City was a pass-through entity of CDBG funds to one subrecipient, Miami Valley Fair Housing Board for \$25,000.

**NOTE 5 – LOANS OUTSTANDING:**

At December 31, 2008, the City reported outstanding loans totaling \$217,020 under the HOME Investment Partnership federal loan program (14.239), which are included in accompanying schedule of expenditures federal awards. These loans are reported on the City's financial statements within the Community Development Fund less an allowance of \$31,921. During 2008, the City issued \$119,970 of new loans under this program.

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
CFDA 97.036 – Hazard Mitigation Grant	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

None noted

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

None noted

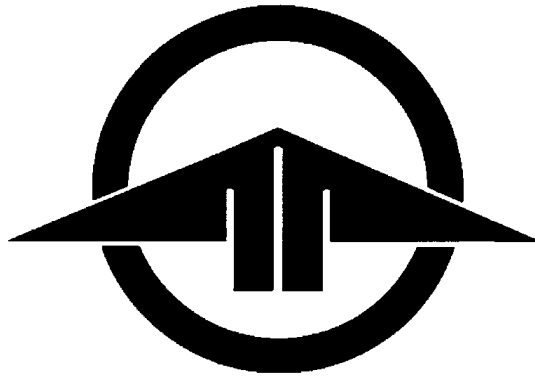
**Section IV – Summary of Prior Audit Findings and Questioned Costs**

No Findings were reported in the Prior Audit

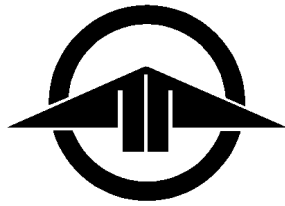
**CITY OF KETTERING, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2008**



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



CITY OF KETTERING

# CITY OF KETTERING, OHIO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2008

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2008**

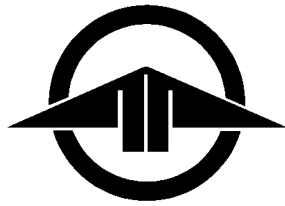
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## **INTRODUCTORY SECTION**



CITY OF KETTERING



April 1, 2009

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, 2008, 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 98% of residents are satisfied with Kettering as a place to live. In 2008, Business Week magazine named Kettering the second best city in Ohio to raise a family.

## ECONOMIC CONDITION AND OUTLOOK

The economic environment for Kettering's business community continued to be one of relative stability during 2008.

One significant contributing factor to this stability is the diversity of the employment base in Kettering. This 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) and Reynolds & Reynolds. KMC employs 3,100 and broke ground in 2008 for the Schuster Heart Hospital which will be a 114,000 sq ft addition to the front of the facility. The new Heart Hospital will be a state of the art facility containing ninety private rooms. KMC anticipates completion in 2011. Reynolds & Reynolds, a fortune 1000 company based in Dayton since 1866, has transitioned nicely following the merger with Universal Computer Systems (UCS) in 2006. The company moved 400 Technical Assistance Center employees to their Kettering headquarters during

2008. Employment now exceeds pre-merger levels of 1,200 with total employees of 1,500 at the Miami Valley Research Park campus. In addition, Reynolds and Reynolds is investing \$20 million in the construction of a 15,000 square foot Data Center. After announcing plans in 2005 to expand the Kettering operations, G E Money completed interior renovations at their Kettering Business Park (KBP) location. The company moved an additional 536 jobs to KBP and now employs 1,700 at this location. Community Tissue Services announced at the end of 2008 plans to construct a 50,000 square foot office and tissue processing facility at the Miami Valley Research Park. It will result in a \$30 million investment and starting employment of about 175 employees. Other major employers in the city include Kettering City Schools, Limited Brands Inc., a catalogue order center for Victoria's Secret, Kodak Versamark a manufacturer of digital printers, and a number of engineering firms and computer hardware and software related businesses.

Despite being practically landlocked, Kettering continued to move forward in terms of new economic development. During 2008 private development of the former Groby's Garden Center site began. The new development, Charlotte's Garden, had its first business ribbon cutting as First Financial Bank celebrated its opening. The development is a mix of retail and will soon include Dewey's Pizza and Chipotle Mexican Grill. The residential portion of the redevelopment of Kettering Pointe, formerly the Van Buren Shopping Center, continued during 2008. An additional five new single-family patio homes were built at the Villas of Kettering Pointe. Phase 3 of Madison's Grant, a Ryan Homes housing development, is now underway. Twenty-nine single-family homes were built during 2008. Madison's Grant will include 150 new homes when the development is complete.

One significant accomplishment in 2008 that will result in long term improvements to City parks and recreation facilities was the passage of the Parks and Recreation Bond Levy. Property tax revenues generated by a 1988 voted bond issue paid for the debt service on Recreation Center and outdoor water park improvements completed in 1993. That bond issue matured on December 31, 2008. After conducting public surveys, Kettering elected officials made the decision to ask the voters to consider a new bond levy on the November 2008 ballot. The voters said yes to the new \$12.3 million levy with the debt service to be paid from property tax revenues beginning in 2009. In addition to the \$12.3 million voted levy, the City has committed an additional \$5

million of City funds for a total investment of \$17.3 million. The improvements are scheduled to be complete by the end of 2011.

Kettering participates in ED/GE, a revenue sharing program that occurs among a number of communities in Montgomery County. Money from the program is distributed to the communities for economic development projects after an application for funds is filed and a board of local officials for the communities reviews and approves the projects. Although Kettering did not receive any funds for 2008, the City has benefited significantly in the past and will continue to apply for future funds as eligible opportunities become available.

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.

**Cash Management.** Cash, temporarily idle during the year was invested in various instruments detailed below. As of December 31, 2008, the City's cash resources were divided between cash and investments as follows:

Cash and certificates of deposit	\$19,140,202
Corporate bonds	32,023,883
Pension plan pooled investment fund	<u>1,964,076</u>
TOTAL	<u><u>\$53,128,161</u></u>

Interest earned on investments for the year was \$2,213,071.

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

## OTHER INFORMATION

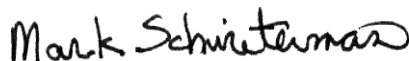
**Independent Audit.** The basic financial statements of the City of Kettering were audited by Clark, Schaefer, Hackett & Co., Certified Public Accountants. See page 2 of the Financial Section of this report for their unqualified opinion.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kettering, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2007. 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 26 consecutive years (fiscal years ended 1982-2007). 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, 2008. 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  
Joseph D. Wanamaker, Vice Mayor  
Bruce E. Duke  
Tony Klepacz  
Peggy B. Lehner (resigned 11/16/08)  
Amy Schrimpf (appointed 12/19/08)  
Frank Spolrich  
Keith Thompson

### CITY MANAGER

Mark Schwieterman

### INDEPENDENT AUDITORS

Clark, Schaefer, Hackett & Co.  
Certified Public Accountants

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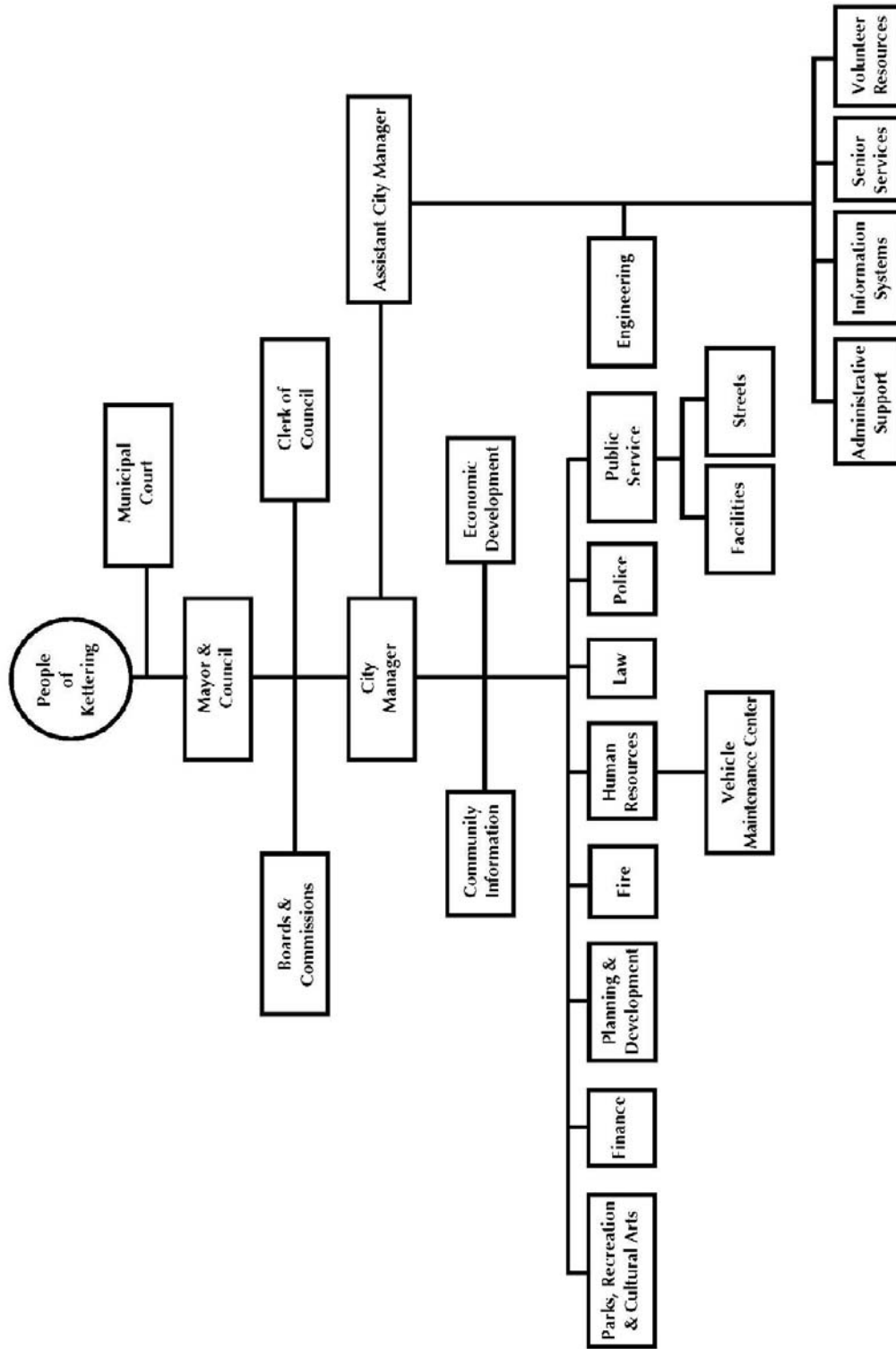
## CITY OF KETTERING, OHIO

### DEPARTMENT OF FINANCE

#### STAFF

Nancy H. Gregory, CPA	Finance Director
Scott J. Schwarberg, CPA	Assistant Finance Director
Kelly M. O'Connell, CPA	Budget Manager
Marcy K. Bare, CPA	Tax Manager
Estelle O. Gibson, CPA	Purchasing Manager
Joy J. Kuhn	Secretary
Kimberly L. Kreitzer, CPA	Financial Analyst
Martin J. Van Oss, CPA	Financial Analyst
Rhonda L. South	Finance Technician II
Mary Anne Marshall	Finance Technician II
Sharin L. Day	Finance Technician II
Lynn A. Blumenschein	Finance Technician II
Thomas M. Zamzow	Finance Technician II
Kimberly M. Koogler	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
Candace M. Grooms	Finance Clerk - Part-Time
Melissa K. Schultz	Finance Clerk - Part-Time

# City of Kettering 2008 Organizational Chart





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kettering  
Ohio

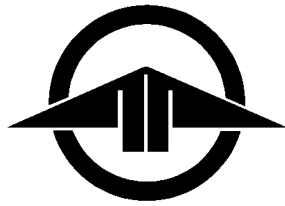
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2007

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



President

Executive Director



CITY OF KETTERING

**FINANCIAL SECTION**

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kettering's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 of Kettering, Ohio, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2009 on our consideration of the City of Kettering's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 9 and 34 through 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

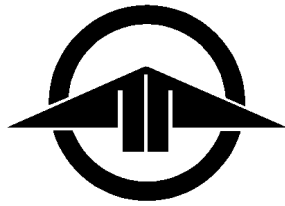
2525 north limestone street, ste. 103  
springfield, oh 45503

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p. 937.399.2000  
f. 937.399.5433

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

*Clark, Schaefer, Hachett & Co.*

Springfield, Ohio  
April 1, 2009



CITY OF KETTERING

**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, 2008.

**FINANCIAL HIGHLIGHTS**

1. The City's net assets increased by \$9,805,000 or 6% while unrestricted net assets increased \$7,346,000 or 20%.
2. Total revenues increased 3.0% while total expenses increased .5%.
3. Estate tax revenues increased \$530,000 or 17.6% and \$423,000 in a new cell phone 911 tax was receipted.
4. The General Fund reported a surplus of over \$7,690,000, establishing a four-year trend of rising fund balances.
5. The Fraze Pavilion required no General Fund transfer for the third time in its 18-year history.
6. Total costs of services increased by .5%, while net costs of services increased by .7%.
7. The City incurred a \$3.9 million one-time impairment loss in 2007. Excluding this loss, total expenses, total costs of services and net costs of services increased 6.9%, 7.1% and 9.4% respectively (see #1 and #6 above).

