

**CITY OF KETTERING, OHIO**

**Reports on Internal Controls and Compliance  
and Schedule of Expenditures of Federal Awards**

**For the Year Ended December 31, 2007**





Mary Taylor, CPA  
Auditor of State

City Council  
City of Kettering  
3600 Shroyer Road  
Kettering, Ohio 45429

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, 2007 through December 31, 2007. 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

May 6, 2008

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**CITY OF KETTERING, OHIO**

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**Clark, Schaefer, Hackett & Co.**

CERTIFIED PUBLIC ACCOUNTANTS

BUSINESS CONSULTANTS

www.cshco.com

**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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2008. 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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority'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*.

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  
March 31, 2008



**Clark, Schaefer, Hackett & Co.**  
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**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, 2007. 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 on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

**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.

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, 2007, and have issued our report thereon dated March 31, 2008. 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, Hachett & Co.*

Springfield, Ohio  
March 31, 2008

**CITY OF KETTERING, OHIO**  
Schedule of Expenditures of Federal Awards  
For the year ended December 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Grant Award Date</u>	<u>Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<i>Direct Program:</i>				
Community Development Block Grants/Entitlement Grants	B-07-MC-39-0011	14.218	1/1/07	\$ 491,545
<i>Passed through the Board of County Commissioners of Montgomery County</i>				
HOME Investment Partnerships Program	A-C-03-281-2	14.239	9/1/03	26,015
<i>Passed through the City of Dayton, Ohio:</i>				
HOME Investment Partnerships Program	M-07-MC-39-0205	14.239	3/22/07	124,638
Total Home Investment Partnerships Program				<u>150,653</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<b><u>642,198</u></b>
<b><u>U.S. Department of Justice</u></b>				
<i>Direct programs:</i>				
Bulletproof Vest Partnership Program	none	16.607	5/20/04	680
Edward Byrne Memorial Justice Assistance Grant Program	2007-DJBX-0546	16.580	10/1/06	<u>5,360</u>
<b>Total U.S. Department of Justice</b>				<b><u>6,040</u></b>
<b><u>U.S. Department of Transportation</u></b>				
<i>Passed through the State of Ohio Governor's Highway Safety Office:</i>				
Highway Planning and Construction	TE-2007-57-00-00-00430-00	20.205	10/1/06	5,000
	TE-2007-57-00-00-00447-00	20.205	10/1/06	10,000
	E060619/C21169	20.205	7/11/06	205,536
	E035594/05N134	20.205	11/15/05	128,920
	E035596/06N149	20.205	11/15/05	1,600,285
<i>Passed through AAA Miami Valley:</i>				
Highway Planning and Construction	05-GR1-5008	20.205	10/1/05	2,696
	06-GR1-5088	20.205	10/1/06	<u>14,771</u>
Total Highway Planning and Construction				1,967,208
<i>Passed through the Greater Dayton Regional Transit Authority</i>				
Federal Transit_Formula Grants	OH-90- X541	20.507	3/1/06	<u>26,502</u>
<b>Total U.S. Department of Transportation</b>				<b><u>1,993,710</u></b>
<b><u>U.S. Department of Homeland Security</u></b>				
<i>Passed through the Ohio Emergency Management Agency:</i>				
Hazard Mitigation Grant	FEMA-DR-1484.17R-OH	97.039	2/25/05	<u>275,500</u>
<b>Total U.S. Department of Homeland Security</b>				<b><u>275,500</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b><u>\$ 2,917,448</u></b>

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

**CITY OF KETTERING, OHIO**  
Notes to the Schedule of Expenditures of Federal Awards  
December 31, 2007

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**NOTE 1 – GENERAL**

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

**NOTE 2 – BASIS OF ACCOUNTING**

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

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

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

**NOTE 4 – SUBRECIPIENTS**

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

**CITY OF KETTERING, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

December 31, 2007

**1. SUMMARY OF AUDITORS' RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grants Entitlement – CFDA #14.218  Hazard Mitigation Grant – CFDA #97.039
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Findings: None Noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Findings: None Noted

**CITY OF KETTERING, OHIO**

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

December 31, 2007

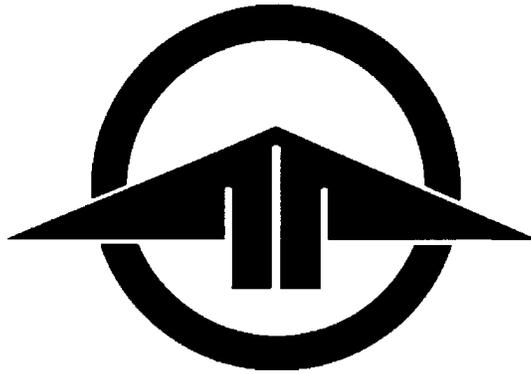
Prior Audit Findings:

No Findings were reported in the Prior Audit

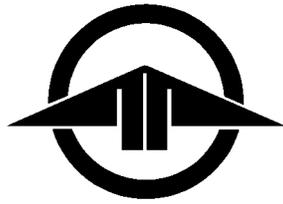
**CITY OF KETTERING, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2007**



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



CITY OF KETTERING

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2007****TABLE OF CONTENTS**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2007**

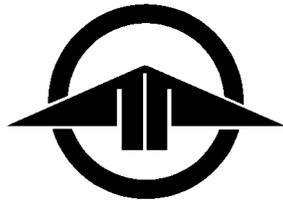
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## **INTRODUCTORY SECTION**



CITY OF KETTERING



March 31, 2008

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, 2007, 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.

## ECONOMIC CONDITION AND OUTLOOK

The economic environment for Kettering's business community continued to be one of relative stability during 2007.

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 is planning another expansion in 2008. The hospital will break ground for the Schuster Heart Hospital which will be a 114,000 sq ft addition to the front of the facility. Reynolds & Reynolds, a fortune 1000 company based in Dayton since 1866, was purchased by the Universal Computer Systems Company (UCS) and merged into the Reynolds & Reynolds Company during 2006. As the merger proceeded a number of employees opted to leave the company. 2007 was a year of transition and realignment for Reynolds & Reynolds. The employment trends are reversing as the newly merged company initiated a hiring process

to refill positions. The company now employs 1,076, which is not far below its pre-merger employment level of 1,200. 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. In addition, MeadWestvaco announced plans to move additional employees into their new location in the former MCSi building at the Kettering Corporate Center. After some interior renovations the company now employs 238 at the site. 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.

A recent news release reported that Tenneco Inc. has entered into a purchase agreement with Delphi Automotive Systems to acquire certain ride control assets and inventory at Delphi's Kettering facility. The Kettering Delphi plant has been for sale since the company declared bankruptcy under Chapter 11 in October 2005. Employment levels at Delphi have declined from 1,600 prior to the filing to 700 as of December 2007. Tenneco has entered into an agreement with the International Union of Electrical Workers, which represents the Delphi workforce at the Kettering plant. Tenneco has also entered into a long-term supply agreement with General Motors Corporation to continue to supply passenger car shock and strut components from the Kettering facility.

Despite being practically landlocked, Kettering continued to thrive in terms of new economic development. During 2007 the City of Kettering continued with the redevelopment of two highly visible retail sites – Kettering Crossing and Kettering Pointe. Kettering Crossing, is a mixed use of retail space and three 4 family residential condominium units. Kettering Pointe, formerly the Van Buren Shopping Center, is complete and the ten tenant spaces are fully leased. The residential portion of the redevelopment will be 35 patio homes by Inverness Homes. The development is under construction and about 30% of the units have been sold.

In addition to the new housing mentioned above, there are some other exciting housing projects underway. Madison's Grant is the fastest selling single-family development for Ryan Homes in southwest Ohio. When complete, it will include 150 new homes beginning in the \$200,000 price range

located on property on the southeastern edge of Kettering. Also, Johns Towne Woods, a 56 unit condominium development with units starting at \$190,000 continued construction in 2007.

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 2007, 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, 2007, the City's cash resources were divided between cash and investments as follows:

Cash and certificates of deposit	\$19,236,705
Corporate bonds	23,711,931
Pension plan pooled investment fund	<u>1,786,733</u>
<b>TOTAL</b>	<b><u><u>\$44,735,369</u></u></b>

Interest earned on investments for the year was \$2,209,554.

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, 2006. 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 25 consecutive years (fiscal years ended 1982-2006). 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, 2007. 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  
Peggy B. Lehner  
Frank Spolrich  
Keith Thompson  
Raymond P. Wasky (resigned 1/23/07)  
Tony Klepacz (appointed 2/27/07)

### CITY MANAGER

Mark Schwieterman

### INDEPENDENT AUDITORS

Clark, Schaefer, Hackett & Co.  
Certified Public Accountants

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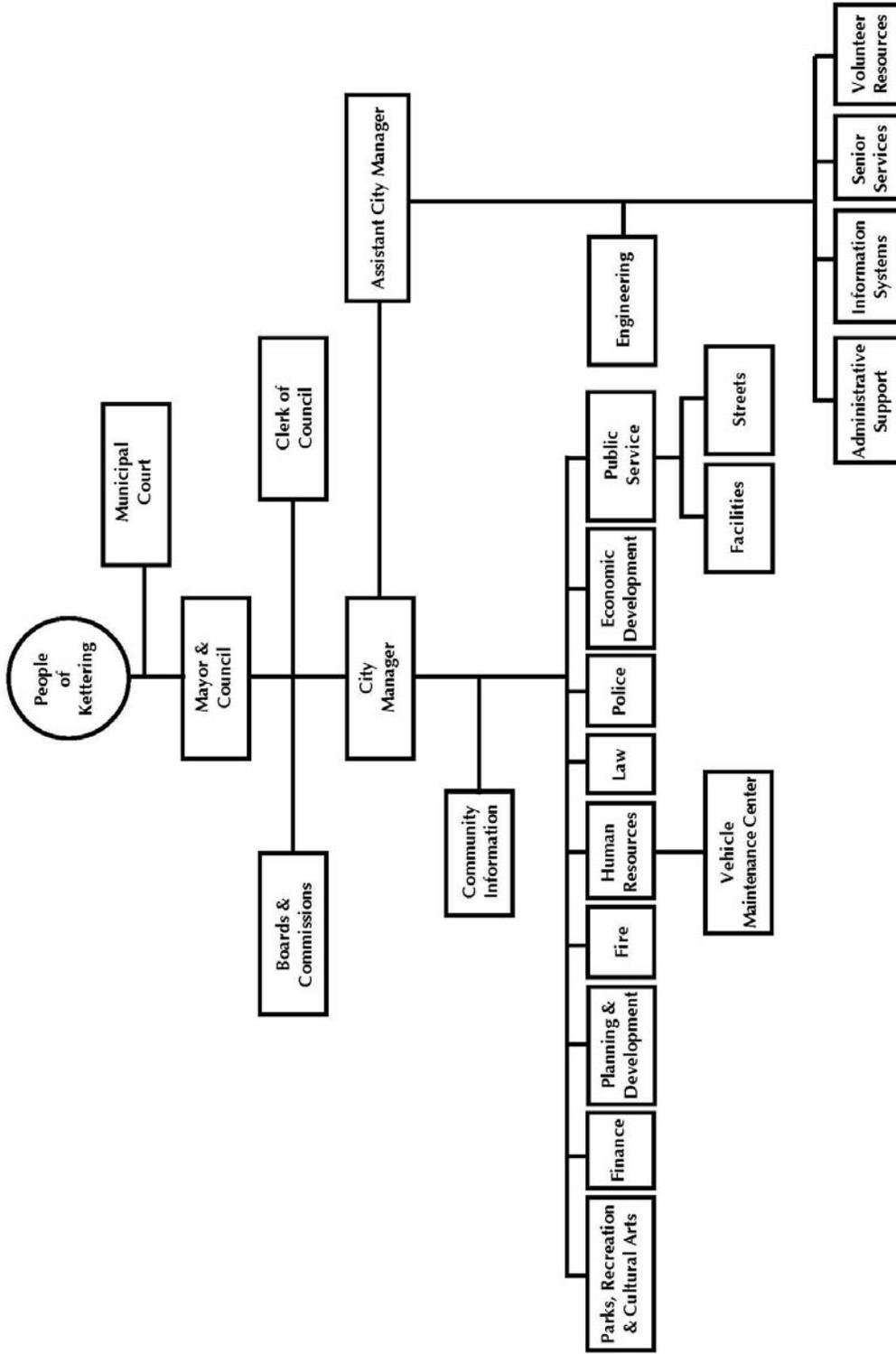
## CITY OF KETTERING, OHIO

### 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
Cheryl M. Ritchard	Finance Technician I
Julie M. Byerly	Finance Technician I
Candace M. Grooms	Finance Clerk - Part-Time
Joyce A. Foley	Finance Clerk - Part-Time

# City of Kettering 2007 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, 2006

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.