**USING THIS ANNUAL REPORT**

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

**Reporting the City as a Whole***The Statement of Net Assets and the Statement of Activities*

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

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

**Reporting the City's Most Significant Funds***Fund Financial Statements*

Our analysis of the City's major funds begins on page 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 Assets and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- Proprietary funds — The City uses internal service funds (a component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities. An example of an internal service fund would be the City's Administrative Operations Fund, which accounts for activities of the Vehicle Maintenance Center, the Print Shop, and others. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

## **The City as Trustee**

### *Reporting the City's Fiduciary Responsibilities*

The City is the trustee, or fiduciary, for its volunteer firefighters pension plan. It is also responsible for other assets that — because of a trust arrangement — can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on page 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 2008 the City produced a 6.2% increase in total net assets. This compares with a 5.3% increase in 2007. Revenues generated were \$74.8 million and expenses from all programs were \$65.0 million resulting in a surplus for the year of \$9,805,000. The unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — increased \$7,346,000.

Explanations for the larger fluctuations between years are as follows:

- Federal grant revenue was lower in 2008 primarily due to the end of construction on federally funded roadway projects.
- State grant revenue was higher this year because of state funding for roadway projects.
- Other taxes increased because of an increase in estate taxes and new revenues collected from a state tax on cell phone users to support emergency 911 expenses.
- General government expenses decreased 20.2% because of a 2007 impairment loss. This one time loss came from the demolition of a building previously used for storage. Without this loss in 2007 General government expenses would have increased 3.1%.



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

### NET ASSETS

	2008	2007
Current and other assets	\$74,170,470	\$64,494,515
Capital assets	120,775,004	120,914,044
Total assets	<u>194,945,474</u>	<u>185,408,559</u>
Long-term debt outstanding	(10,919,047)	(11,399,399)
Other liabilities	(16,778,048)	(16,566,233)
Total liabilities	<u>(27,697,095)</u>	<u>(27,965,632)</u>
Net assets:		
Invested in capital assets, net of debt	113,942,666	113,438,967
Restricted	9,286,590	7,330,525
Unrestricted	44,019,123	36,673,435
Total net assets	<u><u>\$167,248,379</u></u>	<u><u>\$157,442,927</u></u>

### CHANGES IN NET ASSETS

	2008	2007
Revenues		
Program revenues:		
Charges for services	\$10,691,835	\$9,974,107
Federal grants	1,820,313	2,756,749
State and local grants	773,954	621,004
Special assessments	1,024,719	978,014
Sponsorships and contributions	462,872	457,479
General revenues:		
Income taxes	38,381,641	37,037,639
Property taxes	9,523,707	9,343,465
Other taxes	8,607,168	7,849,842
Investment earnings	1,954,419	2,094,842
Other general revenue	1,550,297	1,494,684
Total revenues	<u>74,790,925</u>	<u>72,607,825</u>
Program expenses		
General government	13,755,091	17,232,295
Police	13,760,327	12,849,315
Fire	9,666,999	8,932,687
Public works	13,404,095	12,263,789
Leisure services	13,254,478	12,234,615
Interest on long-term debt	1,144,483	1,148,457
Total expenses	<u>64,985,473</u>	<u>64,661,158</u>
Increase (decrease) in net assets	9,805,452	7,946,667
Net assets beginning	157,442,927	149,496,260
Net assets ending	<u><u>\$167,248,379</u></u>	<u><u>\$157,442,927</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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Police	\$13,760,327	\$12,849,315	\$13,656,869	\$12,776,771
Fire	9,666,999	8,932,687	8,144,890	7,495,208
Public works	13,404,095	12,263,789	10,692,207	8,935,470
Leisure services	13,254,478	12,234,615	6,265,298	5,989,584
All others	13,755,091	17,232,295	10,308,033	13,528,315
	<u>\$63,840,990</u>	<u>\$63,512,701</u>	<u>\$49,067,297</u>	<u>\$48,725,348</u>

Total costs of services for 2008 increased by just over \$328,000 while net costs of services increased by \$342,000. However if we compare 2008 to 2007 without the impairment loss of \$3.9 million, total costs of services increased by \$4.2 million and net cost of services increased by \$4.2 million.

The capital asset activity for the year returned to normal levels compared to last years large infrastructure addition and the impairment loss. 2008 asset additions totaled \$6.9 million and ended with total net capital assets of \$120,775,004. Of this total, \$10,521,411 was not being depreciated and the capital assets being depreciated totaled \$208,147,863 with accumulated depreciation of \$97,894,270.

The City issued no new debt in the current year. At December 31, 2008, the City had various debt issues outstanding, which included \$3,879,270 of general obligation bonds, \$510,730 of special assessment debt with City commitment and \$2,442,338 of promissory notes. As of December 31, 2008, the City's net general obligation bonded debt of \$3,866,903 was well below the legal limit of \$131,355,181 and debt per capita equaled \$67.25. In November 2008 the voters approved a \$12.3 million bond levy to construct and improve parks & recreation facilities. The City has also committed \$5 million of non-debt city funds for a total of \$17.3 million worth of improvements. The City anticipates issuing the new bonds in the 1<sup>st</sup> half of 2009. A 1988 voted bond levy for the same purpose expired on December 31, 2008.

For more detail on capital asset and long-term debt activity, refer to note 6 and note 12 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 \$51.5 million, which is 19.3% higher than last year's total of \$43.2 million.

The City's General Fund experienced a \$893,000, or 1.7% overall increase in revenues for 2008. At the same time expenditures increased by \$2,064,000 or 6.1%, and transfers out increased by \$1.1 million or 12.6%. The increase in transfers is due to the fact that the capital projects fund did not require a transfer in 2007 because of a large beginning fund balance necessary to cover encumbrances outstanding at the end of 2006. The City's General Fund balance increased for the fourth time in 7 years. Income taxes increased again in 2008 but not nearly as much as they did in 2007 due to the rate increase. Although the portfolio balance was higher in 2008, investment earnings decreased due to lower interest rates. Total revenues were \$53.3 million while total expenditures were \$35.8 million. Transfers to other funds totaled \$9.8 million resulting in the \$7,691,000, or 23.4% increase to the General Fund balance.

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The Frazee Pavilion, an outdoor amphitheater accounted for in a major special revenue fund, has produced a surplus only two times since it began operations in 1991. In 2008 it came very close to producing its third surplus but fell short with a \$6,000 deficit. 2008 was still a very good year, eliminating the need for a transfer from the General fund. Increased ticket sales, increased concession sales, and increased sponsorships contributed to the results. The Emergency Medical fund saw revenues level off in its sixth year of operations after record revenue increases in the first 5 years. Charges for services revenues increased by \$11,000 or .8% over last year. There were no other material changes to the major funds in 2008.

There were no significant variations in the City's original General Fund budget and the final General Fund budget. In contrast, there was a significant variance between actual expenditures and final budgeted expenditures for "Transfers to other funds". Because of the Frazee Pavilion Fund's excellent year, no transfer was required, and lower than expected expenditures in the Capital Projects Fund reduced significantly the transfer required. 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.

As mentioned above, 2008 produced a significant increase to the General Fund balance. Much of this increase was due to increased income taxes because of the 2007 rate increase. Prior to 2005 the City had four straight years of General Fund Balance decline. 2005 marked the end of that decline but only after significant steps were taken by City Administration. Because of this, City Council placed on the May 2006 ballot a charter amendment that would allow it to increase the City's income tax rate from 1.75% up to 2.25%. The Citizens of Kettering approved the amendment with a 58.7% positive vote. City Council chose to raise the rate to 2.25% effective January 1, 2007. It was the first increase since 1981.

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STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

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ASSETS	
Pooled cash and investments (note 2)	\$50,454,491
Receivables:	
Income taxes (net of allowance for \$332,593)	5,993,700
Property taxes	9,887,561
Interest	449,447
Accounts	410,422
Special assessments	1,459,730
Loans (net of allowance for \$56,708)	1,237,429
Due from other governments	3,452,423
Prepaid expenses	132,047
Inventory	693,220
Capital assets not being depreciated (note 6)	10,521,411
Capital assets being depreciated, net (note 6)	110,253,593
Total assets	<u>194,945,474</u>
LIABILITIES	
Accounts payable	2,436,958
Salary and benefits payable	2,428,100
Accrued interest payable	24,731
Deferred revenue	11,888,259
Long-term liabilities (note 12)	
Due within one year	2,920,582
Due in more than one year	7,998,465
Total liabilities	<u>27,697,095</u>
NET ASSETS	
Invested in capital assets, net of related debt	113,942,666
Restricted for:	
Debt service	12,367
Community development block grant	1,409,593
Emergency medical (by enabling legislation)	5,910,129
Municipal court activities	1,054,048
Other purposes	900,453
Unrestricted	44,019,123
Total net assets	<u>\$167,248,379</u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$13,755,091	\$2,644,901	\$802,157		(\$10,308,033)
Police	13,760,327	71,131	32,327		(13,656,869)
Fire	9,666,999	1,522,104	5		(8,144,890)
Public works	13,404,095	14,040	1,020,471	1,677,377	(10,692,207)
Leisure services	13,254,478	6,439,659	513,000	36,521	(6,265,298)
Interest on long-term debt	1,144,483				(1,144,483)
Total	<u>\$64,985,473</u>	<u>\$10,691,835</u>	<u>\$2,367,960</u>	<u>\$1,713,898</u>	<u>(50,211,780)</u>
General revenues:					
Taxes:					
					38,381,641
					8,220,419
					1,303,288
					8,607,168
					1,954,419
					1,296,369
					253,928
					<u>60,017,232</u>
					9,805,452
					<u>157,442,927</u>
					<u>\$167,248,379</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
<b>ASSETS</b>				
Pooled cash and investments	\$40,079,129	\$155,847	\$417,694	\$133,778
Receivables:				
Income taxes (net of allowance for \$332,593)	5,993,700			
Property taxes	8,054,561			
Interest	449,447			
Accounts	31,012	787	38,964	10
Special assessments	350,000			
Loans (net of allowance for \$56,708)				
Due from other governments	472,251	1,112,683	500	
Prepaid expenditures	26,478	344	2,409	1,895
Inventory		395,585		
Total assets	<u>\$55,456,578</u>	<u>\$1,665,246</u>	<u>\$459,567</u>	<u>\$135,683</u>
<b>LIABILITIES</b>				
Accounts payable	\$1,538,631	\$11,827	\$136,063	\$6,581
Accrued payroll	1,463,621	182,508	246,855	9,676
Deferred revenue	11,927,671	908,881	4,345	2,030
Total liabilities	<u>14,929,923</u>	<u>1,103,216</u>	<u>387,263</u>	<u>18,287</u>
<b>FUND BALANCES</b>				
Reserved for:				
Loans receivable				
Encumbrances	847,498	156,081	58,719	58,321
Prepaid expenditures	26,478	344	2,409	1,895
Inventory		395,585		
Unreserved:				
Designated for subsequent years' expenditures	3,000,000			
Undesignated	36,652,679	10,020	11,176	57,180
Total fund balances	<u>40,526,655</u>	<u>562,030</u>	<u>72,304</u>	<u>117,396</u>
Total liabilities and fund balances	<u>\$55,456,578</u>	<u>\$1,665,246</u>	<u>\$459,567</u>	<u>\$135,683</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
\$48,473	\$5,672,288	\$12,367	\$1,475,210	\$2,273,108	\$50,267,894
		1,309,000	116,000	408,000	5,993,700
	249,028		47,839	42,195	9,887,561
		659,730	450,000		449,447
1,237,429					409,835
220,294			426,584	1,209,124	1,459,730
				848	1,237,429
					3,441,436
					31,974
					395,585
<u>\$1,506,196</u>	<u>\$5,921,316</u>	<u>\$1,981,097</u>	<u>\$2,515,633</u>	<u>\$3,933,275</u>	<u>\$73,574,591</u>
\$96,603	\$11,187		\$385,284	\$69,916	2,256,092
				356,432	2,259,092
220,294	120,025	\$1,968,730	819,381	1,570,945	17,542,302
316,897	131,212	1,968,730	1,204,665	1,997,293	22,057,486
1,237,429					1,237,429
116,984	43,307		1,291,058	258,246	2,830,214
				848	31,974
					395,585
					3,000,000
(165,114)	5,746,797	12,367	19,910	1,676,888	44,021,903
1,189,299	5,790,104	12,367	1,310,968	1,935,982	51,517,105
<u>\$1,506,196</u>	<u>\$5,921,316</u>	<u>\$1,981,097</u>	<u>\$2,515,633</u>	<u>\$3,933,275</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	120,092,553
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	2,241,042
Grants and other taxes receivable	3,413,000
Internal service funds are used by management to charge the costs of certain activities. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	519,609
Debt issuance costs and issuance discounts are amortized over the life of the debt, the unamortized portion remains on the Statement of Net Assets.	99,677
The following long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(6,832,338)
Vacation and sick leave benefits	(3,777,538)
Accrued interest on bonds payable	(24,731)
Net Assets of Governmental Activities	<u>\$167,248,379</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Major		Special
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
REVENUES				
Income taxes	\$38,244,422			
Property taxes	7,586,201			
Licenses and permits	612,250	\$14,040		
Intergovernmental revenue	1,836,001	2,519,230	\$19,595	\$2,463
Charges for services	191,755		3,375,769	3,063,890
Fines and forfeits	1,423,331			
Investment earnings	1,670,651			
Special assessments	402,314			
Refunds and reimbursements	1,276,349	1,293,265	221,498	1,462
Miscellaneous	12,965	6,968	29,710	333,540
Total revenues	<u>53,256,239</u>	<u>3,833,503</u>	<u>3,646,572</u>	<u>3,401,355</u>
EXPENDITURES				
Current:				
General government	11,438,965			
Police	11,966,663			
Fire	9,458,019			
Public works	2,908,775	5,804,300		
Leisure services			9,065,698	3,407,348
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	<u>35,772,422</u>	<u>5,804,300</u>	<u>9,065,698</u>	<u>3,407,348</u>
Excess (deficiency) of revenues over expenditures	17,483,817	(1,970,797)	(5,419,126)	(5,993)
OTHER FINANCING SOURCES (USES)				
Transfers in		2,242,400	5,361,775	
Transfers out	(9,835,396)			
Sale of city assets	42,470	12,348	1,822	
Net change in fund balance	<u>7,690,891</u>	<u>283,951</u>	<u>(55,529)</u>	<u>(5,993)</u>
Fund balances--beginning	<u>32,835,764</u>	<u>278,079</u>	<u>127,833</u>	<u>123,389</u>
Fund balances--ending	<u>\$40,526,655</u>	<u>\$562,030</u>	<u>\$72,304</u>	<u>\$117,396</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
					\$38,244,422
		\$1,303,288	\$111,578	\$398,440	9,399,507
					626,290
\$628,344			4,319,698	833,566	10,158,897
	\$1,476,351			45,023	8,152,788
				443,674	1,867,005
2,713	194,375	31,036		55,642	1,954,417
		149,592	472,813		1,024,719
12		29,803	49,589	26,449	2,898,427
28,214				280,443	691,840
<u>659,283</u>	<u>1,670,726</u>	<u>1,513,719</u>	<u>4,953,678</u>	<u>2,083,237</u>	<u>75,018,312</u>
445,922				673,818	12,558,705
				1,609,818	13,576,481
	95,046				9,553,065
				1,432,534	10,145,609
				14,176	12,487,222
284,167			6,184,786	183,445	6,652,398
		642,740			642,740
		1,140,309			1,140,309
<u>730,089</u>	<u>95,046</u>	<u>1,783,049</u>	<u>6,184,786</u>	<u>3,913,791</u>	<u>66,756,529</u>
(70,806)	1,575,680	(269,330)	(1,231,108)	(1,830,554)	8,261,783
		265,000	659,000	1,307,221	9,835,396
					(9,835,396)
					56,640
(70,806)	1,575,680	(4,330)	(572,108)	(523,333)	8,318,423
1,260,105	4,214,424	16,697	1,883,076	2,459,315	43,198,682
<u>\$1,189,299</u>	<u>\$5,790,104</u>	<u>\$12,367</u>	<u>\$1,310,968</u>	<u>\$1,935,982</u>	<u>\$51,517,105</u>
Net change in Fund Balance - Governmental Funds					\$8,318,423
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	6,613,911
				Depreciation expense	(6,761,932)
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 assets differ from the change in fund balance by the book value of the asset sold.					(140,618)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.					
				Income taxes receivable	137,218
				Grants receivable	1,205,673
				Property taxes receivable	124,200
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.					642,739
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	(179,380)
				Interest payable	(4,173)
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.)					(150,609)
Change in Net Assets on the Statement of Activities					<u>\$9,805,452</u>

BALANCE SHEET  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2008

	Governmental Activities- Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Pooled cash and investments	\$186,597
Accounts receivable	587
Due from other governments	10,986
Prepaid expenses	397
Inventory	297,635
Total current assets	<u>496,202</u>
Noncurrent assets:	
Buildings and improvements	769,344
Machinery and equipment	2,163,719
Less: Accumulated depreciation	<u>(2,250,612)</u>
Total noncurrent assets	<u>682,451</u>
Total assets	<u><u>\$1,178,653</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$180,864
Accrued payroll	169,009
Total current liabilities	<u>349,873</u>
Noncurrent liabilities:	
Accrued vacation and sick leave benefits	309,171
Total liabilities	<u>659,044</u>
<b>NET ASSETS</b>	
Invested in capital assets	682,451
Unrestricted	<u>(162,842)</u>
Total net assets	<u>519,609</u>
Total liabilities and net assets	<u><u>\$1,178,653</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	<u>\$10,979,436</u>
Total operating revenues	<u>10,979,436</u>
OPERATING EXPENSES	
Personal services	3,096,738
Repairs and maintenance	1,858,404
Contractual services	5,467,937
Other materials and expenses	563,428
Depreciation	<u>158,863</u>
Total operating expenses	<u>11,145,370</u>
Operating income (loss)	<u>(165,934)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	<u>15,325</u>
Change in net assets	<u>(150,609)</u>
Total net assets--beginning	<u>670,218</u>
Total net assets--ending	<u><u>\$519,609</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
 Increase (Decrease) in cash

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received for services	\$10,990,096
Cash paid to suppliers for goods or services	(7,884,856)
Cash paid to employees for services	(3,080,770)
Net cash provided (used) by operating activities	<u>24,470</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(337,998)
Sale of capital assets	2,714
Net cash used by capital and related financing activities	<u>(335,284)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	15,325
Net cash provided by investing activities	<u>15,325</u>
Net increase (decrease) in cash	(295,489)
Cash at beginning of year	482,086
Cash at end of year	<u><u>\$186,597</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	(\$165,934)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	158,863
(Increase) decrease in receivables	13,374
(Increase) decrease in inventories	15,514
Increase (decrease) in accounts payable	(14,715)
Net (increase) decrease in other operating net assets	17,368
Net cash provided (used) by operating activities	<u><u>\$24,470</u></u>

See accompanying notes to the basic financial statements.

## FIDUCIARY FUNDS

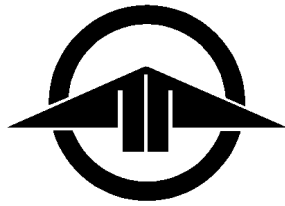
STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2008

	Volunteer Firefighter Pension	Deceased Police Dependents Private Purpose Trust	Agency Funds
ASSETS			
Pooled cash and investments		\$81,324	\$275,730
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$1,964,076		
Other investments			352,540
Total assets	<u>1,964,076</u>	<u>81,324</u>	<u>\$628,270</u>
LIABILITIES			
Accounts payable			\$8,462
Withholdings payable			262,665
Undistributed moneys			352,540
Unclaimed moneys			4,603
Total liabilities			<u>\$628,270</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$1,964,076</u>	<u>\$81,324</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008

ADDITIONS			
Employer contributions	\$69,847		
Investment earnings (loss)	240,356	\$2,971	
Total additions	<u>310,203</u>	<u>2,971</u>	
DEDUCTIONS			
Pension payments	132,860		
Total deductions	<u>132,860</u>		
Net increase (decrease)	177,343	2,971	
Net assets--beginning of year	1,786,733	78,353	
Net assets--end of year	<u>\$1,964,076</u>	<u>\$81,324</u>	

See accompanying notes to the basic financial statements.



CITY OF KETTERING

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

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

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

#### B. Basis of Presentation

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

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

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

The City reports the following major governmental funds:

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

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

**Parks, Recreation & Cultural Arts Fund** – This fund accounts for money received and expended for the Parks, Recreation & Cultural Arts department programs and activities.

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

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

**Emergency Medical Fund** – This fund accounts for revenues received for emergency medical services. The revenues can be expended for fire equipment or structures.

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

**Capital Projects Fund** – This fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Additionally, the City reports the following fund types:

**Internal Service Funds** – The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost-reimbursement basis. These goods and services include computer services, vehicle maintenance, office supplies, postage, printing services, 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.

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 reserved 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.

#### 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 \$5,000 or greater 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. Reserves and Designations

Reserves indicate portions of fund equity not appropriable for expenditures and/or legally segregated for a specific future use. Designations indicate tentative plans for financial resource utilization in a future period. Such plans are subject to change; they may never be legally authorized or result in expenditures/expenses.

## I. Grants and Other Intergovernmental Revenues

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

## J. Use of Estimates

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

## 2. POOLED CASH AND INVESTMENTS

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

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

Deposits: At year-end, the City's bank balance was \$19,684,099. Of this amount, \$13,525,651 was insured, the remaining \$6,158,448 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 two 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 \$3,018,030 in corporate bonds issued by General Electric, \$2,508,669 in corporate bonds issued by AT&T and a \$2,459,858 corporate bond issued by Verizon. These amounts represent 6%, 5%, and 5% respectively of the pooled cash and investments. At year-end, \$1,157,110 of the securities in the corporate bond category below are rated "BBB+", the remaining \$30,866,773 are rated "A" or better and all other investment types listed are unrated.

As of December 31, 2008 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>3-9</u>	<u>9-10</u>
Corporate Bonds	\$32,023,883	\$15,230,380	\$16,793,503		
Pension Plan Pooled Invest Fund	1,964,076				\$1,964,076
Total	<u>\$33,987,959</u>	<u>\$15,230,380</u>	<u>\$16,793,503</u>		<u>\$1,964,076</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, public utility and tangible (used in business) property located in the City. Property taxes are levied each December 31 on the assessed value listed as of the prior December 31. Assessed values are established for real property at 35% of true value, for tangible property used in business at 6.25% of true value, and for tangible property constituting "inventory" at 6.25% 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, 2007
Lien date	December 31, 2007
Tax bill mailed	January 20, 2008
First installment payment due	February 15, 2008
Second installment payment due	July 15, 2008

The assessed values for the City at December 31, 2007 were as follows:

	<u>Assessed Value</u>
	<u>Category</u>
Real Estate	\$1,208,913,450
Public Utility Real Property	13,680
Tangible Personal Property	25,604,587
Public Utility Personal Property	16,470,010
Total	<u>\$1,251,001,727</u>

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

## 5. OTHER TAXES

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

Estate taxes	\$3,539,762
Sales taxes	1,668,557
Gasoline taxes	1,920,875
Vehicle license taxes	764,439
Cell phone taxes	422,913
Miscellaneous other taxes	290,622
	<u>\$8,607,168</u>

## 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$10,544,645	\$68,834	(\$92,068)	\$10,521,411
Subtotal	<u>10,544,645</u>	<u>68,834</u>	<u>(92,068)</u>	<u>10,521,411</u>
Capital assets being depreciated:				
Buildings and improvements	40,156,917	1,327,013		41,483,930
Machinery and equipment	17,715,458	1,169,053	(1,106,987)	17,777,524
Infrastructure	144,601,194	4,368,372	(83,157)	148,886,409
Subtotal	<u>202,473,569</u>	<u>6,864,438</u>	<u>(1,190,144)</u>	<u>208,147,863</u>
Accumulated depreciation:				
Buildings and improvements	(25,518,497)	(942,839)		(26,461,336)
Machinery and equipment	(12,694,666)	(1,114,712)	1,047,538	(12,761,840)
Infrastructure	(53,891,007)	(4,863,244)	83,157	(58,671,094)
Subtotal	<u>(92,104,170)</u>	<u>(6,920,795) *</u>	<u>1,130,695</u>	<u>(97,894,270)</u>
Net capital assets being depreciated	<u>110,369,399</u>	<u>(56,357)</u>	<u>(59,449)</u>	<u>110,253,593</u>
Net capital assets	<u>\$120,914,044</u>	<u>\$12,477</u>	<u>(\$151,517)</u>	<u>\$120,775,004</u>

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

General government	\$393,062
Police	256,265
Fire	353,521
Public works	4,971,532
Leisure services	787,552
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.	158,863
Total depreciation expense	<u>\$6,920,795</u>

## 7. 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 2033. Fund balance has been reserved for the loans receivable at December 31, 2008, as it does not represent currently available spendable resources. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures.

## 8. 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** - \$1,000,000 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 - \$5,000 for boiler and machinery, \$2,501 - \$25,000 for crime, \$2,501 - \$200,000 for property, and \$2,501 - \$1,000,000 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, 2007, indicates reserves in excess of anticipated claims.

Employee health insurance is provided through a fully insured plan and is accounted for and financed through an internal service fund. The City pays premiums to a private insurance company and retains no risk.

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

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

## 9. PENSION PLAN OBLIGATIONS

Substantially all City employees are covered by one of two 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.

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, 2006, 2007 and 2008, were \$2,146,383, \$2,262,695 and \$2,448,027 respectively, or 79% of the required contributions for 2006, 73% for 2007, and 77% for 2008.

## 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 publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2008, 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, 2006, 2007 and 2008, were \$2,438,270, \$2,560,130 and \$2,683,518 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, 2008, 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	23
Active members	<u>86</u>
Total	<u><u>186</u></u>

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

Financial Statements of the Volunteer 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 assets available for benefits.

The City's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed in dollars, are designed to accumulate sufficient assets to pay benefits when due. Costs of

administering the plan are paid separately by the City and not deducted from plan assets. The City is to make all contributions required to the plan. Contribution requirements are established or may be amended by City Ordinance. Active members are not required to contribute.