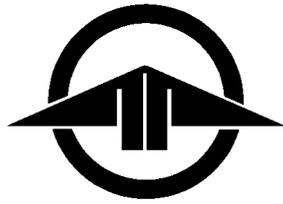


*Charles S. Cox*

President

*Jeffrey R. Emmer*

Executive Director



CITY OF KETTERING

**FINANCIAL SECTION**



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

**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, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

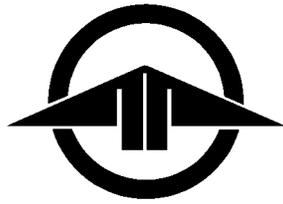
In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2008 on our consideration of the City of Kettering's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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.

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, Hackett & Co.*

Springfield, Ohio  
March 31, 2008



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, 2007.

**FINANCIAL HIGHLIGHTS**

1. The City's net assets increased by \$7,947,000 or 5.3% while unrestricted net assets increased \$6,443,000 or 21.3%.
2. Total revenues increased 10.1% while total expenses increased 6.5%.
3. City Income tax revenues increased an unprecedented 18.4% or \$5.75 million.
4. The General Fund reported a surplus of over \$9,968,000, establishing a three-year trend of rising fund balances.
5. The Fraze Pavilion reported a surplus for the second time in its 17-year history.
6. Total costs of services increased by more than \$3.9 million, while net costs of services increased by over \$3.7 million.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 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 2007 the City produced a 5.3% increase in Total net assets. This compares with a 3.6% increase in 2006. Revenues generated were \$72.6 million and expenses from all programs were \$64.7 million resulting in a surplus for the year of \$7,947,000. 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 \$6,443,000.

Explanations for the larger fluctuations between years are as follows:

- Federal grant revenue was lower in 2007 primarily because of high federal funding for Community Development Block Grant projects in 2006.
- State grant revenue was lower this year because of high state funding for a bikeway project last year.
- Sponsorships and contributions are higher primarily because of a roadway contribution from a new development but also from higher sponsorships this year at the Frazee Pavilion.
- Income taxes are significantly higher in 2007 primarily because of the increase in the tax rate to 2.25% in 2007 from 1.75% in 2006.
- Investment earnings were higher in 2007 because of higher portfolio balance.
- General government expenses increased 21.8% because of an impairment loss due to the demolition of a building previously used for storage.

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

### NET ASSETS

	2007	2006
Current and other assets	\$64,494,515	\$56,920,212
Capital assets	120,914,044	121,699,706
Total assets	185,408,559	178,619,918
Long-term debt outstanding	(11,399,399)	(11,890,275)
Other liabilities	(16,566,233)	(17,233,383)
Total liabilities	(27,965,632)	(29,123,658)
Net assets:		
Invested in capital assets, net of debt	113,438,967	113,557,610
Restricted	7,330,525	5,708,246
Unrestricted	36,673,435	30,230,404
Total net assets	\$157,442,927	\$149,496,260

### CHANGES IN NET ASSETS

	2007	2006
Revenues		
Program revenues:		
Charges for services	\$9,974,107	\$9,240,989
Federal grants	2,756,749	3,335,970
State and local grants	621,004	885,969
Special assessments	978,014	902,767
Sponsorships and contributions	457,479	249,608
General revenues:		
Income taxes	37,037,639	31,286,014
Property taxes	9,343,465	9,391,342
Other taxes	7,849,842	7,300,029
Investment earnings	2,094,842	1,717,776
Other general revenue	1,494,684	1,654,488
Total revenues	72,607,825	65,964,952
Program expenses		
General government	17,232,295	14,150,379
Police	12,849,315	12,914,191
Fire	8,932,687	8,709,771
Public works	12,263,789	11,360,485
Leisure services	12,234,615	12,416,056
Interest on long-term debt	1,148,457	1,180,009
Total expenses	64,661,158	60,730,891
Increase (decrease) in net assets	7,946,667	5,234,061
Net assets beginning	149,496,260	144,262,199
Net assets ending	\$157,442,927	\$149,496,260

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>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Police	\$12,849,315	\$12,914,191	\$12,776,771	\$12,759,270
Fire	8,932,687	8,709,771	7,495,208	7,366,390
Public works	12,263,789	11,360,485	8,935,470	8,138,835
Leisure services	12,234,615	12,416,056	5,989,584	6,794,350
All others	17,232,295	14,150,379	13,528,315	9,876,734
	<u>\$63,512,701</u>	<u>\$59,550,882</u>	<u>\$48,725,348</u>	<u>\$44,935,579</u>

Total costs of services for 2007 increased by just under \$4 million while net costs of services increased by \$3.8 million. However if the impairment loss of almost \$3.9 million isn't considered, costs of services remained at the same level as they were in 2006.

The capital asset activity for the year was increased compared to prior years. The City had an aggressive capital improvement program in 2007 and added more than \$7.5 million in infrastructure assets. As mentioned previously, an impairment loss contributed to a higher than normal \$4.2 million decrease in net capital assets. Asset additions totaled \$10.2 million and ended with total net capital assets of \$120,914,044. Of this total, \$10,544,645 was not being depreciated and the capital assets being depreciated totaled \$202,473,569 with accumulated depreciation of \$92,104,170.

The City issued no new debt in the current year. At December 31, 2007, the City had various debt issues outstanding, which included \$4,218,631 of general obligation bonds, \$619,149 of special assessment debt with City commitment and \$2,637,298 of promissory notes. As of December 31, 2007, the City's net general obligation bonded debt of \$4,201,934 was well below the legal limit of \$132,966,025 and debt per capita equaled \$73.07.

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 \$43.2 million, which is 25.2% higher than last year's total of \$34.5 million.

The City's General Fund experienced a \$6,360,000, or 13.8% overall increase in revenues for 2007. At the same time expenditures decreased by \$610,000 or 1.7%, and transfers out decreased by \$1.9 million. The capital projects fund did not require a transfer in this year because of a large beginning fund balance necessary to cover encumbrances outstanding at the end of 2006. This resulted in an increase in the General Fund balance for the third time in 6 years. Income taxes increased substantially due to a tax rate increase discussed below and investment earnings increased due to higher portfolio balance. Total revenues were \$52.4 million while total expenditures were \$33.7 million. Transfers to other funds totaled \$8.7 million resulting in the \$9,968,000, or 43.6% increase to the General Fund balance.

The Frazee Pavilion, an outdoor amphitheater accounted for in a major special revenue fund, produced a surplus for the second time since it began operations in 1991. Increased ticket sales, increased concession sales, and increased sponsorships contributed to the surplus. The Emergency Medical fund saw record revenues in this it's fifth year of

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operations. Charges for services revenues increased by \$149,500 or 11.4% over last year. There were no other material changes to the major funds in 2007.

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 lower than expected expenditures in the Capital Projects Fund and also because of the Frazee Pavilion Fund's excellent year, no transfer was required into either of these two funds. 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, 2007 produced a significant increase to the General Fund balance. Much of this increase was due to increased income taxes because of the 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, 2007

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ASSETS	
Pooled cash and investments (note 2)	\$42,207,269
Receivables:	
Income taxes (net of allowance for \$390,537)	5,791,100
Property taxes	9,877,910
Interest	320,145
Accounts	299,408
Special assessments	1,518,149
Loans (net of allowance for \$22,763)	1,285,419
Notes	325,000
Due from other governments	2,278,692
Prepaid expenses	173,827
Inventory	417,596
Capital assets not being depreciated (note 6)	10,544,645
Capital assets being depreciated, net (note 6)	110,369,399
Total assets	<u>185,408,559</u>
LIABILITIES	
Accounts payable	2,563,388
Salary and benefits payable	2,038,559
Accrued interest payable	26,692
Deferred revenue	11,937,594
Long-term liabilities (note 12)	
Due within one year	2,918,846
Due in more than one year	8,480,553
Total liabilities	<u>27,965,632</u>
NET ASSETS	
Invested in capital assets, net of related debt	113,438,967
Restricted for:	
Debt service	16,697
Community development block grant	1,495,228
Emergency medical (by enabling legislation)	4,288,697
Municipal court activities	876,020
Other purposes	653,883
Unrestricted	36,673,435
Total net assets	<u><u>\$157,442,927</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007

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	\$17,232,295	\$2,623,279	\$778,699	\$302,002	(\$13,528,315)
Police	12,849,315	49,377	23,167		(12,776,771)
Fire	8,932,687	1,433,964	3,515		(7,495,208)
Public works	12,263,789	15,143	26,997	3,286,179	(8,935,470)
Leisure services	12,234,615	5,852,344	392,687		(5,989,584)
Interest on long-term debt	1,148,457				(1,148,457)
Total	<u>\$64,661,158</u>	<u>\$9,974,107</u>	<u>\$1,225,065</u>	<u>\$3,588,181</u>	<u>(49,873,805)</u>
General revenues:					
Taxes:					
Income taxes					37,037,639
Property taxes, levied for general purposes					8,054,971
Property taxes, levied for debt service					1,288,494
Other taxes (note 5)					7,849,842
Investment earnings					2,094,842
Refunds and reimbursements					1,249,838
Miscellaneous					244,846
Total general revenues					<u>57,820,472</u>
Change in net assets					7,946,667
Net assets--beginning					149,496,260
Net assets--ending					<u>\$157,442,927</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS  
DECEMBER 31, 2007

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
<b>ASSETS</b>				
Pooled cash and investments	\$32,004,432	\$172,137	\$475,151	\$138,802
Receivables:				
Income taxes (net of allowance for \$390,537)	5,791,100			
Property taxes	8,044,909			
Interest	320,145			
Accounts	20,886	8,623	25,547	
Special assessments	300,000			
Loans (net of allowance for \$22,763)				
Notes	325,000			
Due from Community Development fund	38,700			
Due from other governments	444,487	1,112,363	7,672	
Prepaid expenditures	52,302	1,416	4,161	4,744
Inventory		104,448		
Total assets	<u>\$47,341,961</u>	<u>\$1,398,987</u>	<u>\$512,531</u>	<u>\$143,546</u>
<b>LIABILITIES</b>				
Accounts payable	\$1,780,754	\$57,703	\$137,352	\$10,400
Due to General fund				
Accrued payroll	1,152,376	171,805	238,407	8,092
Deferred revenue	11,573,067	891,400	8,939	1,665
Total liabilities	<u>14,506,197</u>	<u>1,120,908</u>	<u>384,698</u>	<u>20,157</u>
<b>FUND BALANCES</b>				
Reserved for:				
Loans receivable				
Notes receivable	325,000			
Encumbrances	932,640	162,115	106,263	25,483
Prepaid expenditures	52,302	1,416	4,161	4,744
Inventory		104,448		
Unreserved:				
Designated for subsequent years' expenditures	2,000,000			
Undesignated	29,525,822	10,100	17,409	93,162
Total fund balances	<u>32,835,764</u>	<u>278,079</u>	<u>127,833</u>	<u>123,389</u>
Total liabilities and fund balances	<u>\$47,341,961</u>	<u>\$1,398,987</u>	<u>\$512,531</u>	<u>\$143,546</u>

See accompanying notes to the basic financial statements.

<u>Revenue Funds</u>					
<u>Community Development</u>	<u>Emergency Medical</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Special Revenue Governmental Funds</u>	<u>Total Governmental Funds</u>
\$128	\$4,120,810	\$16,697	\$2,027,121	\$2,769,905	\$41,725,183
					5,791,100
		1,309,000	116,000	408,000	9,877,909
	185,727		49,704	3,140	320,145
1,285,419		768,149	450,000		293,627
					1,518,149
					1,285,419
					325,000
					38,700
263,254			257,580	173,020	2,258,376
				2,738	65,361
					104,448
<u>\$1,548,801</u>	<u>\$4,306,537</u>	<u>\$2,093,846</u>	<u>\$2,900,405</u>	<u>\$3,356,803</u>	<u>\$63,603,417</u>
\$14,873 38,700	\$17,840		\$282,790	\$66,096	2,367,808
					38,700
				331,830	1,902,510
<u>235,123</u>	<u>74,273</u>	<u>\$2,077,149</u>	<u>734,539</u>	<u>499,562</u>	<u>16,095,717</u>
<u>288,696</u>	<u>92,113</u>	<u>2,077,149</u>	<u>1,017,329</u>	<u>897,488</u>	<u>20,404,735</u>
1,285,419					1,285,419
					325,000
36,011	44,465		686,748	335,210	2,328,935
				2,738	65,361
					104,448
					2,000,000
<u>(61,325)</u>	<u>4,169,959</u>	<u>16,697</u>	<u>1,196,328</u>	<u>2,121,367</u>	<u>37,089,519</u>
<u>1,260,105</u>	<u>4,214,424</u>	<u>16,697</u>	<u>1,883,076</u>	<u>2,459,315</u>	<u>43,198,682</u>
<u>\$1,548,801</u>	<u>\$4,306,537</u>	<u>\$2,093,846</u>	<u>\$2,900,405</u>	<u>\$3,356,803</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.	120,410,021
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	2,103,826
Grants and other taxes receivable	2,054,297
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.	670,218
Debt issuance costs and issuance discounts are amortized over the life of the debt, the unamortized portion remains on the Statement of Net Assets.	105,811
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	(7,475,078)
Vacation and sick leave benefits	(3,598,158)
Accrued interest on bonds payable	(26,692)
Net Assets of Governmental Activities	<u>\$157,442,927</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Major		Special
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
<b>REVENUES</b>				
Income taxes	\$37,128,614			
Property taxes	7,549,914			
Licenses and permits	552,599	\$15,143		
Intergovernmental revenue	2,023,543	2,531,757	\$30,059	
Charges for services	160,178		3,415,212	\$2,437,131
Fines and forfeits	1,474,749			
Investment earnings	1,803,011			
Special assessments	402,762			
Refunds and reimbursements	1,253,607	268,584	86,079	1,429
Miscellaneous	14,627	13,911	22,960	295,099
Total revenues	<u>52,363,604</u>	<u>2,829,395</u>	<u>3,554,310</u>	<u>2,733,659</u>
<b>EXPENDITURES</b>				
Current:				
General government	10,942,922			
Police	11,514,511			
Fire	8,535,253			
Public works	2,715,514	5,248,816		
Leisure services			8,661,848	2,716,785
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	<u>33,708,200</u>	<u>5,248,816</u>	<u>8,661,848</u>	<u>2,716,785</u>
Excess (deficiency) of revenues over expenditures	18,655,404	(2,419,421)	(5,107,538)	16,874
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		2,220,000	5,048,300	
Transfers out	(8,733,378)			
Sale of city assets	46,284	12,565	17,265	
Net change in fund balance	9,968,310	(186,856)	(41,973)	16,874
Fund balances--beginning	22,867,454	464,935	169,806	106,515
Fund balances--ending	<u>\$32,835,764</u>	<u>\$278,079</u>	<u>\$127,833</u>	<u>\$123,389</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
					\$37,128,614
		\$1,288,494	\$105,581	\$397,476	9,341,465
\$653,990			5,470,372	528,506	567,742
	\$1,465,254			40,143	11,238,227
1,654	177,721	47,386		444,987	7,517,918
		149,593	425,659	65,070	1,919,736
93,119		25,960	221,782	42,812	2,094,842
29,775				179,619	978,014
<u>778,538</u>	<u>1,642,975</u>	<u>1,511,433</u>	<u>6,223,394</u>	<u>1,698,613</u>	<u>73,335,921</u>
367,494				806,616	12,117,032
	268,407			1,313,570	12,828,081
				3,500	8,807,160
				152,708	8,117,038
				8,629	11,387,262
457,748			9,035,776	183,177	9,676,701
		667,018			667,018
		1,144,194			1,144,194
<u>825,242</u>	<u>268,407</u>	<u>1,811,212</u>	<u>9,035,776</u>	<u>2,468,200</u>	<u>64,744,486</u>
(46,704)	1,374,568	(299,779)	(2,812,382)	(769,587)	8,591,435
		300,000		1,165,078	8,733,378
					(8,733,378)
34,087					110,201
(12,617)	1,374,568	221	(2,812,382)	395,491	8,701,636
1,272,722	2,839,856	16,476	4,695,458	2,063,824	34,497,046
<u>\$1,260,105</u>	<u>\$4,214,424</u>	<u>\$16,697</u>	<u>\$1,883,076</u>	<u>\$2,459,315</u>	<u>\$43,198,682</u>
Net change in Fund Balance - Governmental Funds					\$8,701,636
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 9,728,037
					Depreciation expense (6,563,651)
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.					
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.					(4,031,196)
Income taxes receivable					(90,975)
Grants receivable					(112,703)
Property taxes receivable					2,000
Contribution of capital asset					106,656
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.					
					667,018
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					(162,552)
Interest payable					(4,263)
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.)					
					(293,340)
Change in Net Assets on the Statement of Activities					<u>\$7,946,667</u>

BALANCE SHEET  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2007

	Governmental Activities- Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Pooled cash and investments	\$482,086
Accounts receivable	5,780
Due from other governments	20,316
Prepaid expenses	2,655
Inventory	313,148
Total current assets	<u>823,985</u>
Noncurrent assets:	
Buildings and improvements	769,344
Machinery and equipment	1,939,792
Less: Accumulated depreciation	(2,205,113)
Total noncurrent assets	<u>504,023</u>
Total assets	<u><u>\$1,328,008</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$195,579
Accrued payroll	136,048
Total current liabilities	<u>331,627</u>
Noncurrent liabilities:	
Accrued vacation and sick leave benefits	326,163
Total liabilities	<u>657,790</u>
<b>NET ASSETS</b>	
Invested in capital assets	504,023
Unrestricted	166,195
Total net assets	<u>670,218</u>
Total liabilities and net assets	<u><u>\$1,328,008</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, 2007

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$9,869,671
Total operating revenues	<u>9,869,671</u>
OPERATING EXPENSES	
Personal services	3,018,817
Repairs and maintenance	1,456,910
Contractual services	4,999,646
Other materials and expenses	546,214
Depreciation	177,056
Total operating expenses	<u>10,198,643</u>
Operating income (loss)	<u>(328,972)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	35,632
Change in net assets	<u>(293,340)</u>
Total net assets--beginning	963,558
Total net assets--ending	<u><u>\$670,218</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007  
 Increase (Decrease) in cash

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received for services	\$9,861,076
Cash paid to suppliers for goods or services	(6,964,214)
Cash paid to employees for services	(3,033,750)
Net cash provided (used) by operating activities	<u>(136,888)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(158,230)
Sale of capital assets	7,000
Net cash used by capital and related financing activities	<u>(151,230)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	35,632
Net cash provided by investing activities	<u>35,632</u>
Net increase (decrease) in cash	(252,486)
Cash at beginning of year	734,572
Cash at end of year	<u><u>\$482,086</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	(\$328,972)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	177,056
(Increase) decrease in receivables	(1,595)
(Increase) decrease in inventories	(17,204)
Increase (decrease) in accounts payable	48,823
Net (increase) decrease in other operating net assets	(14,996)
Net cash provided (used) by operating activities	<u><u>(\$136,888)</u></u>

See accompanying notes to the basic financial statements.

## FIDUCIARY FUNDS

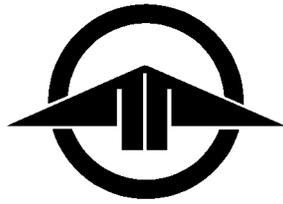
STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2007

	Volunteer Firefighter Pension	Deceased Police Dependents Private Purpose Trust	Agency Funds
<b>ASSETS</b>			
Pooled cash and investments		\$78,353	\$297,022
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$1,786,733		
Other investments			365,992
Total assets	<u>1,786,733</u>	<u>78,353</u>	<u>\$663,014</u>
<b>LIABILITIES</b>			
Accounts payable			\$15,836
Withholdings payable			277,632
Undistributed moneys			365,992
Unclaimed moneys			3,554
Total liabilities			<u>\$663,014</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u>\$1,786,733</u>	<u>\$78,353</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007

<b>ADDITIONS</b>			
Employer contributions	\$67,025		
Investment earnings (loss)	75,345	\$3,736	
Total additions	<u>142,370</u>	<u>3,736</u>	
<b>DEDUCTIONS</b>			
Pension payments	104,483		
Total deductions	<u>104,483</u>		
Net increase (decrease)	37,887	3,736	
Net assets--beginning of year	1,748,846	74,617	
Net assets--end of year	<u>\$1,786,733</u>	<u>\$78,353</u>	

See accompanying notes to the basic financial statements.



CITY OF KETTERING

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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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.

#### 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 \$19,535,392. Of this amount, \$14,358,000 was insured, the remaining \$5,177,392 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 A-1 by Standard & Poors Corporation or P-1 by Moody's Commercial Paper Record, corporate bonds rated 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 a \$4,633,805 deposit with JP Morgan Chase Bank, a \$2,963,997 corporate bond issued by Bear Sterarns and a \$2,480,158 corporate bond issued by Wachovia. These amounts represent 11%, 7%, and 6% respectively of the pooled cash and investments. At year-end, all of the securities in the corporate bond category below are rated "A" or better and all other investment types listed are unrated.