The annual required contribution for the current year was determined as part of the January 1, 2008, actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included a 6.25% investment rate of return and that benefits will not increase after retirement. The actuarial value of assets was determined using the contract basis. Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. The funded status of the plan as of January 1, 2008, the most recent actuarial valuation date is as follows:

#### FUNDED STATUS AND FUNDING PROGRESS

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) -Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
1/1/2008	\$2,000,381	\$2,236,175	\$235,794	89.5%	\$427,556	55.1%

#### SCHEDULE OF EMPLOYER CONTRIBUTIONS

<b>Year Ended December 31</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution</b>	<b>Percent Contributed</b>
2003	\$17,333	\$17,333	100%
2004	34,397	34,397	100%
2005	40,399	40,399	100%
2006	70,294	70,294	100%
2007	67,025	67,025	100%
2008	69,847	69,847	100%

For the fiscal years ended December 31, 2006, 2007 and 2008, the Annual Pension cost (APC) was \$70,294, \$67,025 and \$69,847 respectively; the percentage of APC contributed was 100% and the net pension obligation was \$0.

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.

#### 10. 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, 2008, 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 for 2008 were \$2,448,027 of which \$773,772 was allocated to the healthcare plan.

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.

#### 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 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. 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 for 2008 were \$2,683,518 of which \$1,341,759 was allocated to fund post employment benefits.

The Health Care Preservation Plan adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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.

#### 11. 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 2008 were \$318,328.

Construction and other commitments at December 31, 2008, were approximately \$1,322,000.

#### 12. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2008, was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Amounts Due Within One Year</u></b>
<b>General obligation bonds:</b>					
Street Improvement bonds- Series 1991, 4.5%-6.65%	\$190,851		\$31,581	\$159,270	\$34,371
Street Improvement bonds- Series 1992, 3.25%-6.45%	380,000		70,000	310,000	70,000
Recreation Center Refunding, 2.65%-16.9%	82,780		82,780	0	0
Court Facility, 3.0%-4.5%	<u>3,565,000</u>		<u>155,000</u>	<u>3,410,000</u>	<u>160,000</u>
Total general obligation bonds	<u>4,218,631</u>		<u>339,361</u>	<u>3,879,270</u>	<u>264,371</u>
<b>Special assessment bonds:</b>					
Streets Series 1991, 4.5%-6.65%	<u>619,149</u>		<u>108,419</u>	<u>510,730</u>	<u>115,629</u>
Total special assessment bonds	<u>619,149</u>		<u>108,419</u>	<u>510,730</u>	<u>115,629</u>
<b>Other:</b>					
Accrued vacation and sick leave benefits	3,924,321	\$2,277,220	2,114,832	4,086,709	2,370,291
Ohio Public Works Commission Long-Term Promissory Notes, 0-3%	<u>2,637,298</u>		<u>194,960</u>	<u>2,442,338</u>	<u>170,291</u>
Total other	<u>6,561,619</u>	<u>2,277,220</u>	<u>2,309,792</u>	<u>6,529,047</u>	<u>2,540,582</u>
Total long-term liabilities	<u>\$11,399,399</u>	<u>\$2,277,220</u>	<u>\$2,757,572</u>	<u>\$10,919,047</u>	<u>\$2,920,582</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 72% has been paid by the General Fund, 10% by the Street Maintenance Fund and the remainder by the other governmental and internal service funds. The City uses the "vesting method" to determine the appropriate liability.

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

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 \$5.1 million.

The annual requirements to pay principal and interest on long-term obligations at December 31, 2008, are as follows:

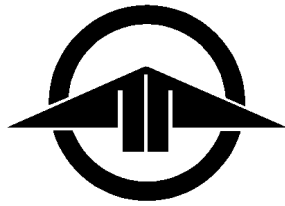
	General Obligation Bonds		Promissory Notes		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	264,371	169,296	170,291	15,377	115,629	33,964
2010	276,682	157,296	171,134	14,533	123,318	26,274
2011	293,482	144,491	171,999	13,668	131,518	18,073
2012	304,735	130,320	172,888	12,779	140,265	9,328
2013	180,000	115,300	173,799	11,868	-	-
2014-2018	1,025,000	457,625	824,461	44,810	-	-
2019-2023	1,250,000	225,145	716,265	18,139	-	-
2024-2025	285,000	12,398	41,501	521	-	-
	<u>\$3,879,270</u>	<u>\$1,411,871</u>	<u>2,442,338</u>	<u>\$131,695</u>	<u>\$510,730</u>	<u>\$87,639</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, 2008, the City had a legal debt margin for total debt of \$127,488,278 and a legal debt margin for unvoted debt of \$64,938,192.

### 13. CONTINGENT LIABILITIES

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

The City participates in several federally assisted programs 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.



CITY OF KETTERING

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$32,835,764	\$32,835,764	\$32,835,764	
Resources (inflows)				
Income taxes	37,895,000	38,500,000	38,244,422	(\$255,578)
Property taxes	7,694,000	7,694,000	7,586,201	(107,799)
Licenses and permits	501,000	591,000	612,250	21,250
Intergovernmental revenue	1,921,000	1,923,800	1,836,001	(87,799)
Charges for services	170,000	196,000	191,755	(4,245)
Fines and forfeits	1,515,000	1,515,000	1,423,331	(91,669)
Investment earnings	1,664,000	1,750,000	1,670,651	(79,349)
Special assessments	300,000	400,000	402,314	2,314
Refunds and reimbursements	1,200,000	1,200,000	1,276,349	76,349
Miscellaneous	13,000	13,000	12,965	(35)
Sale of city assets	20,000	36,000	42,470	6,470
Amounts available for appropriation	<u>85,728,764</u>	<u>86,654,564</u>	<u>86,134,473</u>	<u>(520,091)</u>
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	233,700	233,700	233,557	143
Operating expenditures	89,922	90,422	66,092	24,330
Capital outlay				
Total mayor and council	<u>323,622</u>	<u>324,122</u>	<u>299,649</u>	<u>24,473</u>
Municipal court:				
Personal services	928,500	928,500	916,765	11,735
Operating expenditures	276,446	280,033	245,609	34,424
Capital outlay				
Total municipal court	<u>1,204,946</u>	<u>1,208,533</u>	<u>1,162,374</u>	<u>46,159</u>
Clerk of courts:				
Personal services	846,500	870,500	860,297	10,203
Operating expenditures	141,771	147,800	128,545	19,255
Capital outlay				
Total clerk of courts	<u>988,271</u>	<u>1,018,300</u>	<u>988,842</u>	<u>29,458</u>
Office of City Manager:				
Personal services	504,200	506,900	504,535	2,365
Operating expenditures	52,658	67,276	59,121	8,155
Capital outlay				
Total office of city manager	<u>556,858</u>	<u>574,176</u>	<u>563,656</u>	<u>10,520</u>
Law department:				
Personal services	706,500	696,500	677,184	19,316
Operating expenditures	187,808	313,508	269,356	44,152
Capital outlay				
Total law department	<u>894,308</u>	<u>1,010,008</u>	<u>946,540</u>	<u>63,468</u>
Finance department:				
Personal services	1,495,400	1,495,400	1,442,571	52,829
Operating expenditures	517,063	513,417	418,964	94,453
Capital outlay				
Total finance department	<u>2,012,463</u>	<u>2,008,817</u>	<u>1,861,535</u>	<u>147,282</u>
Administrative support:				
Personal services	364,300	364,300	357,032	7,268
Operating expenditures	69,239	73,952	69,658	4,294
Capital outlay	5,000			
Total administrative support	<u>438,539</u>	<u>438,252</u>	<u>426,690</u>	<u>11,562</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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$621,100	\$621,100	\$608,627	\$12,473
Operating expenditures	433,524	432,767	262,916	169,851
Capital outlay				
Total human resources department	<u>1,054,624</u>	<u>1,053,867</u>	<u>871,543</u>	<u>182,324</u>
Planning and development:				
Personal services	1,975,100	1,975,100	1,895,579	79,521
Operating expenditures	447,055	441,121	310,381	130,740
Capital outlay				
Total planning and development	<u>2,422,155</u>	<u>2,416,221</u>	<u>2,205,960</u>	<u>210,261</u>
Economic development:				
Personal services	126,100	128,100	127,660	440
Operating expenditures	1,444,811	1,441,040	1,103,694	337,346
Capital outlay				
Total economic development	<u>1,570,911</u>	<u>1,569,140</u>	<u>1,231,354</u>	<u>337,786</u>
Miscellaneous:				
Operating expenditures	1,222,415	1,344,376	880,822	463,554
Total miscellaneous	<u>1,222,415</u>	<u>1,344,376</u>	<u>880,822</u>	<u>463,554</u>
Total general government	<u>12,689,112</u>	<u>12,965,812</u>	<u>11,438,965</u>	<u>1,526,847</u>
Police:				
Personal services	9,964,600	10,124,600	10,076,844	47,756
Operating expenditures	2,144,360	2,486,020	1,842,496	643,524
Capital outlay	180,500	180,500	47,323	133,177
Total police	<u>12,289,460</u>	<u>12,791,120</u>	<u>11,966,663</u>	<u>824,457</u>
Fire:				
Personal services	6,636,700	7,446,700	7,355,724	90,976
Operating expenditures	2,212,864	2,215,536	1,863,592	351,944
Capital outlay	941,618	296,618	238,703	57,915
Total fire	<u>9,791,182</u>	<u>9,958,854</u>	<u>9,458,019</u>	<u>500,835</u>
Public works:				
Engineering department:				
Personal services	1,985,600	1,985,600	1,982,576	3,024
Operating expenditures	446,794	449,920	369,180	80,740
Capital outlay	80,000	80,000	72,871	7,129
Total engineering department	<u>2,512,394</u>	<u>2,515,520</u>	<u>2,424,627</u>	<u>90,893</u>
Street lighting:				
Operating expenditures	550,000	550,000	484,148	65,852
Total street lighting	<u>550,000</u>	<u>550,000</u>	<u>484,148</u>	<u>65,852</u>
Total public works	<u>3,062,394</u>	<u>3,065,520</u>	<u>2,908,775</u>	<u>156,745</u>
Transfers to other funds	14,955,000	17,463,114	9,835,396	7,627,718
Total charges to appropriations	<u>52,787,148</u>	<u>56,244,420</u>	<u>45,607,818</u>	<u>10,636,602</u>
Fund balance, December 31	<u>\$32,941,616</u>	<u>\$30,410,144</u>	<u>\$40,526,655</u>	<u>\$10,116,511</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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$278,079	\$278,079	\$278,079	
Resources (inflows)				
Licenses and permits	10,000	10,000	14,040	\$4,040
Intergovernmental revenue	2,550,000	2,550,000	2,519,230	(30,770)
Refunds and reimbursements	200,000	200,000	1,293,265	1,093,265
Miscellaneous	25,000	25,000	6,968	(18,032)
Sale of city assets			12,348	12,348
Transfer from the general fund	2,785,000	3,670,900	2,242,400	(1,428,500)
Amounts available for appropriation	<u>5,848,079</u>	<u>6,733,979</u>	<u>6,366,330</u>	<u>(367,649)</u>
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	3,725,600	3,855,600	3,745,813	109,787
Operating expenditures	1,523,720	2,176,654	1,635,810	540,844
Capital outlay	492,000	590,900	422,677	168,223
Total charges to appropriations	<u>5,741,320</u>	<u>6,623,154</u>	<u>5,804,300</u>	<u>818,854</u>
Fund balance, December 31	<u>\$106,759</u>	<u>\$110,825</u>	<u>\$562,030</u>	<u>\$451,205</u>

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -  
 PARKS, RECREATION AND CULTURAL ARTS FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$127,833	\$127,833	\$127,833	
Resources (inflows)				
Intergovernmental revenue	21,000	21,000	19,595	(\$1,405)
Charges for services	3,816,000	3,575,000	3,375,769	(199,231)
Refunds and reimbursements	138,000	69,000	221,498	152,498
Miscellaneous	69,000	11,000	29,710	18,710
Sale of city assets			1,822	1,822
Transfer from the general fund	5,480,000	5,765,000	5,361,775	(403,225)
Amounts available for appropriation	9,651,833	9,568,833	9,138,002	(430,831)
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	5,462,400	5,417,400	5,228,203	189,197
Operating expenditures	4,067,303	4,072,227	3,808,005	264,222
Capital outlay	102,000	66,000	29,490	36,510
Total charges to appropriations	9,631,703	9,555,627	9,065,698	489,929
Fund balance, December 31	\$20,130	\$13,206	\$72,304	\$59,098

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$123,389	\$123,389	\$123,389	
Resources (inflows)				
Intergovernmental revenue		3,000	2,463	(\$537)
Charges for services	2,092,000	3,015,000	3,063,890	\$48,890
Refunds and reimbursements	5,000	4,000	1,462	(2,538)
Miscellaneous	250,000	312,000	333,540	21,540
Transfer from the general fund	525,000	585,000		(585,000)
Amounts available for appropriation	<u>2,995,389</u>	<u>4,042,389</u>	<u>3,524,744</u>	<u>(517,645)</u>
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	616,800	753,800	736,268	17,532
Operating expenditures	<u>2,280,212</u>	<u>2,801,712</u>	<u>2,671,080</u>	<u>130,632</u>
Total charges to appropriations	<u>2,897,012</u>	<u>3,555,512</u>	<u>3,407,348</u>	<u>148,164</u>
Fund balance, December 31	<u>\$98,377</u>	<u>\$486,877</u>	<u>\$117,396</u>	<u>(\$369,481)</u>

See accompanying notes to the required supplementary information.