As of December 31, 2007 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>1-2</u>	<u>3-9</u>	<u>9-10</u>
Corporate Bonds	\$23,711,931	\$19,099,198	\$4,612,733		
Pension Plan Pooled Invest Fund	1,786,733				\$1,786,733
Total	<u>\$25,498,664</u>	<u>\$19,099,198</u>	<u>\$4,612,733</u>		<u>\$1,786,733</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 12.75% of true value, and for tangible property constituting "inventory" at 12.75% of true value. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2002.

The property tax calendar is as follows:

Levy date	December 31, 2006
Lien date	December 31, 2006
Tax bill mailed	January 20, 2007
First installment payment due	February 15, 2007
Second installment payment due	July 15, 2007

The assessed values for the City at December 31, 2006 were as follows:

	<u>Assessed Value</u>
	<u>Category</u>
Real Estate	\$1,200,064,320
Public Utility Real Property	10,410
Tangible Personal Property	41,932,254
Public Utility Personal Property	24,336,110
Total	<u>\$1,266,343,094</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	\$3,009,376
Sales taxes	1,820,322
Gasoline taxes	1,973,678
Vehicle license taxes	763,357
Miscellaneous other taxes	283,109
	<u>\$7,849,842</u>

## 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$12,387,710	\$263,104	(\$2,106,169)	\$10,544,645
Subtotal	<u>12,387,710</u>	<u>263,104</u>	<u>(2,106,169)</u>	<u>10,544,645</u>
Capital assets being depreciated:				
Buildings and improvements	42,168,199	973,447	(2,984,729)	40,156,917
Machinery and equipment	17,364,935	1,377,756	(1,027,233)	17,715,458
Infrastructure	137,166,456	7,555,573	(120,835)	144,601,194
Subtotal	<u>196,699,590</u>	<u>9,906,776</u>	<u>(4,132,797)</u>	<u>202,473,569</u>
Accumulated depreciation:				
Buildings and improvements	(25,575,860)	(897,908)	955,271	(25,518,497)
Machinery and equipment	(12,447,686)	(1,195,005)	948,025	(12,694,666)
Infrastructure	(49,364,048)	(4,647,794)	120,835	(53,891,007)
Subtotal	<u>(87,387,594)</u>	<u>(6,740,707) *</u>	<u>2,024,131</u>	<u>(92,104,170)</u>
Net capital assets being depreciated	<u>109,311,996</u>	<u>3,166,069</u>	<u>(2,108,666)</u>	<u>110,369,399</u>
Net capital assets	<u>\$121,699,706</u>	<u>\$3,429,173</u>	<u>(\$4,214,835)</u>	<u>\$120,914,044</u>

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

General government	\$366,502
Police	193,757
Fire	401,434
Public works	4,804,504
Leisure services	797,454
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.	177,056
Total depreciation expense	<u>\$6,740,707</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 2032. Fund balance has been reserved for the loans receivable at December 31, 2007, as it does not represent currently available spendable resources. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures.

The City has sold property to several companies and taken a note receivable in exchange. These note receivables are payable in installments to 2008. Fund balance has been reserved for the notes receivable at December 31, 2007, as it does not represent currently available spendable resources.

## 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, 2006, 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, 2005, 2006 and 2007, were \$2,068,573, \$2,146,383 and \$2,262,695 respectively, or 88% of the required contributions for 2005, 79% for 2006, and 73% for 2007.

#### 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 2007, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 9.5% of their annual covered salary and the City is required to contribute 13.85%. The City's contributions to the plan for the years ending December 31, 2005, 2006 and 2007, were \$2,359,517, \$2,438,270 and \$2,560,130 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, 2007, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	74
Terminated employees entitled to benefits but not yet receiving them	26
Active members	<u>79</u>
Total	<u><u>179</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, 2007, 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. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

#### SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
2002	0	0	100%
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%

For the fiscal years ended December 31, 2005, 2006 and 2007, the Annual Pension cost (APC) was \$40,399, \$70,294 and \$67,025 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 any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person.

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's post employment healthcare plan was established and is administrated as an Internal Revenue Code 401(h) account 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 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, 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 Section 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 2007 were \$2,262,695 of which \$716,936 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, 13.85%. 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 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions to OPERS for 2007 were \$2,560,130 of which \$1,109,048 was allocated to fund post employment benefits.

OPERS Retirement Board adopted a Health Care Preservation Plan on September 9, 2004, which 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 2007 were \$207,205.

Construction and other commitments at December 31, 2007, were approximately \$676,000.

#### 12. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2007, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>General obligation bonds:</b>					
Improvement bonds-					
Series 1991, 4.5%-6.65%	\$224,192		\$33,341	\$190,851	\$31,581
Improvement bonds-					
Series 1992, 3.25%-6.45%	445,000		65,000	380,000	70,000
Recreation Center Refunding,					
2.65%-16.9%	180,148		97,368	82,780	82,780
Court Facility, 3.0%-4.5%	<u>3,715,000</u>		<u>150,000</u>	<u>3,565,000</u>	<u>155,000</u>
Total general obligation bonds	<u>4,564,340</u>		<u>345,709</u>	<u>4,218,631</u>	<u>339,361</u>
<b>Special assessment bonds:</b>					
Series 1991, 4.5%-6.65%	<u>720,807</u>		<u>101,658</u>	<u>619,149</u>	<u>108,419</u>
Total special assessment bonds	<u>720,807</u>		<u>101,658</u>	<u>619,149</u>	<u>108,419</u>
<b>Other:</b>					
Accrued vacation and					
sick leave benefits	3,748,179	\$2,160,449	1,984,307	3,924,321	2,276,106
Ohio Public Works Commission					
Long-Term Promissory Notes, 0-3%	<u>2,856,949</u>		<u>219,651</u>	<u>2,637,298</u>	<u>194,960</u>
Total other	<u>6,605,128</u>	<u>2,160,449</u>	<u>2,203,958</u>	<u>6,561,619</u>	<u>2,471,066</u>
Total long-term liabilities	<u>\$11,890,275</u>	<u>\$2,160,449</u>	<u>\$2,651,325</u>	<u>\$11,399,399</u>	<u>\$2,918,846</u>

The accrued vacation and sick leave benefits liability will be liquidated by several of the City's governmental and internal service funds. In the past, approximately 73% has been paid by the General Fund, 12% by the Street Maintenance Fund and the remainder by the other governmental and internal service funds. The City uses the "vesting method" to determine the appropriate liability.

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

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 \$5.2 million.

The annual requirements to pay principal and interest on long-term obligations at December 31, 2007, are as follows:

	<b>General Obligation Bonds</b>		<b>Promissory Notes</b>		<b>Special Assessment Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2008	339,361	1,082,938	194,960	16,199	108,419	41,173
2009	264,371	169,296	170,290	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
2013-2017	985,000	498,845	839,681	49,738	-	-
2018-2022	1,200,000	275,217	803,837	23,756	-	-
2023-2025	555,000	36,406	112,509	1,843	-	-
	<u>\$4,218,631</u>	<u>\$2,494,809</u>	<u>\$2,637,298</u>	<u>\$147,893</u>	<u>\$619,149</u>	<u>\$128,812</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, 2007, the City had a legal debt margin for total debt of \$128,764,091 and a legal debt margin for unvoted debt of \$65,529,716.

### 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.

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14. IMPAIRMENT OF CAPITAL ASSET

General government program expenses include an impairment loss of \$3,888,746 due to the demolition of a building used for storage.

15. SUBSEQUENT EVENTS

On March 18<sup>th</sup>, 2008, Standard & Poors rating agency downgraded the Bear Stearns bonds owned by the City to BBB. This was due to liquidity problems faced by Bear Stearns. The Federal Reserve has brokered a deal for Bear Stearns to be purchased by JP Morgan Chase. The deal is subject to the approval of regulators and shareholders of both JP Morgan Chase and Bear Stearns. The market value of these bonds has declined by approximately \$195,000 from the balance sheet date to March 19<sup>th</sup>, 2008. The maturity dates of these bonds range from July 2008 to March 2009. The City intends to hold these bonds until maturity.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$22,867,454	\$22,867,454	\$22,867,454	
Resources (inflows)				
Income taxes	34,936,000	37,391,000	37,128,614	(\$262,386)
Property taxes	7,137,000	7,622,000	7,549,914	(72,086)
Licenses and permits	501,000	501,000	552,599	51,599
Intergovernmental revenue	1,921,000	1,921,000	2,023,543	102,543
Charges for services	174,000	166,000	160,178	(5,822)
Fines and forfeits	1,515,000	1,515,000	1,474,749	(40,251)
Investment earnings	1,200,000	1,300,000	1,803,011	503,011
Special assessments	300,000	393,000	402,762	9,762
Refunds and reimbursements	1,000,000	1,200,000	1,253,607	53,607
Miscellaneous	10,000	13,000	14,627	1,627
Sale of city assets	50,000	35,000	46,284	11,284
Amounts available for appropriation	71,611,454	74,924,454	75,277,342	352,888
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	225,600	225,600	224,427	1,173
Operating expenditures	85,840	91,740	78,845	12,895
Capital outlay				
Total mayor and council	311,440	317,340	303,272	14,068
Municipal court:				
Personal services	893,300	893,300	874,045	19,255
Operating expenditures	238,173	258,173	236,129	22,044
Capital outlay				
Total municipal court	1,131,473	1,151,473	1,110,174	41,299
Clerk of courts:				
Personal services	809,200	809,200	793,348	15,852
Operating expenditures	143,951	143,951	121,490	22,461
Capital outlay				
Total clerk of courts	953,151	953,151	914,838	38,313
Office of City Manager:				
Personal services	487,200	462,300	442,863	19,437
Operating expenditures	51,996	73,356	46,669	26,687
Capital outlay		24,900	23,871	1,029
Total office of city manager	539,196	560,556	513,403	47,153
Law department:				
Personal services	671,200	661,200	640,084	21,116
Operating expenditures	152,202	205,362	180,203	25,159
Capital outlay				
Total law department	823,402	866,562	820,287	46,275
Finance department:				
Personal services	1,437,100	1,437,100	1,383,999	53,101
Operating expenditures	497,435	502,405	412,497	89,908
Capital outlay				
Total finance department	1,934,535	1,939,505	1,796,496	143,009
Administrative support:				
Personal services	346,900	346,900	333,071	13,829
Operating expenditures	65,062	66,283	62,229	4,054
Capital outlay				
Total administrative support	411,962	413,183	395,300	17,883

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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$604,600	\$604,600	\$583,322	\$21,278
Operating expenditures	276,985	279,015	170,375	108,640
Capital outlay				
Total human resources department	<u>881,585</u>	<u>883,615</u>	<u>753,697</u>	<u>129,918</u>
Planning and development:				
Personal services	1,875,500	1,875,500	1,784,347	91,153
Operating expenditures	436,922	462,403	333,760	128,643
Capital outlay	8,000	8,000	7,574	426
Total planning and development	<u>2,320,422</u>	<u>2,345,903</u>	<u>2,125,681</u>	<u>220,222</u>
Economic development:				
Personal services	115,100	116,000	115,962	38
Operating expenditures	1,412,778	1,704,418	1,309,055	395,363
Capital outlay				
Total economic development	<u>1,527,878</u>	<u>1,820,418</u>	<u>1,425,017</u>	<u>395,401</u>
Miscellaneous:				
Operating expenditures	954,268	993,268	784,757	208,511
Total miscellaneous	<u>954,268</u>	<u>993,268</u>	<u>784,757</u>	<u>208,511</u>
Total general government	<u>11,789,312</u>	<u>12,244,974</u>	<u>10,942,922</u>	<u>1,302,052</u>
Police:				
Personal services	9,541,800	9,541,800	9,438,651	103,149
Operating expenditures	2,069,938	2,224,820	1,727,131	497,689
Capital outlay	405,500	405,500	348,729	56,771
Total police	<u>12,017,238</u>	<u>12,172,120</u>	<u>11,514,511</u>	<u>657,609</u>
Fire:				
Personal services	6,368,100	6,598,100	6,561,335	36,765
Operating expenditures	2,084,993	2,234,452	1,856,026	378,426
Capital outlay	787,500	557,500	117,892	439,608
Total fire	<u>9,240,593</u>	<u>9,390,052</u>	<u>8,535,253</u>	<u>854,799</u>
Public works:				
Engineering department:				
Personal services	1,898,200	1,898,200	1,856,692	41,508
Operating expenditures	452,032	457,682	373,649	84,033
Capital outlay	21,600	21,600	10,090	11,510
Total engineering department	<u>2,371,832</u>	<u>2,377,482</u>	<u>2,240,431</u>	<u>137,051</u>
Street lighting:				
Operating expenditures	561,000	561,000	475,083	85,917
Total street lighting	<u>561,000</u>	<u>561,000</u>	<u>475,083</u>	<u>85,917</u>
Total public works	<u>2,932,832</u>	<u>2,938,482</u>	<u>2,715,514</u>	<u>222,968</u>
Transfers to other funds	13,530,000	14,169,968	8,733,378	5,436,590
Total charges to appropriations	<u>49,509,975</u>	<u>50,915,596</u>	<u>42,441,578</u>	<u>8,474,018</u>
Fund balance, December 31	<u>\$22,101,479</u>	<u>\$24,008,858</u>	<u>\$32,835,764</u>	<u>\$8,826,906</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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$464,935	\$464,935	\$464,935	
Resources (inflows)				
Licenses and permits	10,000	13,000	15,143	\$2,143
Intergovernmental revenue	2,567,000	2,517,000	2,531,757	14,757
Refunds and reimbursements	230,000	180,000	268,584	88,584
Miscellaneous	25,000	23,000	13,911	(9,089)
Sale of city assets			12,565	12,565
Transfer from the general fund	2,240,000	2,482,710	2,220,000	(262,710)
Amounts available for appropriation	5,536,935	5,680,645	5,526,895	(153,750)
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	3,547,400	3,637,400	3,544,609	92,791
Operating expenditures	1,558,540	1,659,996	1,423,994	236,002
Capital outlay	289,890	289,890	280,213	9,677
Total charges to appropriations	5,395,830	5,587,286	5,248,816	338,470
Fund balance, December 31	\$141,105	\$93,359	\$278,079	\$184,720

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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$169,806	\$169,806	\$169,806	
Resources (inflows)				
Intergovernmental revenue	20,000	25,000	30,059	\$5,059
Charges for services	3,422,000	3,512,000	3,415,212	(96,788)
Refunds and reimbursements	141,000	117,000	86,079	(30,921)
Miscellaneous	33,000	9,000	22,960	13,960
Sale of city assets			17,265	17,265
Transfer from the general fund	5,350,000	5,534,860	5,048,300	(486,560)
Amounts available for appropriation	9,135,806	9,367,666	8,789,681	(577,985)
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	5,149,600	5,244,600	5,011,153	233,447
Operating expenditures	3,881,361	3,970,073	3,577,093	392,980
Capital outlay	104,800	91,858	73,602	18,256
Total charges to appropriations	9,135,761	9,306,531	8,661,848	644,683
Fund balance, December 31	\$45	\$61,135	\$127,833	\$66,698

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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$106,515	\$106,515	\$106,515	
Resources (inflows)				
Charges for services	1,915,000	2,442,000	2,437,131	(\$4,869)
Refunds and reimbursements	5,000	1,000	1,429	429
Miscellaneous	225,000	288,000	295,099	7,099
Transfer from the general fund	520,000	520,000		(520,000)
Amounts available for appropriation	<u>2,771,515</u>	<u>3,357,515</u>	<u>2,840,174</u>	<u>(517,341)</u>
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	596,900	636,900	608,176	28,724
Operating expenditures	<u>2,158,687</u>	<u>2,210,597</u>	<u>2,108,609</u>	<u>101,988</u>
Total charges to appropriations	<u>2,755,587</u>	<u>2,847,497</u>	<u>2,716,785</u>	<u>130,712</u>
Fund balance, December 31	<u>\$15,928</u>	<u>\$510,018</u>	<u>\$123,389</u>	<u>(\$386,629)</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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,272,722	\$1,272,722	\$1,272,722	
Resources (inflows)				
Intergovernmental revenue	1,129,319	1,129,319	653,990	(\$475,329)
Investment earnings			1,654	1,654
Refunds and reimbursements	137,500	137,500	93,119	(44,381)
Miscellaneous	39,750	39,980	29,775	(10,205)
Sale of city assets	50,000	50,000	34,087	(15,913)
Amounts available for appropriation	<u>2,629,291</u>	<u>2,629,521</u>	<u>2,085,347</u>	<u>(544,174)</u>
Charges to appropriations (outflows)				
General government	772,074	782,305	367,494	414,811
Capital improvements	499,143	494,143	457,748	36,395
Total charges to appropriations	<u>1,271,217</u>	<u>1,276,448</u>	<u>825,242</u>	<u>451,206</u>
Fund balance, December 31	<u>\$1,358,074</u>	<u>\$1,353,073</u>	<u>\$1,260,105</u>	<u>(\$92,968)</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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$2,839,856	\$2,839,856	\$2,839,856	
Resources (inflows)				
Charges for services	1,200,000	1,220,000	1,465,254	\$245,254
Investment earnings	50,000	50,000	177,721	127,721
Amounts available for appropriation	4,089,856	4,109,856	4,482,831	372,975
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	120,686	120,686	93,112	27,574
Capital outlay	1,192,299	1,192,299	175,295	1,017,004
Total fire	1,312,985	1,312,985	268,407	1,044,578
Capital Improvements				
Total charges to appropriations	1,312,985	1,312,985	268,407	1,044,578
Fund balance, December 31	\$2,776,871	\$2,796,871	\$4,214,424	\$1,417,553

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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## 1. BUDGETS AND BUDGETARY ACCOUNTING

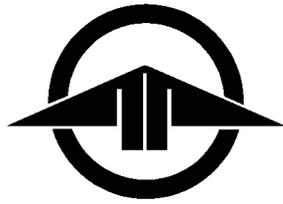
An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings 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, 2007

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
<b>ASSETS</b>						
Pooled cash and investments	\$217,688	\$348,446	\$335,981	\$147,570	\$1,720,220	\$2,769,905
Receivables:						
Property taxes			408,000			408,000
Accounts			23	2,937	180	3,140
Due from other governments	86,771				86,249	173,020
Prepaid expenditures					2,738	2,738
Total assets	<u>\$304,459</u>	<u>\$348,446</u>	<u>\$744,004</u>	<u>\$150,507</u>	<u>\$1,809,387</u>	<u>\$3,356,803</u>
<b>LIABILITIES</b>						
Accounts payable	\$1,020			\$16,799	\$48,277	\$66,096
Accrued payroll			\$325,997		5,833	331,830
Deferred revenue	72,300		408,000	1,000	18,262	499,562
Total liabilities	<u>73,320</u>		<u>733,997</u>	<u>17,799</u>	<u>72,372</u>	<u>897,488</u>
<b>FUND BALANCES</b>						
Reserved for:						
Encumbrances				122,692	212,518	335,210
Prepaid expenditures					2,738	2,738
Unreserved	231,139	\$348,446	10,007	10,016	1,521,759	2,121,367
Total fund balances	<u>231,139</u>	<u>348,446</u>	<u>10,007</u>	<u>132,708</u>	<u>1,737,015</u>	<u>2,459,315</u>
Total liabilities and fund balances	<u>\$304,459</u>	<u>\$348,446</u>	<u>\$744,004</u>	<u>\$150,507</u>	<u>\$1,809,387</u>	<u>\$3,356,803</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, 2007

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES</b>						
Property taxes						
Intergovernmental revenue	\$163,000	\$173,479	\$10,479			
Charges for services				\$9,000	\$10,266	\$1,266
Fines and forfeits						
Investment earnings	10,000	13,697	3,697	9,000	16,566	7,566
Refunds and reimbursements	8,000	7,262	(738)			
Miscellaneous				3,000	3,120	120
Total revenues	<u>181,000</u>	<u>194,438</u>	<u>13,438</u>	<u>21,000</u>	<u>29,952</u>	<u>8,952</u>
<b>EXPENDITURES</b>						
Current:						
General government				20,000	9,206	10,794
Police						
Fire						
Public works	137,500	106,073	31,427			
Leisure services						
Capital improvements	150,172	150,049	123			
Total expenditures	<u>287,672</u>	<u>256,122</u>	<u>31,550</u>	<u>20,000</u>	<u>9,206</u>	<u>10,794</u>
Excess (deficiency) of revenues over expenditures	(106,672)	(61,684)	44,988	1,000	20,746	19,746
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers out						
Net change in fund balance	<u>(106,672)</u>	<u>(61,684)</u>	<u>44,988</u>	<u>1,000</u>	<u>20,746</u>	<u>19,746</u>
Fund balances--beginning	292,823	292,823		327,700	327,700	
Fund balances--ending	<u>\$186,151</u>	<u>\$231,139</u>	<u>\$44,988</u>	<u>\$328,700</u>	<u>\$348,446</u>	<u>\$19,746</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, 2007

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$404,000	\$397,476	(\$6,524)			
Intergovernmental revenue						
Charges for services				\$28,000	\$29,877	\$1,877
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				11,000	11,992	992
Miscellaneous						
Total revenues	<u>404,000</u>	<u>397,476</u>	<u>(6,524)</u>	<u>39,000</u>	<u>41,869</u>	<u>2,869</u>
EXPENDITURES						
Current:						
General government				388,153	232,678	155,475
Police	1,295,000	1,260,030	34,970			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,295,000</u>	<u>1,260,030</u>	<u>34,970</u>	<u>388,153</u>	<u>232,678</u>	<u>155,475</u>
Excess (deficiency) of revenues over expenditures	(891,000)	(862,554)	28,446	(349,153)	(190,809)	158,344
OTHER FINANCING SOURCES (USES)						
Transfers in	915,000	862,100	(52,900)	317,520	286,100	(31,420)
Transfers out						
Net change in fund balance	<u>24,000</u>	<u>(454)</u>	<u>(24,454)</u>	<u>(31,633)</u>	<u>95,291</u>	<u>126,924</u>
Fund balances--beginning	10,461	10,461		37,417	37,417	
Fund balances--ending	<u>\$34,461</u>	<u>\$10,007</u>	<u>(\$24,454)</u>	<u>\$5,784</u>	<u>\$132,708</u>	<u>\$126,924</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, 2007