**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -  
 COMMUNITY DEVELOPMENT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,260,105	\$1,260,105	\$1,260,105	
Resources (inflows)				
Intergovernmental revenue	700,000	700,000	628,344	(\$71,656)
Investment earnings			2,713	2,713
Refunds and reimbursements			12	12
Miscellaneous	75,686	75,686	28,214	(47,472)
Sale of city assets	30,000	30,000		(30,000)
Amounts available for appropriation	<u>2,065,791</u>	<u>2,065,791</u>	<u>1,919,388</u>	<u>(146,403)</u>
Charges to appropriations (outflows)				
General government	568,075	568,075	445,922	122,153
Capital improvements	576,935	576,935	284,167	292,768
Total charges to appropriations	<u>1,145,010</u>	<u>1,145,010</u>	<u>730,089</u>	<u>414,921</u>
Fund balance, December 31	<u>\$920,781</u>	<u>\$920,781</u>	<u>\$1,189,299</u>	<u>\$268,518</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, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$4,214,424	\$4,214,424	\$4,214,424	
Resources (inflows)				
Charges for services	1,200,000	1,400,000	1,476,351	\$76,351
Investment earnings	70,000	100,000	194,375	94,375
Amounts available for appropriation	5,484,424	5,714,424	5,885,150	170,726
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	144,465	144,465	95,046	49,419
Capital outlay	575,000	575,000		575,000
Total fire	719,465	719,465	95,046	624,419
Capital Improvements				
Total charges to appropriations	719,465	719,465	95,046	624,419
Fund balance, December 31	\$4,764,959	\$4,994,959	\$5,790,104	\$795,145

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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## 1. BUDGETS AND BUDGETARY ACCOUNTING

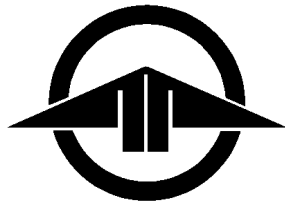
An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings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



CITY OF KETTERING

**FINANCIAL STATEMENTS  
OF  
INDIVIDUAL FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET DECEMBER 31, 2008

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
<b>ASSETS</b>						
Pooled cash and investments	\$163,030	\$365,643	\$359,852	\$58,275	\$1,326,308	\$2,273,108
Receivables:						
Property taxes			408,000			408,000
Accounts				5,674	36,521	42,195
Due from other governments	118,560		6		1,090,558	1,209,124
Prepaid expenditures					848	848
Total assets	<u>\$281,590</u>	<u>\$365,643</u>	<u>\$767,858</u>	<u>\$63,949</u>	<u>\$2,454,235</u>	<u>\$3,933,275</u>
<b>LIABILITIES</b>						
Accounts payable	\$25,647			\$22,527	\$21,742	\$69,916
Accrued payroll			\$349,807		6,625	356,432
Deferred revenue	104,788		408,000		1,058,157	1,570,945
Total liabilities	<u>130,435</u>		<u>757,807</u>	<u>22,527</u>	<u>1,086,524</u>	<u>1,997,293</u>
<b>FUND BALANCES</b>						
Reserved for:						
Encumbrances				22,311	235,935	258,246
Prepaid expenditures					848	848
Unreserved	151,155	\$365,643	10,051	19,111	1,130,928	1,676,888
Total fund balances	<u>151,155</u>	<u>365,643</u>	<u>10,051</u>	<u>41,422</u>	<u>1,367,711</u>	<u>1,935,982</u>
Total liabilities and fund balances	<u>\$281,590</u>	<u>\$365,643</u>	<u>\$767,858</u>	<u>\$63,949</u>	<u>\$2,454,235</u>	<u>\$3,933,275</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, 2008

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES</b>						
Property taxes						
Intergovernmental revenue	\$309,000	\$172,421	(\$136,579)			
Charges for services				\$9,000	\$9,321	\$321
Fines and forfeits						
Investment earnings	10,000	10,541	541	9,000	13,453	4,453
Refunds and reimbursements						
Miscellaneous				5,000	5,400	400
Total revenues	<u>319,000</u>	<u>182,962</u>	<u>(136,038)</u>	<u>23,000</u>	<u>28,174</u>	<u>5,174</u>
<b>EXPENDITURES</b>						
Current:						
General government				20,000	10,977	9,023
Police						
Fire						
Public works	202,500	116,022	86,478			
Leisure services						
Capital improvements	281,000	146,924	134,076			
Total expenditures	<u>483,500</u>	<u>262,946</u>	<u>220,554</u>	<u>20,000</u>	<u>10,977</u>	<u>9,023</u>
Excess (deficiency) of revenues over expenditures	(164,500)	(79,984)	84,516	3,000	17,197	14,197
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers out						
Net change in fund balance	<u>(164,500)</u>	<u>(79,984)</u>	<u>84,516</u>	<u>3,000</u>	<u>17,197</u>	<u>14,197</u>
Fund balances--beginning	<u>231,139</u>	<u>231,139</u>		<u>348,446</u>	<u>348,446</u>	
Fund balances--ending	<u>\$66,639</u>	<u>\$151,155</u>	<u>\$84,516</u>	<u>\$351,446</u>	<u>\$365,643</u>	<u>\$14,197</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, 2008

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$408,000	\$398,440	(\$9,560)			
Intergovernmental revenue				\$300,000		(\$300,000)
Charges for services				34,000	\$35,702	1,702
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				20,000	19,248	(752)
Miscellaneous						
Total revenues	<u>408,000</u>	<u>398,440</u>	<u>(9,560)</u>	<u>354,000</u>	<u>54,950</u>	<u>(299,050)</u>
EXPENDITURES						
Current:						
General government				293,392	196,236	97,156
Police	1,374,900	1,333,896	41,004			
Fire						
Public works						
Leisure services						
Capital improvements				600,000		600,000
Total expenditures	<u>1,374,900</u>	<u>1,333,896</u>	<u>41,004</u>	<u>893,392</u>	<u>196,236</u>	<u>697,156</u>
Excess (deficiency) of revenues over expenditures	(966,900)	(935,456)	31,444	(539,392)	(141,286)	398,106
OTHER FINANCING SOURCES (USES)						
Transfers in	1,000,000	935,500	(64,500)	430,000	50,000	(380,000)
Transfers out						
Net change in fund balance	<u>33,100</u>	<u>44</u>	<u>(33,056)</u>	<u>(109,392)</u>	<u>(91,286)</u>	<u>18,106</u>
Fund balances--beginning	10,007	10,007		132,708	132,708	
Fund balances--ending	<u>\$43,107</u>	<u>\$10,051</u>	<u>(\$33,056)</u>	<u>\$23,316</u>	<u>\$41,422</u>	<u>\$18,106</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, 2008

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES</b>						
Property taxes				\$408,000	\$398,440	(\$9,560)
Intergovernmental revenue	\$2,073,277	\$661,145	(\$1,412,132)	2,682,277	833,566	(1,848,711)
Charges for services				43,000	45,023	2,023
Fines and forfeits	393,000	443,674	50,674	393,000	443,674	50,674
Investment earnings	25,503	31,648	6,145	44,503	55,642	11,139
Refunds and reimbursements	15,184	7,201	(7,983)	35,184	26,449	(8,735)
Miscellaneous	229,000	275,043	46,043	234,000	280,443	46,443
Total revenues	<u>2,735,964</u>	<u>1,418,711</u>	<u>(1,317,253)</u>	<u>3,839,964</u>	<u>2,083,237</u>	<u>(1,756,727)</u>
<b>EXPENDITURES</b>						
Current:						
General government	700,616	466,605	234,011	1,014,008	673,818	340,190
Police	515,381	275,922	239,459	1,890,281	1,609,818	280,463
Fire	3,000		3,000	3,000		3,000
Public works	1,439,093	1,316,512	122,581	1,641,593	1,432,534	209,059
Leisure services	71,349	14,176	57,173	71,349	14,176	57,173
Capital improvements	486,200	36,521	449,679	1,367,200	183,445	1,183,755
Total expenditures	<u>3,215,639</u>	<u>2,109,736</u>	<u>1,105,903</u>	<u>5,987,431</u>	<u>3,913,791</u>	<u>2,073,640</u>
Excess (deficiency) of revenues over expenditures	(479,675)	(691,025)	(211,350)	(2,147,467)	(1,830,554)	316,913
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	568,014	321,721	(246,293)	1,998,014	1,307,221	(690,793)
Transfers out						
Net change in fund balance	88,339	(369,304)	(457,643)	(149,453)	(523,333)	(373,880)
Fund balances--beginning	1,737,015	1,737,015		2,459,315	2,459,315	
Fund balances--ending	<u>\$1,825,354</u>	<u>\$1,367,711</u>	<u>(\$457,643)</u>	<u>\$2,309,862</u>	<u>\$1,935,982</u>	<u>(\$373,880)</u>

DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$1,335,000	\$1,303,288	(\$31,712)
Investment earnings	30,000	31,036	1,036
Special assessments	149,000	149,592	592
Refunds and reimbursements	30,000	29,803	(197)
Total revenues	<u>1,544,000</u>	<u>1,513,719</u>	<u>(30,281)</u>
EXPENDITURES			
Current:			
General government	2,500		2,500
Debt service:			
Principal	642,740	642,740	
Interest	1,140,310	1,140,309	
Total expenditures	<u>1,785,550</u>	<u>1,783,049</u>	<u>2,500</u>
Deficiency of revenues over expenditures	(241,550)	(269,330)	(27,780)
OTHER FINANCING SOURCES (USES)			
Transfers in	280,000	265,000	(15,000)
Net change in fund balance	38,450	(4,330)	(42,780)
Fund balances--beginning	16,697	16,697	
Fund balances--ending	<u>\$55,147</u>	<u>\$12,367</u>	<u>(\$42,780)</u>

CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$117,000	\$111,578	(\$5,422)
Intergovernmental	3,854,000	4,319,698	465,698
Special assessments	473,000	472,813	(187)
Refunds and reimbursements	798,000	49,589	(748,411)
Total revenues	<u>5,242,000</u>	<u>4,953,678</u>	<u>(288,322)</u>
EXPENDITURES			
Capital improvements	9,473,555	6,184,786	3,288,769
Total expenditures	<u>9,473,555</u>	<u>6,184,786</u>	<u>3,288,769</u>
Deficiency of revenues over expenditures	(4,231,555)	(1,231,108)	3,000,447
OTHER FINANCING SOURCES (USES)			
Transfers in	5,164,200	659,000	(4,505,200)
Net change in fund balance	932,645	(572,108)	(1,504,753)
Fund balances--beginning	1,883,076	1,883,076	
Fund balances--ending	<u>\$2,815,721</u>	<u>\$1,310,968</u>	<u>(\$1,504,753)</u>

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CAPITAL PROJECTS FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2008

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$337,924	\$128,335	\$209,589
Street construction	5,335,137	3,683,124	1,652,013
Drainage	160,000	35,908	124,092
Parks and recreation	752,000	147,676	604,324
Tree planting and landscaping	102,148	26,763	75,385
Other	2,786,346	2,162,980	623,366
Total capital projects fund	<u>\$9,473,555</u>	<u>\$6,184,786</u>	<u>\$3,288,769</u>

INTERNAL SERVICE FUNDS  
 COMBINING BALANCE SHEET  
 DECEMBER 31, 2008

	Administrative Operations	Health Insurance	Totals
<b>ASSETS</b>			
Current assets:			
Pooled cash and investments	\$160,337	\$26,260	\$186,597
Accounts receivable	587		587
Due from other governments	10,986		10,986
Prepaid expenses	397		397
Inventory	297,635		297,635
Total current assets	<u>469,942</u>	<u>26,260</u>	<u>496,202</u>
Noncurrent assets:			
Buildings and improvements	769,344		769,344
Machinery and equipment	2,163,719		2,163,719
Less: Accumulated depreciation	(2,250,612)		(2,250,612)
Total noncurrent assets	<u>682,451</u>		<u>682,451</u>
Total assets	<u>\$1,152,393</u>	<u>\$26,260</u>	<u>\$1,178,653</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$180,864		\$180,864
Accrued payroll	169,009		169,009
Total current liabilities	<u>349,873</u>		<u>349,873</u>
Noncurrent liabilities:			
Accrued vacation and sick leave benefits	309,171		309,171
Total liabilities	<u>659,044</u>		<u>659,044</u>
<b>NET ASSETS</b>			
Invested in capital assets	682,451		682,451
Unrestricted	(189,102)	\$26,260	(162,842)
Total net assets	<u>493,349</u>	<u>26,260</u>	<u>519,609</u>
Total liabilities and net assets	<u>\$1,152,393</u>	<u>\$26,260</u>	<u>\$1,178,653</u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Administrative Operations	Health Insurance	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$6,168,871	\$4,810,565	\$10,979,436
Total operating revenues	<u>6,168,871</u>	<u>4,810,565</u>	<u>10,979,436</u>
<b>OPERATING EXPENSES</b>			
Personal services	3,096,738		3,096,738
Repairs and maintenance	1,858,404		1,858,404
Contractual services	650,508	4,817,429	5,467,937
Other materials and expenses	563,428		563,428
Depreciation	158,863		158,863
Total operating expenses	<u>6,327,941</u>	<u>4,817,429</u>	<u>11,145,370</u>
Operating income (loss)	<u>(159,070)</u>	<u>(6,864)</u>	<u>(165,934)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	15,325		15,325
Change in net assets	(143,745)	(6,864)	(150,609)
Total net assets--beginning	637,094	33,124	670,218
Total net assets--ending	<u>\$493,349</u>	<u>\$26,260</u>	<u>\$519,609</u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2008  
 Increase (Decrease) in cash