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes				\$404,000	\$397,476	(\$6,524)
Intergovernmental revenue	\$438,436	\$355,027	(\$83,409)	601,436	528,506	(72,930)
Charges for services				37,000	40,143	3,143
Fines and forfeits	381,000	444,987	63,987	381,000	444,987	63,987
Investment earnings	14,500	34,807	20,307	33,500	65,070	31,570
Refunds and reimbursements	35,060	23,558	(11,502)	54,060	42,812	(11,248)
Miscellaneous	55,500	176,499	120,999	58,500	179,619	121,119
Total revenues	<u>924,496</u>	<u>1,034,878</u>	<u>110,382</u>	<u>1,569,496</u>	<u>1,698,613</u>	<u>129,117</u>
EXPENDITURES						
Current:						
General government	844,428	564,732	279,696	1,252,581	806,616	445,965
Police	158,751	53,540	105,211	1,453,751	1,313,570	140,181
Fire	6,300	3,500	2,800	6,300	3,500	2,800
Public works	52,088	46,635	5,453	189,588	152,708	36,880
Leisure services	18,203	8,629	9,574	18,203	8,629	9,574
Capital improvements	73,128	33,128	40,000	223,300	183,177	40,123
Total expenditures	<u>1,152,898</u>	<u>710,164</u>	<u>442,734</u>	<u>3,143,723</u>	<u>2,468,200</u>	<u>675,523</u>
Excess (deficiency) of revenues over expenditures	(228,402)	324,714	553,116	(1,574,227)	(769,587)	804,640
OTHER FINANCING SOURCES (USES)						
Transfers in	41,256	16,878	(24,378)	1,273,776	1,165,078	(108,698)
Transfers out						
Net change in fund balance	<u>(187,146)</u>	<u>341,592</u>	<u>528,738</u>	<u>(300,451)</u>	<u>395,491</u>	<u>695,942</u>
Fund balances--beginning	1,395,423	1,395,423		2,063,824	2,063,824	
Fund balances--ending	<u>\$1,208,277</u>	<u>\$1,737,015</u>	<u>\$528,738</u>	<u>\$1,763,373</u>	<u>\$2,459,315</u>	<u>\$695,942</u>

DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$1,309,000	\$1,288,494	(\$20,506)
Investment earnings	30,000	47,386	17,386
Special assessments	149,000	149,593	593
Refunds and reimbursements	26,000	25,960	(40)
Total revenues	<u>1,514,000</u>	<u>1,511,433</u>	<u>(2,567)</u>
EXPENDITURES			
Current:			
General government	2,500		2,500
Debt service:			
Principal	667,018	667,018	
Interest	1,144,194	1,144,194	
Total expenditures	<u>1,813,712</u>	<u>1,811,212</u>	<u>2,500</u>
Deficiency of revenues over expenditures	(299,712)	(299,779)	(67)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>340,000</u>	<u>300,000</u>	<u>(40,000)</u>
Net change in fund balance	40,288	221	(40,067)
Fund balances--beginning	16,476	16,476	
Fund balances--ending	<u>\$56,764</u>	<u>\$16,697</u>	<u>(\$40,067)</u>

CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$104,000	\$105,581	\$1,581
Intergovernmental	5,426,000	5,470,372	44,372
Special assessments	424,000	425,659	1,659
Refunds and reimbursements	675,000	221,782	(453,218)
Total revenues	<u>6,629,000</u>	<u>6,223,394</u>	<u>(405,606)</u>
EXPENDITURES			
Capital improvements	12,649,160	9,035,776	3,613,384
Total expenditures	<u>12,649,160</u>	<u>9,035,776</u>	<u>3,613,384</u>
Deficiency of revenues over expenditures	(6,020,160)	(2,812,382)	3,207,778
OTHER FINANCING SOURCES (USES)			
Transfers in	4,020,000		(4,020,000)
Net change in fund balance	<u>(2,000,160)</u>	<u>(2,812,382)</u>	<u>(812,222)</u>
Fund balances--beginning	4,695,458	4,695,458	
Fund balances--ending	<u>\$2,695,298</u>	<u>\$1,883,076</u>	<u>(\$812,222)</u>

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CAPITAL PROJECTS FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2007

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$164,186	\$149,271	\$14,915
Street construction	7,901,674	6,645,523	1,256,151
Drainage	239,200	176,997	62,203
Parks and recreation	609,000	102,858	506,142
Tree planting and landscaping	40,000	28,127	11,873
Other	3,695,100	1,933,000	1,762,100
Total capital projects fund	<u>\$12,649,160</u>	<u>\$9,035,776</u>	<u>\$3,613,384</u>

INTERNAL SERVICE FUNDS  
 COMBINING BALANCE SHEET  
 DECEMBER 31, 2007

	Administrative Operations	Health Insurance	Totals
<b>ASSETS</b>			
Current assets:			
Pooled cash and investments	\$448,962	\$33,124	\$482,086
Accounts receivable	5,780		5,780
Due from other governments	20,316		20,316
Prepaid expenses	2,655		2,655
Inventory	313,148		313,148
Total current assets	<u>790,861</u>	<u>33,124</u>	<u>823,985</u>
Noncurrent assets:			
Buildings and improvements	769,344		769,344
Machinery and equipment	1,939,792		1,939,792
Less: Accumulated depreciation	(2,205,113)		(2,205,113)
Total noncurrent assets	<u>504,023</u>		<u>504,023</u>
Total assets	<u>\$1,294,884</u>	<u>\$33,124</u>	<u>\$1,328,008</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$195,579		\$195,579
Accrued payroll	136,048		136,048
Total current liabilities	<u>331,627</u>		<u>331,627</u>
Noncurrent liabilities:			
Accrued vacation and sick leave benefits	326,163		326,163
Total liabilities	<u>657,790</u>		<u>657,790</u>
<b>NET ASSETS</b>			
Invested in capital assets	504,023		504,023
Unrestricted	133,071	\$33,124	166,195
Total net assets	<u>637,094</u>	<u>33,124</u>	<u>670,218</u>
Total liabilities and net assets	<u>\$1,294,884</u>	<u>\$33,124</u>	<u>\$1,328,008</u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Administrative Operations	Health Insurance	Totals
OPERATING REVENUES			
Charges for services	\$5,497,079	\$4,372,592	\$9,869,671
Total operating revenues	<u>5,497,079</u>	<u>4,372,592</u>	<u>9,869,671</u>
OPERATING EXPENSES			
Personal services	3,018,817		3,018,817
Repairs and maintenance	1,456,910		1,456,910
Contractual services	627,699	4,371,947	4,999,646
Other materials and expenses	546,214		546,214
Depreciation	177,056		177,056
Total operating expenses	<u>5,826,696</u>	<u>4,371,947</u>	<u>10,198,643</u>
Operating income (loss)	<u>(329,617)</u>	<u>645</u>	<u>(328,972)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	35,501	131	35,632
Change in net assets	(294,116)	776	(293,340)
Total net assets--beginning	931,210	32,348	963,558
Total net assets--ending	<u>\$637,094</u>	<u>\$33,124</u>	<u>\$670,218</u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2007  
 Increase (Decrease) in cash

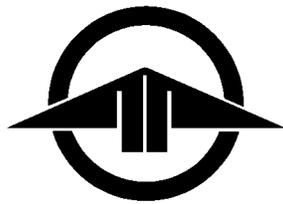
	Administrative Operations	Health Insurance	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received for services	\$5,488,484	\$4,372,592	\$9,861,076
Cash paid to suppliers for goods or services	(2,592,267)	(4,371,947)	(6,964,214)
Cash paid to employees for services	(3,033,750)		(3,033,750)
Net cash provided (used) by operating activities	<u>(137,533)</u>	<u>645</u>	<u>(136,888)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(158,230)		(158,230)
Sale of capital assets	7,000		7,000
Net cash used by capital and related financing activities	<u>(151,230)</u>		<u>(151,230)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	35,501	131	35,632
Net cash provided by investing activities	<u>35,501</u>	<u>131</u>	<u>35,632</u>
Net increase (decrease) in cash	<u>(253,262)</u>	<u>776</u>	<u>(252,486)</u>
Cash at beginning of year	<u>702,224</u>	<u>32,348</u>	<u>734,572</u>
Cash at end of year	<u><u>\$448,962</u></u>	<u><u>\$33,124</u></u>	<u><u>\$482,086</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	(\$329,617)	\$645	(\$328,972)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	177,056		177,056
(Increase) decrease in receivables	(1,595)		(1,595)
(Increase) decrease in inventories	(17,204)		(17,204)
Increase (decrease) in accounts payable	48,823		48,823
Net (increase) decrease in other operating net assets	(14,996)		(14,996)
Net cash provided (used) by operating activities	<u><u>(\$137,533)</u></u>	<u><u>\$645</u></u>	<u><u>(\$136,888)</u></u>

AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Balance December 31 2006	Additions	Deductions	Balance December 31 2007
<u>PAYROLL WITHHOLDING FUND</u>				
ASSETS - Cash	\$384,327	\$9,483,672	\$9,590,367	\$277,632
LIABILITIES - Withholdings payable	\$384,327	\$9,483,672	\$9,590,367	\$277,632
<u>MUNICIPAL COURT FUND</u>				
ASSETS - Investments with fiscal agent	\$337,851	\$4,925,930	\$4,897,789	\$365,992
LIABILITIES - Undistributed moneys	\$337,851	\$4,925,930	\$4,897,789	\$365,992
<u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u>				
ASSETS - Cash	\$42,036	\$74,668	\$97,314	\$19,390
LIABILITIES				
Accounts payable	\$39,614	\$71,114	\$94,892	\$15,836
Unclaimed moneys	2,422	3,554	2,422	3,554
Total liabilities	\$42,036	\$74,668	\$97,314	\$19,390
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$426,363	\$9,558,340	\$9,687,681	\$297,022
Investments with fiscal agent	337,851	4,925,930	4,897,789	365,992
Total assets	\$764,214	\$14,484,270	\$14,585,470	\$663,014
LIABILITIES				
Accounts payable	\$39,614	\$71,114	\$94,892	\$15,836
Withholdings payable	384,327	9,483,672	9,590,367	277,632
Undistributed moneys	337,851	4,925,930	4,897,789	365,992
Unclaimed moneys	2,422	3,554	2,422	3,554
Total liabilities	\$764,214	\$14,484,270	\$14,585,470	\$663,014

DEBT SCHEDULE  
DECEMBER 31, 2007

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2008	
						Principal	Interest
General Obligation Bonds:							
Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	\$524,921	\$190,851	\$31,581	\$12,692
Improvement bonds-series 1992	11/1/1992	3.25-6.45	12/1/2012	994,303	380,000	70,000	24,510
Recreation center refunding	8/1/1993	2.65-16.9	12/1/2008	9,289,352	82,780	82,780	902,221
Court facility	3/29/2005	3.0-4.5	12/1/2024	3,950,000	3,565,000	155,000	143,515
Total general obligation bonds					<u>4,218,631</u>	<u>339,361</u>	<u>1,082,938</u>
Special Assessment Bonds:							
Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	1,665,079	619,149	108,419	41,173
Total special assessment bonds					<u>619,149</u>	<u>108,419</u>	<u>41,173</u>
Promissory Notes:							
Ohio public works commission:							
Bridge replacements	12/1/1994	0.00	7/1/2015	280,393	107,407	14,020	0
Rushland drive improvement	7/1/1996	0.00	7/1/2016	122,577	55,160	6,129	0
Dorothy lane resurfacing	1/1/1998	0.00	1/1/2008	509,850	25,492	25,492	0
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	1,140,539	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	431,654	21,377	12,790
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	531,726	34,305	0
Ridgeway Bridge Rehab	12/31/2004	1.00	7/1/2025	380,000	345,320	17,601	3,409
Total promissory notes					<u>2,637,298</u>	<u>194,960</u>	<u>16,199</u>
Total					<u>\$7,475,078</u>	<u>\$642,740</u>	<u>\$1,140,310</u>