	Administrative Operations	Health Insurance	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received for services	\$6,179,531	\$4,810,565	\$10,990,096
Cash paid to suppliers for goods or services	(3,067,427)	(4,817,429)	(7,884,856)
Cash paid to employees for services	(3,080,770)		(3,080,770)
Net cash provided (used) by operating activities	<u>31,334</u>	<u>(6,864)</u>	<u>24,470</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(337,998)		(337,998)
Sale of capital assets	2,714		2,714
Net cash used by capital and related financing activities	<u>(335,284)</u>		<u>(335,284)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	15,325		15,325
Net cash provided by investing activities	<u>15,325</u>	<u>0</u>	<u>15,325</u>
Net increase (decrease) in cash	(288,625)	(6,864)	(295,489)
Cash at beginning of year	448,962	33,124	482,086
Cash at end of year	<u>\$160,337</u>	<u>\$26,260</u>	<u>\$186,597</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	(\$159,070)	(\$6,864)	(\$165,934)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	158,863		158,863
(Increase) decrease in receivables	13,374		13,374
(Increase) decrease in inventories	15,514		15,514
Increase (decrease) in accounts payable	(14,715)		(14,715)
Net (increase) decrease in other operating net assets	17,368		17,368
Net cash provided (used) by operating activities	<u>\$31,334</u>	<u>(\$6,864)</u>	<u>\$24,470</u>

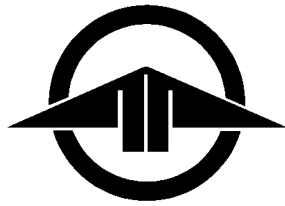
AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Balance December 31 2007	Additions	Deductions	Balance December 31 2008
<u>PAYROLL WITHHOLDING FUND</u>				
ASSETS - Cash	\$277,632	\$9,994,113	\$10,009,080	\$262,665
LIABILITIES - Withholdings payable	\$277,632	\$9,994,113	\$10,009,080	\$262,665
<u>MUNICIPAL COURT FUND</u>				
ASSETS - Investments with fiscal agent	\$365,992	\$4,909,132	\$4,922,584	\$352,540
LIABILITIES - Undistributed moneys	\$365,992	\$4,909,132	\$4,922,584	\$352,540
<u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u>				
ASSETS - Cash	\$19,390	\$114,682	\$121,007	\$13,065
LIABILITIES				
Accounts payable	\$15,836	\$109,079	\$116,453	\$8,462
Unclaimed moneys	3,554	5,603	4,554	4,603
Total liabilities	\$19,390	\$114,682	\$121,007	\$13,065
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$297,022	\$10,108,795	\$10,130,087	\$275,730
Investments with fiscal agent	365,992	4,909,132	4,922,584	352,540
Total assets	\$663,014	\$15,017,927	\$15,052,671	\$628,270
LIABILITIES				
Accounts payable	\$15,836	\$109,079	\$116,453	\$8,462
Withholdings payable	277,632	9,994,113	10,009,080	262,665
Undistributed moneys	365,992	4,909,132	4,922,584	352,540
Unclaimed moneys	3,554	5,603	4,554	4,603
Total liabilities	\$663,014	\$15,017,927	\$15,052,671	\$628,270



DEBT SCHEDULE  
DECEMBER 31, 2008

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2009	
						Principal	Interest
General Obligation Bonds:							
Street Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	\$524,921	\$159,270	\$34,371	\$10,591
Street Improvement bonds-series 1992	11/1/1992	3.25-6.45	12/1/2012	994,303	310,000	70,000	19,995
Court facility	3/29/2005	3.0-4.5	12/1/2024	3,950,000	3,410,000	160,000	138,710
Total general obligation bonds					3,879,270	264,371	169,296
Special Assessment Bonds:							
Street Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	1,665,079	510,730	115,629	33,964
Total special assessment bonds					510,730	115,629	33,964
Promissory Notes:							
Ohio public works commission:							
Bridge replacements	12/1/1994	0.00	7/1/2015	280,393	93,387	14,020	0
Rushland drive improvement	7/1/1996	0.00	7/1/2016	122,577	49,031	6,129	0
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	1,064,503	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	410,277	22,023	12,144
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	497,421	34,305	0
Ridgeway Bridge Rehab	12/31/2004	1.00	7/1/2025	380,000	327,719	17,778	3,233
Total promissory notes					2,442,338	170,291	15,377
Total					\$6,832,338	\$550,291	\$218,637



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>

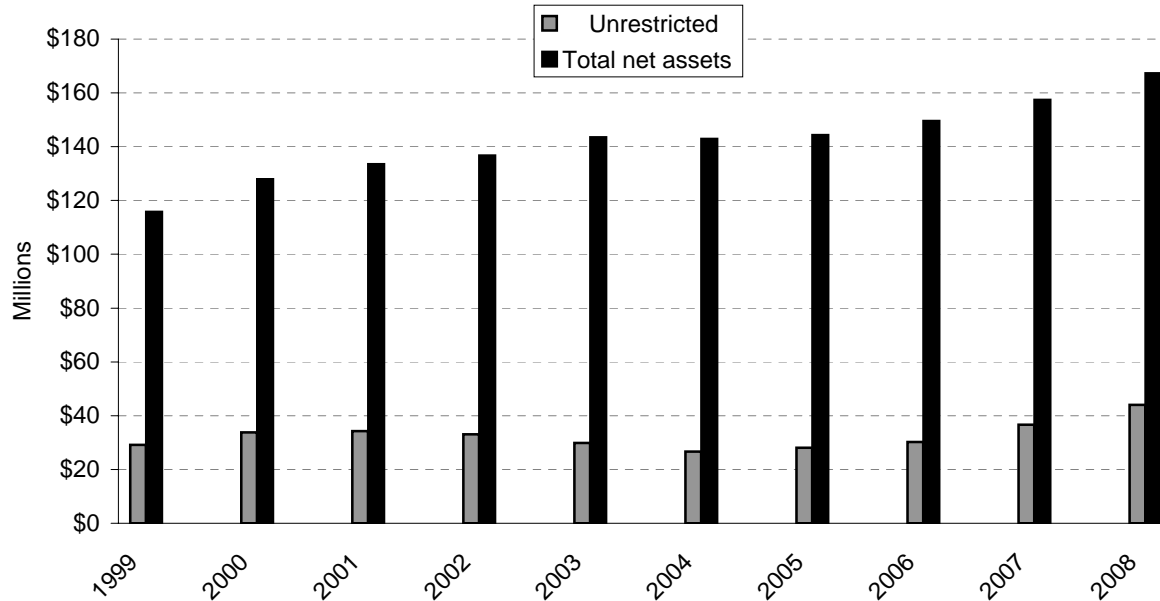
**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental activities										
Invested in capital assets, net of related debt	\$83,168,667	\$91,355,281	\$95,986,319	\$100,065,903	\$109,267,077	\$112,412,581	\$112,076,412	\$113,557,610	\$113,438,967	\$113,942,666
Restricted for:										
Debt service	153,118	172,832	38,533	46,554	34,549	15,178	15,638	16,476	16,697	12,367
Community development block grant	2,285,033	2,168,695	2,035,858	2,080,807	1,863,768	1,043,771	1,255,296	1,379,856	1,495,228	1,409,593
Emergency medical					912,249	1,194,939	1,654,299	2,945,419	4,288,697	5,910,129
Municipal court activities	418,917	338,740	559,340	742,720	957,095	1,112,424	660,228	764,100	876,020	1,054,048
Other purposes	584,034	155,634	597,899	732,386	495,406	471,289	546,270	602,395	653,883	900,453
Unrestricted	29,181,595	33,743,585	34,320,366	33,037,037	29,905,347	26,619,777	28,054,056	30,230,404	36,673,435	44,019,123
Total net assets	<u>\$115,791,364</u>	<u>\$127,934,767</u>	<u>\$133,538,315</u>	<u>\$136,705,407</u>	<u>\$143,435,491</u>	<u>\$142,869,959</u>	<u>\$144,262,199</u>	<u>\$149,496,260</u>	<u>\$157,442,927</u>	<u>\$167,248,379</u>

**Note:** Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are 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 Assets (accrual basis)



# CITY OF KETTERING, OHIO

## SCHEDULE 2

### CHANGES IN NET ASSETS

LAST TEN YEARS (*accrual basis of accounting*)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Expenses</b>										
General government	\$8,882,212	\$10,324,836	\$10,716,604	\$11,179,273	\$12,142,127	\$13,210,288	\$12,339,967	\$14,150,379	\$17,232,295	\$13,755,091
Police	9,163,871	9,413,721	10,270,530	10,626,973	10,840,287	11,282,263	11,530,015	12,914,191	12,849,315	13,760,327
Fire	6,374,476	6,356,550	7,349,117	7,569,675	7,768,263	8,768,088	8,380,554	8,709,771	8,932,687	9,666,999
Public works	9,366,194	9,791,899	9,812,828	10,803,744	11,236,775	11,926,820	11,813,178	11,360,485	12,263,789	13,404,095
Leisure services	10,427,534	10,231,388	10,832,180	11,665,610	11,479,183	11,834,644	11,873,881	12,416,056	12,234,615	13,254,478
Interest on long term debt	749,636	619,018	541,085	458,517	386,200	292,918	1,168,357	1,180,009	1,148,457	1,144,483
Total expenses	<u>44,963,923</u>	<u>46,737,412</u>	<u>49,522,344</u>	<u>52,303,792</u>	<u>53,852,835</u>	<u>57,315,021</u>	<u>57,105,952</u>	<u>60,730,891</u>	<u>64,661,158</u>	<u>64,985,473</u>
<b>Program Revenues</b>										
Charges for services:										
General government	1,678,418	1,686,309	2,015,725	2,353,231	2,344,241	2,436,404	2,704,373	2,496,686	2,623,279	2,644,901
Fire					1,144,791	986,737	1,156,577	1,343,281	1,433,964	1,522,104
Leisure services	3,823,331	3,907,797	4,098,781	4,508,945	4,398,036	5,085,696	5,379,969	5,344,896	5,852,344	6,439,659
Other activities		2,660	880	205	67,602	62,639	55,265	56,126	64,520	85,171
Operating grants and contributions	1,959,598	1,860,874	1,216,785	1,743,952	1,388,760	1,623,605	1,563,184	1,253,950	1,225,065	2,367,960
Capital grants and contributions:										
Public works	1,229,161	4,449,371	4,284,996	3,779,248	6,560,882	2,583,208	2,187,075	3,216,110	3,286,179	1,677,377
Other activities	27,225	25,000	367,750		58,653	29,216	203,067	904,254	302,002	36,521
Total program revenues	<u>8,717,733</u>	<u>11,932,011</u>	<u>11,984,917</u>	<u>12,385,581</u>	<u>15,962,965</u>	<u>12,807,505</u>	<u>13,249,510</u>	<u>14,615,303</u>	<u>14,787,353</u>	<u>14,773,693</u>
<b>Net (Expense)/Revenue <sup>1</sup></b>										
General government	(6,233,861)	(7,896,810)	(7,591,743)	(7,615,770)	(8,920,581)	(9,489,609)	(8,400,440)	(9,876,734)	(13,528,315)	(10,308,033)
Police	(9,121,479)	(9,349,083)	(10,198,837)	(10,534,263)	(10,692,821)	(11,201,292)	(11,402,343)	(12,759,270)	(12,776,771)	(13,656,869)
Fire	(6,372,176)	(6,355,945)	(7,319,277)	(7,569,335)	(6,568,248)	(7,763,976)	(7,217,962)	(7,366,390)	(7,495,208)	(8,144,890)
Public works	(7,381,653)	(4,422,113)	(5,477,029)	(6,971,161)	(4,519,146)	(9,261,925)	(9,459,374)	(8,138,835)	(8,935,470)	(10,692,207)
Leisure services	(6,387,385)	(6,162,432)	(6,409,456)	(6,769,165)	(6,802,874)	(6,497,796)	(6,207,966)	(6,794,350)	(5,989,584)	(6,265,298)
Interest on long term debt	(749,636)	(619,018)	(541,085)	(458,517)	(386,200)	(292,918)	(1,168,357)	(1,180,009)	(1,148,457)	(1,144,483)
Total net expense	<u>(36,246,190)</u>	<u>(34,805,401)</u>	<u>(37,537,427)</u>	<u>(39,918,211)</u>	<u>(37,889,870)</u>	<u>(44,507,516)</u>	<u>(43,856,442)</u>	<u>(46,115,588)</u>	<u>(49,873,805)</u>	<u>(50,211,780)</u>
<b>General Revenues</b>										
Taxes										
Income taxes	22,512,947	23,379,834	23,660,299	25,341,919	25,607,227	27,526,627	26,832,269	31,286,014	37,037,639	38,381,641
Property taxes, levied for general purposes	6,164,671	6,533,352	6,618,088	6,706,279	7,025,307	7,134,615	7,533,530	8,086,778	8,054,971	8,220,419
Property taxes, levied for debt service	1,198,897	1,206,793	1,169,189	1,192,441	1,183,447	1,205,190	1,279,605	1,304,564	1,288,494	1,303,288
Other taxes	6,181,380	8,184,945	6,992,076	6,432,237	8,302,792	6,259,591	6,829,478	7,300,029	7,849,842	8,607,168
Investment earnings	2,256,674	2,400,657	2,071,226	1,381,779	780,231	513,456	983,308	1,717,776	2,094,842	1,954,419
Refunds & reimbursements	1,061,974	1,161,602	2,212,010	1,306,890	1,284,483	1,182,084	1,547,397	1,327,366	1,249,838	1,296,369
Miscellaneous	4,576,102	330,138	418,087	723,758	436,467	120,421	243,095	327,122	244,846	253,928
Total general revenues	<u>43,952,645</u>	<u>43,197,321</u>	<u>43,140,975</u>	<u>43,085,303</u>	<u>44,619,954</u>	<u>43,941,984</u>	<u>45,248,682</u>	<u>51,349,649</u>	<u>57,820,472</u>	<u>60,017,232</u>
<b>Change in Net Assets</b>	<u>\$7,706,455</u>	<u>\$8,391,920</u>	<u>\$5,603,548</u>	<u>\$3,167,092</u>	<u>\$6,730,084</u>	<u>(\$565,532)</u>	<u>\$1,392,240</u>	<u>\$5,234,061</u>	<u>\$7,946,667</u>	<u>\$9,805,452</u>