CITY OF KETTERING

## STATISTICAL SECTION

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

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

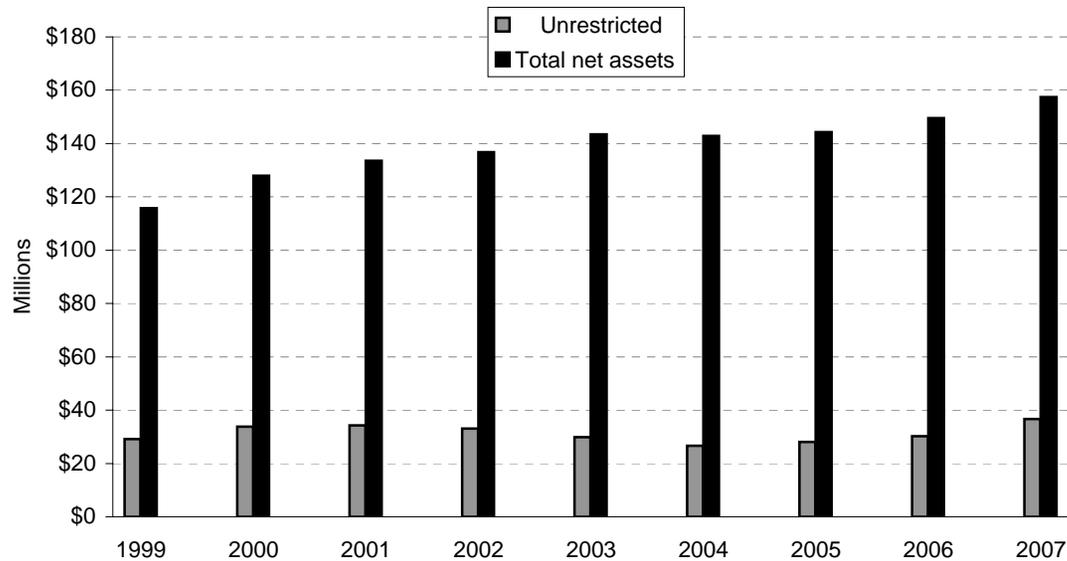
**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 1999; schedules presenting government-wide information include information beginning in that year.

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

	Year								
	1999	2000	2001	2002	2003	2004	2005	2006	2007
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
Restricted for:									
Debt service	153,118	172,832	38,533	46,554	34,549	15,178	15,638	16,476	16,697
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
Emergency medical					912,249	1,194,939	1,654,299	2,945,419	4,288,697
Municipal court activities	418,917	338,740	559,340	742,720	957,095	1,112,424	660,228	764,100	876,020
Other purposes	584,034	155,634	597,899	732,386	495,406	471,289	546,270	602,395	653,883
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
<b>Total net assets</b>	<b><u>\$115,791,364</u></b>	<b><u>\$127,934,767</u></b>	<b><u>\$133,538,315</u></b>	<b><u>\$136,705,407</u></b>	<b><u>\$143,435,491</u></b>	<b><u>\$142,869,959</u></b>	<b><u>\$144,262,199</u></b>	<b><u>\$149,496,260</u></b>	<b><u>\$157,442,927</u></b>

**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 NINE YEARS (*accrual basis of accounting*)**

	<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>
<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
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
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
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
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
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
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>
<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
Fire					1,144,791	986,737	1,156,577	1,343,281	1,433,964
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
Other activities		2,660	880	205	67,602	62,639	55,265	56,126	64,520
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
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
Other activities	27,225	25,000	367,750		58,653	29,216	203,067	904,254	302,002
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>
<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)
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)
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)
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)
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)
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)
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>
<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
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
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
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
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
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
Miscellaneous	4,576,102 <sup>2</sup>	330,138	418,087	723,758	436,467	120,421	243,095	327,122	244,846
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>
<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>

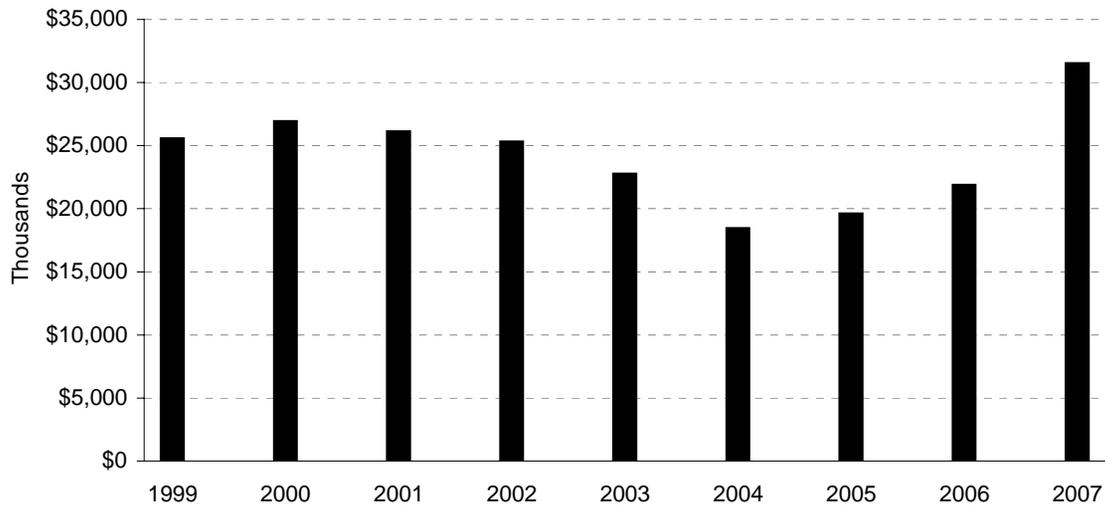
(1)Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers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

	Year								
	1999	2000	2001	2002	2003	2004	2005	2006	2007
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
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
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>
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
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
Debt service fund	153,118	117,532	38,533	46,554	34,549	15,178	15,638	16,476	16,697
Capital project fund	210,977	1,076,034	10,445	10,305	18,903	10,463	227,841	10,046	1,196,328
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>

Unreserved General Fund Balance

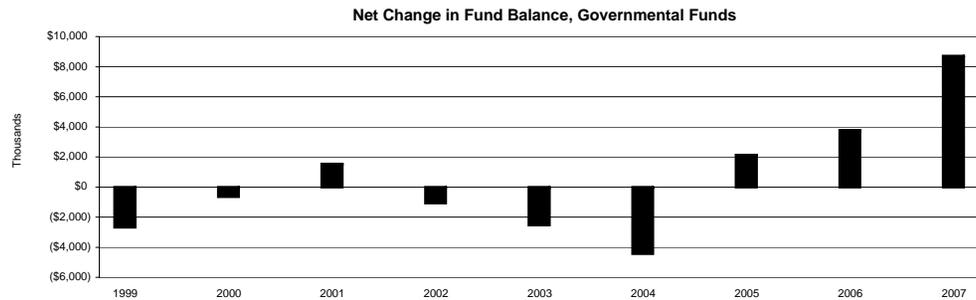


**CITY OF KETTERING, OHIO**

**SCHEDULE 4**

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007
<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
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
Licenses and permits	395,804	459,832	392,917	506,429	567,654	606,617	488,598	541,457	567,742
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
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
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
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
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
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
Miscellaneous	653,120	522,141	538,633	676,389	669,066	551,897	503,483	540,471	555,991
<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>EXPENDITURES</b>									
Current:									
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
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
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
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
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
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
Debt service:									
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
Interest	697,513	625,480	547,930	465,787	386,244	301,213	1,153,773	1,178,485	1,144,194
<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>
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
<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
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)
General obligation debt issuance			1,930,633	987,255	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
Net change in fund balance	<u>(\$2,679,695)</u>	<u>(\$652,921)</u>	<u>\$1,544,812</u>	<u>(\$1,065,143)</u>	<u>(\$2,539,256)</u>	<u>(\$4,438,701)</u>	<u>\$2,118,921</u>	<u>\$3,781,261</u>	<u>\$8,701,636</u>
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%

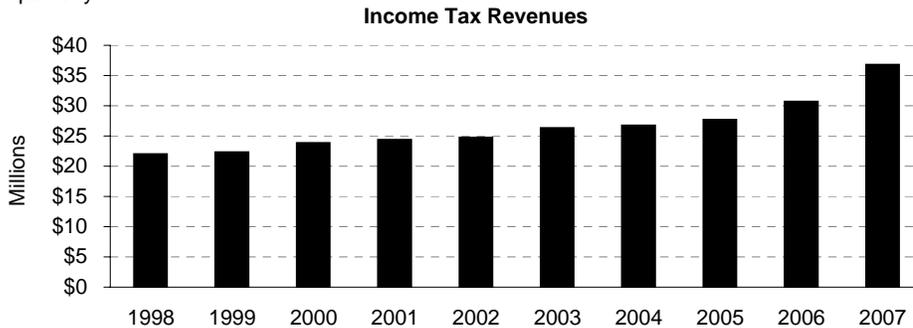


**INCOME TAX BY PAYER TYPE AND INCOME TAX RATE  
LAST TEN YEARS (cash basis of accounting)**

Year	Individual		Total	Corporate	Partnership	Total	Income Tax Rate
	Withholding	Non-withholding	Individual				
1998	\$18,205,947	\$2,612,716	\$20,818,663	\$827,096	\$283,688	\$21,929,447	1.75%
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%

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)**

2007			1997		
Rank	Name	2007 Rank	Rank	Name	
1	Delphi Automotive Systems Services LLC	1 <sup>1</sup>	1	General Motors Corporation	
2	Kettering Medical Center	2	2	Kettering Medical Center	
3	Reynolds & Reynolds Company	6	3	Federal Government	
4	GE Money	5	4	Kettering Board of Education	
5	Kettering Board of Education	7 <sup>1</sup>	5	Scitex Digital Printing Inc.	
6	Federal Government	8	6	City of Kettering	
7	Eastman Kodak Company	-	7	Valeo Electrical Systems Inc.	
8	City of Kettering	9 <sup>1</sup>	8	Victoria's Secret Catalogue Inc.	
9	Limited Brands Inc. & Subs	-	9	Reed Elsevier Inc.	
10	Time Warner Entertainment Inc.	-	10	Meijer Inc.	
Combined percentage of Total Income taxes			Combined percentage of Total Income taxes		
39.2%			35.6%		

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; Scitex Digital Printing Inc. was purchased by Eastman Kodak Company; Limited Brands Inc. & Subs owns Victoria's Secret Catalogue.

**CITY OF KETTERING, OHIO**

**SCHEDULE 7**

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

	<u>1998</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>
General Obligation Bonds	\$11,784,316	\$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
Percent of estimated actual property value	0.41%	0.35%	0.28%	0.24%	0.19%	0.13%	0.08%	0.16%	0.12%	0.11%
Per capita	195	172	156	131	104	76	46	97	79	73
Special Assessment Bonds	1,465,036	1,378,574	1,288,184	1,193,560	1,094,375	990,233	905,798	816,127	720,807	619,149
Promissory Notes	828,261	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
Total Gross Indebtedness	14,077,613	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
Percentage of personal income	0.91%	0.80%	0.71%	0.70%	0.65%	0.50%	0.40%	0.53%	0.44%	0.39%
Per capita	232	207	191	196	183	149	119	164	142	130
Less debt outside limitations:										
Special Assessment Debt	1,465,036	1,378,574	1,288,184	1,193,560	1,094,375	990,233	905,798	816,127	720,807	619,149
Promissory Notes	828,261	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
Less debt service fund balance	161,955	153,118	117,532	38,533	46,554	34,549	15,178	15,638	16,476	16,697
Net debt within limitations for both Voted and Unvoted debt	11,622,361	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
Debt limitation for both Voted and Unvoted debt 10.5% of assessed valuation	106,250,644	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
Legal debt margin for Voted and Unvoted debt	\$94,628,283	\$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
Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit	10.94%	9.52%	7.68%	6.47%	5.16%	3.46%	2.14%	4.52%	3.38%	3.16%
Net debt within limitations for both Voted and Unvoted limitation	\$11,622,361	\$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
Less voted debt	5,444,352	4,699,352	3,924,352	3,114,352	2,264,352	1,369,352	429,352	294,663	180,147	82,780
Net debt within limitations for Unvoted debt	6,178,009	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
Debt limitation for Unvoted debt 5.5% of assessed valuation	55,655,099	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
Legal debt margin for Unvoted debt	\$49,477,090	\$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
Net debt within limitations for Unvoted debt as a percentage of debt limit	11.10%	9.85%	8.19%	7.20%	6.09%	4.51%	3.42%	8.18%	6.21%	5.91%

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT  
DECEMBER 31, 2007

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	\$6,839,232	100.0%	\$6,839,232
Kettering City School District	98,985,100	92.1%	91,165,277
Montgomery County	44,021,926	11.9%	5,238,609
Beavercreek Local School District	31,477,028	0.9%	283,293
<b>Total</b>	<b>\$181,323,286</b>		<b>\$103,526,411</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>
1998	60,569	1,541,299,343	25,447	2.1%	116,461	1,011,910,890	2,906,512,889
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	3.6%	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	5.6%	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	4.8%	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

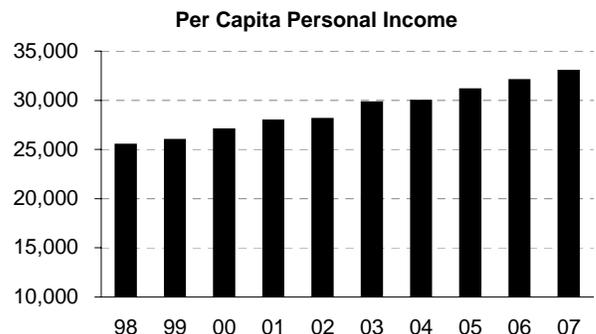
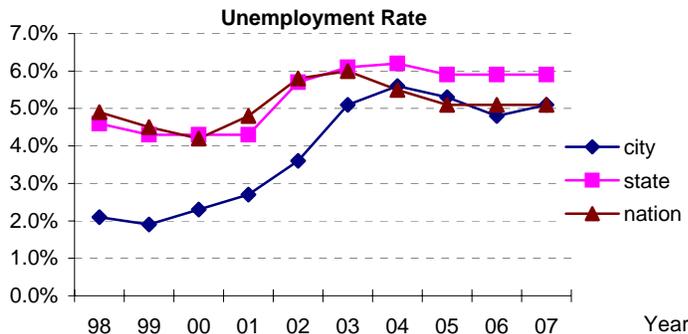
(1) 1990 & 2000 United States Census Bureau.

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

(3) Ohio Bureau of Employment Services.

(4) Dayton Area Board of Realtors, Dayton, Ohio (2007 price range: \$32,850 - \$1,100,000).

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



PRINCIPAL EMPLOYERS  
CURRENT YEAR AND SEVENTEEN YEARS AGO

Employer	2007		1990 <sup>1</sup>	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Kettering Medical Center	3,100	10.73%	General Motors Corporation <sup>2</sup>	4,405 13.39%
GE Money	1,700	5.88%	Kettering Medical Center	2,975 9.04%
Reynolds & Reynolds Company	1,076	3.72%	Defense Electronics Supply Center	2,500 7.60%
Kettering City Schools	1,055	3.65%	Kroger Company	1,313 3.99%
Intimate Brands Inc.	1,000	3.46%	Kettering City Schools	1,033 3.14%
City of Kettering	900	3.11%	Meijer Inc	900 2.74%
Delphi Automotive Systems Services, LLC <sup>2</sup>	701	2.43%	City of Kettering	800 2.43%
Kodak Versamark	700	2.42%	Eastman Kodak Company <sup>2</sup>	350 1.06%
Meijer Inc.	550	1.90%	Ohio Bell Telephone Company	292 0.89%
Total	10,782	37.31%	Total	14,568 44.28%

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

(1) Past information is available every 10 years.

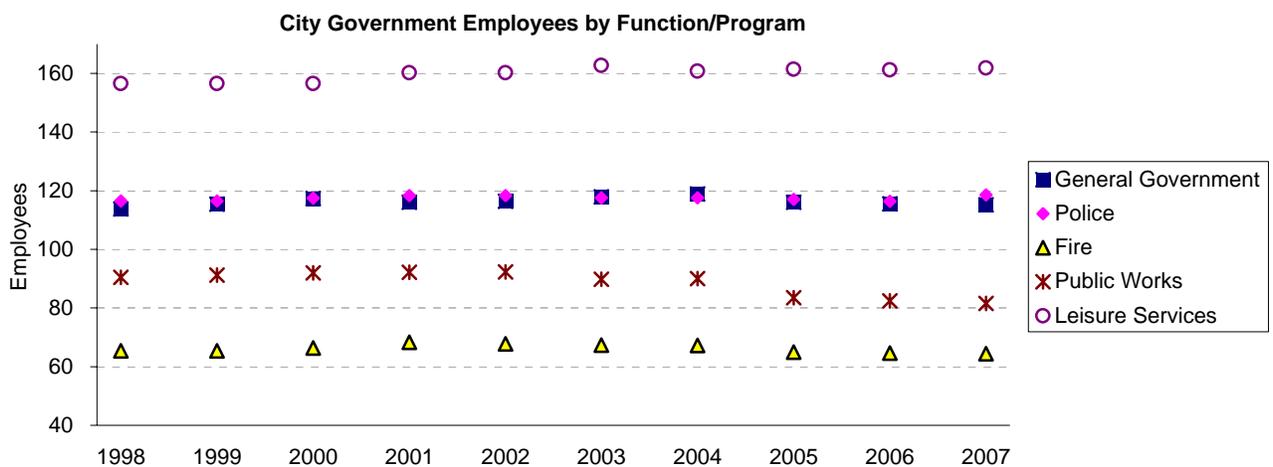
(2) Delphi Automotive Systems Services, LLC is a spinoff of General Motors Corp.; Kodak Versamark is a division of Eastman Kodak Co.

SCHEDULE 11

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

Function/program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government	113.8	115.4	117.4	116.0	116.4	117.9	118.9	116.1	115.6	115.2
Police	116.5	116.5	117.5	118.4	118.4	117.6	117.6	117.0	116.4	118.5
Fire	65.4	65.4	66.4	68.3	67.8	67.3	67.3	64.9	64.6	64.4
Public Works	90.4	91.2	91.9	92.2	92.3	89.8	90.1	83.5	82.5	81.6
Leisure Services	156.5	156.5	156.5	160.2	160.2	162.7	160.7	161.5	161.2	161.9
Total	542.6	545.0	549.7	555.1	555.1	555.3	554.5	543.0	540.3	541.6

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN YEARS

<u>Function/program</u>	<u>1998</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>
General Government										
Positions filled <sup>1</sup>	20	16	27	19	17	17	5	5	7	14
Permits issued <sup>2</sup>	4,483	4,248	4,295	3,861	3,705	3,824	3,217	3,301	3,053	2,884
Inspections performed <sup>2</sup>	11,520	7,071	8,971	6,828	7,144	7,435	6,974	6,684	6,352	7,369
CDBG loan applications <sup>3</sup>	23	24	21	14	5	10	18	24	25	96
Payroll checks processed <sup>4</sup>	20,332	20,387	20,375	20,852	20,898	20,648	21,710	20,569	20,003	20,093
Purchase orders issued <sup>5</sup>	1,431	1,474	1,557	2,068	1,816	2,002	2,120	2,063	2,069	2,054
Ordinances & resolutions <sup>6</sup>	181	214	238	230	234	243	206	227	220	182
Court cases <sup>7</sup>	25,333	21,839	20,913	19,979	19,865	18,742	18,358	22,593	21,727	22,962
Police										
Criminal arrests <sup>8</sup>	3,354	3,216	2,925	3,263	3,112	2,854	2,813	3,085	3,030	2,812
Calls for service <sup>9</sup>	78,095	70,156	64,472	65,130	67,320	71,524	69,621	72,643	67,394	67,287
Fire										
Fire alarms <sup>10</sup>	1,385	1,224	1,273	1,397	1,421	2,393	1,604	1,324	1,337	1,197
Medic alarms <sup>10</sup>	4,029	4,445	4,495	4,551	4,601	5,120	4,881	5,214	5,445	5,815
Public Works										
Asphalt resurfacing (miles) <sup>11</sup>	16	15	13	13	14	16	10	4	6	4
Truckloads of leaves picked-up <sup>12</sup>	2,038	2,100	1,735	1,740	2,206	2,062	1,988	1,895	2,050	1,837
Tons of snow melting salt used <sup>12</sup>	1,992	5,500	9,118	2,147	3,000	5,452	4,654	6,465	1,560	4,544
Leisure Services										
Recreation complex attendance <sup>13</sup>	933,000	920,270	900,910	879,000	918,560	931,040	1,016,576	1,010,804	929,193	922,366
Fraze Pavilion tickets sold <sup>13</sup>	72,886	72,167	74,153	71,018	75,942	77,727	80,480	78,540	72,383	90,232

(1) City of Kettering, Human Resources Department

(2) City of Kettering, Planning and Development Dept. Permits and inspections performed include Building, Electrical, Plumbing & Heating.

(3) City of Kettering, Planning and Development Department. Community Development Block Grant (CDBG) loan applications processed include housing rehabilitation, purchase rehabilitation, and business loan applications.

(4) City of Kettering, Finance Department. Payroll checks include electronic funds transfers processed for payroll.

(5) City of Kettering, Finance Department.

(6) City of Kettering, Law Department

(7) City of Kettering, Municipal Court

(8) City of Kettering, Police Department. Criminal arrests include arrests by detective section and patrol.

(9) City of Kettering, Police Department.

(10) City of Kettering, Fire Department.

(11) City of Kettering, Public Service Department, Engineering Division

(12) City of Kettering, Public Service Department, Street Division

(13) City of Kettering, Parks, Recreation, and Cultural Arts Department

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

<u>Function/program</u>	<u>1998</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>
General Government										
Square footage occupied <sup>1</sup>	25,582	25,582	25,582	25,582	25,582	25,582	25,582	43,108	43,108	43,108
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	244	246	246	246	246	246	246	246
Miles of storm sewer/channel <sup>2</sup>	171	172	172	173	174	174	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	408	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	145,000	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  
MAY 20, 2008**