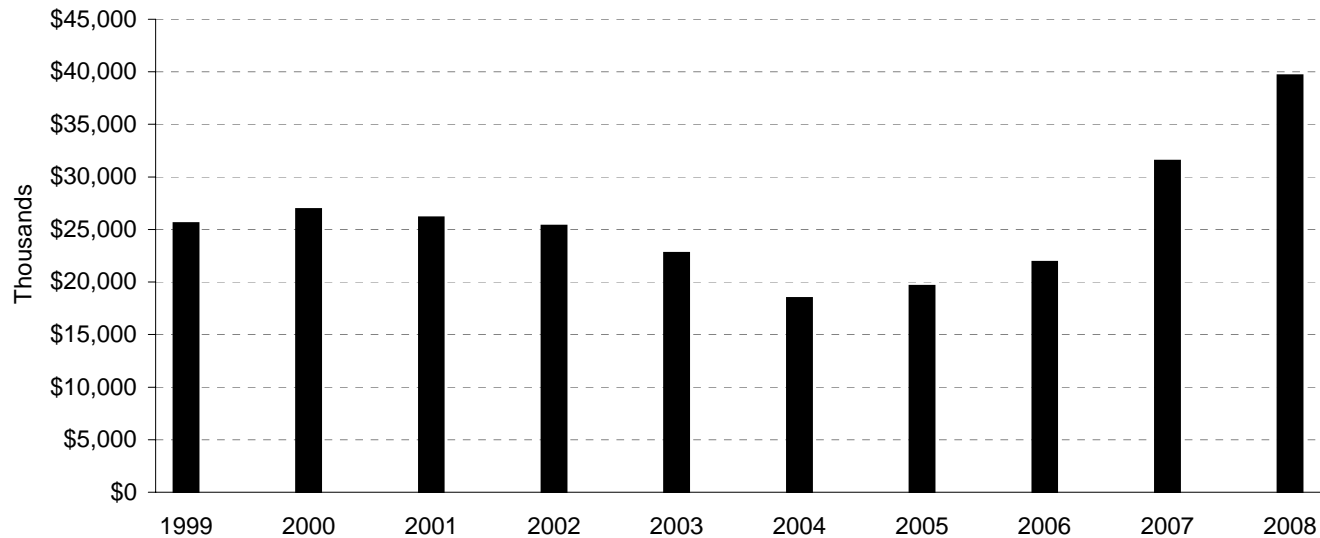
(1) Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers 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.

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

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

	Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$2,190,996	\$2,405,099	\$2,004,958	\$1,658,540	\$1,919,131	\$2,310,521	\$2,001,802	\$978,704	\$1,309,942	\$873,976
Unreserved	25,570,928	26,921,571	26,116,746	25,320,039	22,751,848	18,448,822	19,604,920	21,888,750	31,525,822	39,652,679
Total general fund	<u>\$27,761,924</u>	<u>\$29,326,670</u>	<u>\$28,121,704</u>	<u>\$26,978,579</u>	<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>
All Other Governmental Funds										
Reserved	\$7,112,526	\$4,353,076	\$6,995,171	\$6,723,658	\$5,796,672	\$5,176,218	\$5,944,495	\$7,288,657	\$2,799,221	\$3,621,226
Unreserved, reported in:										
Special revenue funds	355,843	68,155	1,140,426	1,662,040	2,360,777	2,481,977	2,767,404	4,314,413	6,350,672	7,336,947
Debt service fund	153,118	117,532	38,533	46,554	34,549	15,178	15,638	16,476	16,697	12,367
Capital project fund	210,977	1,076,034	10,445	10,305	18,903	10,463	227,841	10,046	1,196,328	19,910
Total all other governmental funds	<u>\$7,832,464</u>	<u>\$5,614,797</u>	<u>\$8,184,575</u>	<u>\$8,442,557</u>	<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>

**Unreserved General Fund Balance**

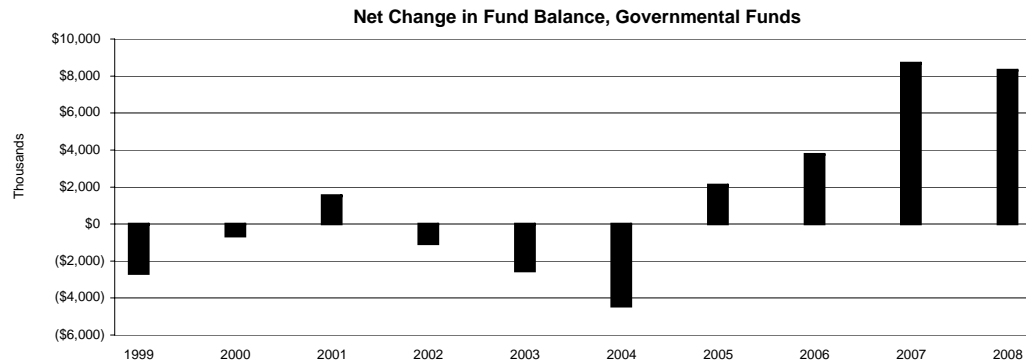


**CITY OF KETTERING, OHIO**

**SCHEDULE 4**

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>REVENUES</b>										
Income taxes	\$22,550,447	\$23,566,678	\$23,866,680	\$25,095,930	\$26,033,273	\$26,783,319	\$27,221,521	\$31,241,870	\$37,128,614	\$38,244,422
Property taxes	7,486,668	7,740,145	7,788,476	7,896,919	8,175,853	8,339,304	8,811,235	9,433,041	9,341,465	9,399,507
Licenses and permits	395,804	459,832	392,917	506,429	567,654	606,617	488,598	541,457	567,742	626,290
Intergovernmental revenue	7,800,085	10,035,712	10,276,158	10,043,805	14,669,208	8,597,471	9,156,001	11,159,023	11,238,227	10,158,897
Charges for services	4,021,532	4,001,529	4,223,430	4,615,432	5,448,625	6,436,412	6,925,229	6,909,899	7,517,918	8,152,788
Fines and forfeits	1,084,413	1,135,404	1,499,038	1,740,344	1,674,642	1,681,735	1,914,989	1,762,075	1,919,736	1,867,005
Investment earnings	2,011,338	2,645,992	2,071,226	1,381,779	780,228	513,456	983,308	1,717,776	2,094,842	1,954,417
Special assessments	1,168,726	1,418,452	1,251,362	1,308,754	1,024,871	1,203,717	1,402,805	902,767	978,014	1,024,719
Refunds and reimbursements	1,371,191	1,500,421	2,576,280	1,626,962	1,861,388	1,743,828	3,078,251	2,318,409	1,993,372	2,898,427
Miscellaneous	653,120	522,141	538,633	676,389	669,066	551,897	503,483	540,471	555,991	691,840
<b>Total revenues</b>	<b>48,543,324</b>	<b>53,026,306</b>	<b>54,484,200</b>	<b>54,892,743</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>EXPENDITURES</b>										
<b>Current:</b>										
General government	9,031,363	9,501,717	9,768,669	10,980,711	11,320,369	12,664,622	11,687,503	13,105,797	12,117,032	12,558,705
Police	9,315,128	9,353,231	10,064,525	10,429,392	10,786,712	11,230,625	11,308,886	12,901,716	12,828,081	13,576,481
Fire	6,099,968	7,125,540	7,224,511	7,275,877	7,831,880	8,585,929	8,328,226	8,152,880	8,807,160	9,553,065
Public works	6,701,394	7,053,955	6,897,648	7,952,650	8,173,691	8,529,615	7,674,931	7,528,693	8,117,038	10,145,609
Leisure services	8,876,221	8,774,617	9,335,122	10,283,469	10,438,031	10,352,928	10,602,498	10,725,786	11,387,262	12,487,222
Capital improvements	8,978,298	9,988,482	9,642,134	8,405,483	12,781,912	7,778,704	10,294,799	7,966,574	9,676,701	6,652,398
<b>Debt service:</b>										
Principal	1,523,134	1,583,134	1,648,134	1,718,134	1,952,988	2,057,118	1,387,380	1,313,385	667,018	642,739
Interest	697,513	625,480	547,930	465,787	386,244	301,213	1,153,773	1,178,485	1,144,194	1,140,310
<b>Total expenditures</b>	<b>51,223,019</b>	<b>54,006,156</b>	<b>55,128,673</b>	<b>57,511,503</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>
Excess (deficiency) of revenues over expenditures	(2,679,695)	(979,850)	(644,473)	(2,618,760)	(2,767,019)	(5,042,998)	(1,952,576)	3,653,472	8,591,435	8,261,783
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	14,371,198	9,543,432	11,583,704	10,879,070	11,332,160	12,455,731	8,980,139	10,657,427	8,733,378	9,835,396
Transfers out	(14,371,198)	(9,543,432)	(11,583,704)	(10,879,070)	(11,332,160)	(12,455,731)	(8,980,139)	(10,657,427)	(8,733,378)	(9,835,396)
General obligation debt issuance		1,930,633	987,255	11,140	11,140	303,995	3,987,766			
Sale of city assets		326,929	258,652	566,362	216,623	300,302	83,731	127,789	110,201	56,640
<b>Net change in fund balance</b>	<b>(\$2,679,695)</b>	<b>(\$652,921)</b>	<b>\$1,544,812</b>	<b>(\$1,065,143)</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>
Debt service as a percentage of noncapital expenditures	5.38%	5.25%	4.91%	4.55%	4.72%	4.50%	4.97%	4.60%	3.29%	2.96%

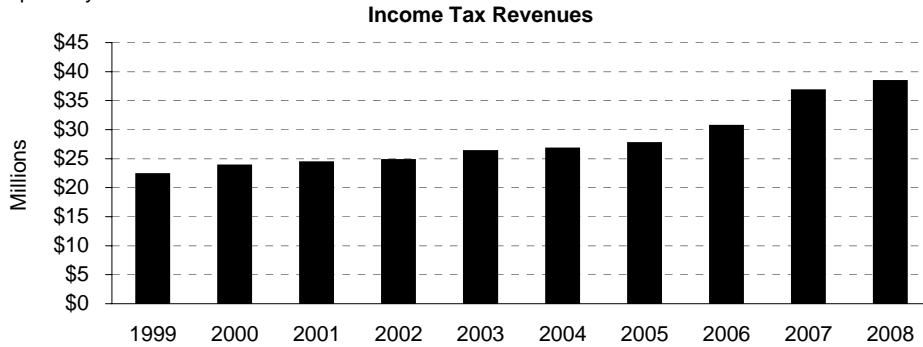


**INCOME TAX BY PAYER TYPE AND INCOME TAX RATE  
LAST TEN YEARS (cash basis of accounting)**

Year	Individual		Total			Total	Income Tax Rate
	Withholding	Non-withholding	Individual	Corporate	Partnership		
1999	\$18,718,313	\$2,465,811	\$21,184,124	\$777,641	\$305,342	\$22,267,107	1.75%
2000	19,796,097	2,589,602	22,385,699	892,553	514,878	23,793,130	1.75%
2001	20,598,600	2,533,287	23,131,887	773,634	411,093	24,316,614	1.75%
2002	20,777,431	2,494,477	23,271,908	973,956	437,015	24,682,879	1.75%
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%

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)**

2008		2008 Rank		1998	
Rank	Name			Rank	Name
1	Kettering Medical Center	4 <sup>1</sup>		1	General Motors Corporation
2	GE Money	1		2	Kettering Medical Center
3	Reynolds & Reynolds Company	6		3	Federal Government
4	Delphi Automotive Systems Services LLC	5		4	Kettering Board of Education
5	Kettering Board of Education	2 <sup>1</sup>		5	Banc One Management Corp.
6	Federal Government	7 <sup>1</sup>		6	Scitex Digital Printing Inc.
7	Eastman Kodak Company	8		7	City of Kettering
8	City of Kettering	-		8	Valeo Electrical Systems Inc.
9	Limited Brands Inc. & Subs	-		9	Reed Elsevier Inc.
10	Time Warner Entertainment Inc.	-		10	Meijer Inc.

Combined percentage of

Total Income taxes 31.5%

Combined percentage of

Total Income taxes 35.4%

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) Delphi Automotive Systems Services LLC is a spinoff of General Motors Corporation; GE Money reports the activity formerly known as Banc One Management Corp.; Scitex Digital Printing Inc. was purchased by Eastman Kodak Company.



**CITY OF KETTERING, OHIO**

**SCHEDULE 7**

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Obligation Bonds	\$10,418,777	\$8,997,168	\$7,514,792	\$5,966,977	\$4,349,119	\$2,643,554	\$5,563,536	\$4,564,339	\$4,218,631	\$3,879,270
Percent of estimated actual property value	0.35%	0.28%	0.24%	0.19%	0.13%	0.08%	0.16%	0.12%	0.11%	0.10%
Per capita	172	156	131	104	76	46	97	79	73	67
Special Assessment Bonds	1,378,574	1,288,184	1,193,560	1,094,375	990,233	905,798	816,127	720,807	619,149	510,730
Promissory Notes	757,129	685,994	2,545,494	3,461,615	3,241,766	3,278,644	3,075,818	2,856,949	2,637,298	2,442,338
Total Gross Indebtedness	12,554,480	10,971,346	11,253,846	10,522,967	8,581,118	6,827,996	9,455,481	8,142,095	7,475,078	6,832,338
Percentage of personal income	0.80%	0.71%	0.70%	0.65%	0.50%	0.40%	0.53%	0.44%	0.39%	0.35%
Per capita	207	191	196	183	149	119	164	142	130	119
Less debt outside limitations:										
Special Assessment Debt	1,378,574	1,288,184	1,193,560	1,094,375	990,233	905,798	816,127	720,807	619,149	510,730
Promissory Notes	757,129	685,994	2,545,494	3,461,615	3,241,766	3,278,644	3,075,818	2,856,949	2,637,298	2,442,338
Less debt service fund balance	153,118	117,532	38,533	46,554	34,549	15,178	15,638	16,476	16,697	12,367
Net debt within limitations for both Voted and Unvoted debt	10,265,659	8,879,636	7,476,259	5,920,423	4,314,570	2,628,376	5,547,898	4,547,863	4,201,934	3,866,903
Debt limitation for both Voted and Unvoted debt 10.5% of assessed valuation	107,882,576	115,575,064	115,633,711	114,650,117	124,670,352	122,665,459	122,629,124	134,354,645	132,966,025	131,355,181
Legal debt margin for Voted and Unvoted debt	\$97,616,917	\$106,695,428	\$108,157,452	\$108,729,694	\$120,355,782	\$120,037,083	\$117,081,226	\$129,806,782	\$128,764,091	\$127,488,278
Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit	9.52%	7.68%	6.47%	5.16%	3.46%	2.14%	4.52%	3.38%	3.16%	2.94%
Net debt within limitations for both Voted and Unvoted limitation	\$10,265,659	\$8,879,636	\$7,476,259	\$5,920,423	\$4,314,570	\$2,628,376	\$5,547,898	\$4,547,863	\$4,201,934	\$3,866,903
Less voted debt	4,699,352	3,924,352	3,114,352	2,264,352	1,369,352	429,352	294,663	180,147	82,780	0
Net debt within limitations for Unvoted debt	5,566,307	4,955,284	4,361,907	3,656,071	2,945,218	2,199,024	5,253,235	4,367,716	4,119,154	3,866,903
Debt limitation for Unvoted debt 5.5% of assessed valuation	56,509,921	60,539,319	60,570,039	60,054,823	65,303,518	64,253,336	64,234,303	70,376,243	69,648,870	68,805,095
Legal debt margin for Unvoted debt	\$50,943,614	\$55,584,035	\$56,208,132	\$56,398,752	\$62,358,300	\$62,054,312	\$58,981,068	\$66,008,527	\$65,529,716	\$64,938,192
Net debt within limitations for Unvoted debt as a percentage of debt limit	9.85%	8.19%	7.20%	6.09%	4.51%	3.42%	8.18%	6.21%	5.91%	5.62%

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT  
DECEMBER 31, 2008

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Kettering <sup>1</sup>	Amount Applicable to City of Kettering
State of Ohio			
City of Kettering	\$6,309,241	100.0%	\$6,309,241
Kettering City School District	103,649,982	92.0%	95,357,983
Montgomery County	44,137,933	12.0%	5,296,552
Beavercreek Local School District	31,018,152	0.9%	279,163
<b>Total</b>	<b>\$185,115,308</b>		<b>\$107,242,939</b>

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>
1999	60,569	1,572,128,964	25,956	1.9%	116,524	1,027,453,106	2,944,151,764
2000	57,502	1,553,071,518	27,009	2.3%	121,534	1,100,714,894	3,169,669,776
2001	57,502	1,604,823,318	27,909	2.7%	123,524	1,101,273,442	3,174,922,055
2002	57,502	1,614,541,156	28,078	3.5%	132,529	1,091,905,872	3,167,681,964
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	5.3%	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

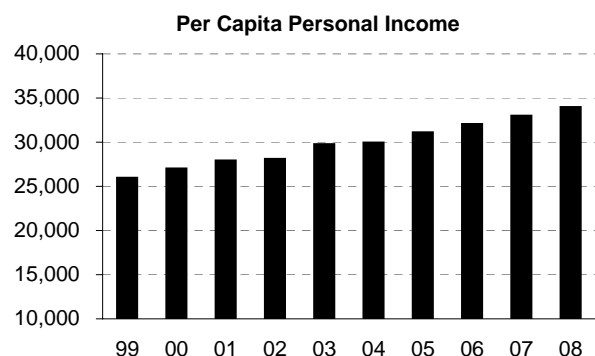
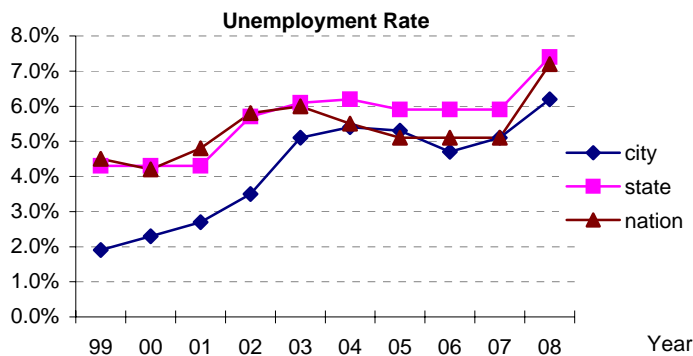
(1) 1990 & 2000 United States Census Bureau.

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

(3) Ohio Bureau of Employment Services.

(4) Dayton Area Board of Realtors, Dayton, Ohio (2008 price range: \$17,000 - \$800,000).

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



PRINCIPAL EMPLOYERS  
CURRENT YEAR AND EIGHTEEN YEARS AGO

Employer	2008		1990 <sup>1</sup>	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Kettering Medical Center	3,100	10.76%	General Motors Corporation <sup>2</sup>	4,405 13.39%
GE Money	1,700	5.90%	Kettering Medical Center	2,975 9.04%
Reynolds & Reynolds Company	1,500	5.21%	Defense Electronics Supply Center	2,500 7.60%
Kettering City Schools	1,055	3.66%	Kroger Company	1,313 3.99%
Intimate Brands Inc.	1,000	3.47%	Kettering City Schools	1,033 3.14%
City of Kettering	900	3.13%	Meijer Inc	900 2.74%
Kodak Versamark	700	2.43%	City of Kettering	800 2.43%
Meijer Inc.	550	1.91%	Eastman Kodak Company <sup>2</sup>	350 1.06%
Tenneco	300	1.04%	Ohio Bell Telephone Company	292 0.89%
<b>Total</b>	<b>10,805</b>	<b>37.52%</b>	<b>Total</b>	<b>14,568 44.28%</b>

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

(1) Past information is available every 10 years.

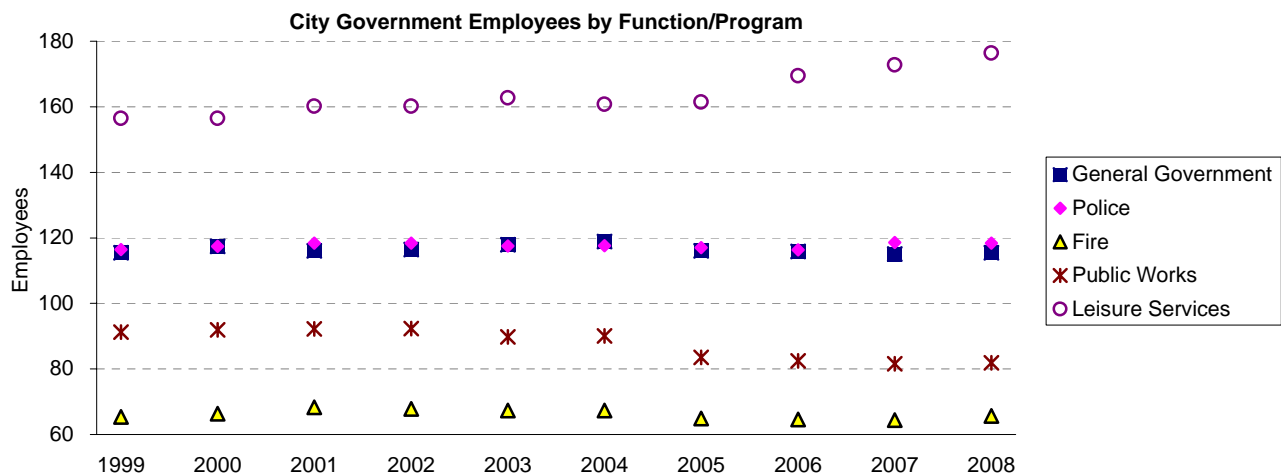
(2) Tenneco now owns the plant formerly owned by General Motors Corp.; Kodak Versamark is a division of Eastman Kodak Co.

SCHEDULE 11

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

Function/program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government	115.4	117.4	116.0	116.4	117.9	118.9	116.1	115.9	115.1	115.5
Police	116.5	117.5	118.4	118.4	117.6	117.6	117.0	116.4	118.5	118.4
Fire	65.4	66.4	68.3	67.8	67.3	67.3	64.9	64.6	64.4	65.6
Public Works	91.2	91.9	92.2	92.3	89.8	90.1	83.5	82.5	81.6	81.9
Leisure Services	156.5	156.5	160.2	160.2	162.7	160.7	161.5	169.4	172.8	176.4
<b>Total</b>	<b>545.0</b>	<b>549.7</b>	<b>555.1</b>	<b>555.1</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>

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN YEARS

<u>Function/program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government										
Positions filled <sup>1</sup>	16	27	19	17	17	5	5	7	14	26
Permits issued <sup>2</sup>	4,248	4,295	3,861	3,705	3,824	3,217	3,301	3,053	2,884	2,779
Inspections performed <sup>2</sup>	7,071	8,971	6,828	7,144	7,435	6,974	6,684	6,352	7,639	6,837
CDBG loan applications <sup>3</sup>	24	21	14	5	10	18	24	25	96	86
Payroll checks processed <sup>4</sup>	20,387	20,375	20,852	20,898	20,648	21,710	20,569	20,003	20,093	20,819
Purchase orders issued <sup>5</sup>	1,474	1,557	2,068	1,816	2,002	2,120	2,063	2,069	2,054	2,281
Ordinances & resolutions <sup>6</sup>	214	238	230	234	243	206	227	220	182	211
Court cases <sup>7</sup>	21,839	20,913	19,979	19,865	18,742	18,358	22,593	21,727	22,962	22,051
Police										
Criminal arrests <sup>8</sup>	3,216	2,925	3,263	3,112	2,854	2,813	3,085	3,030	2,812	2,762
Calls for service <sup>9</sup>	70,156	64,472	65,130	67,320	71,524	69,621	72,643	67,394	67,287	65,131
Fire										
Fire alarms <sup>10</sup>	1,224	1,273	1,397	1,421	2,393	1,604	1,324	1,337	1,197	1,544
Medic alarms <sup>10</sup>	4,445	4,495	4,551	4,601	5,120	4,881	5,214	5,445	5,815	5,896
Public Works										
Asphalt resurfacing (miles) <sup>11</sup>	15	13	13	14	16	10	4	6	4	7
Truckloads of leaves picked-up <sup>12</sup>	2,100	1,735	1,740	2,206	2,062	1,988	1,895	2,050	1,837	1,655
Tons of snow melting salt used <sup>12</sup>	5,500	9,118	2,147	3,000	5,452	4,654	6,465	1,560	4,544	6,341
Leisure Services										
Recreation complex attendance <sup>13</sup>	920,270	900,910	879,000	918,560	931,040	1,016,576	1,010,804	929,193	922,366	908,725
Fraze Pavilion tickets sold <sup>13</sup>	72,167	74,153	71,018	75,942	77,727	80,480	78,540	72,383	90,232	90,825

(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

## SCHEDULE 13

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

<u>Function/program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government										
Square footage occupied <sup>1</sup>	25,582	25,582	25,582	25,582	25,582	25,582	43,108	43,108	43,108	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>	244	244	246	246	246	246	246	246	246	246
Miles of storm sewer/channel <sup>2</sup>	172	172	173	174	174	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>	408	408	408	419	419	419	419	419	419	419
Recreation complexes square ft <sup>1</sup>	145,000	145,000	145,000	145,000	145,000	145,000	153,512	153,512	153,512	153,512

(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



Mary Taylor, CPA  
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**  
**JULY 21, 2009**