

**CITY OF KETTERING, OHIO**



**Single Audit Reports**

**December 31, 2013**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Kettering, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

April 10, 2014

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**CITY OF KETTERING, OHIO**  
Schedule of Expenditures of Federal Awards  
For the year ended December 31, 2013

Federal Grantor/Pass Through Grantor/Program Title	Grant or Pass-Through Number	Federal CFDA Number	Grant Award Date	Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Direct programs:				
Community Development Block Grants/Entitlement Grants	B-13-MC-39-0011	14.218	1/1/13	\$740,454
Passed through the Board of County Commissioners of Montgomery County:				
HOME Investment Partnerships Program	A-C-03-281-2	14.239	9/1/03	20,195
Lead-Based Paint Hazard Control in Privately-Owned Housing	OH-LHB0448-09	14.900	1/1/10	26,529
Passed through the City of Dayton, Ohio:				
HOME Investment Partnerships Program	M-07-MC-39-0205	14.239	3/22/08	271,643
ARRA - Neighborhood Stabilization Program	B-09-CN-OH-0029	14.256	1/14/10	114,117
Passed through the State of Ohio Department of Development				
Community Development Block Grants/State's program	A-Z-08-281-1	14.228	4/1/09	163,533
Total U.S. Department of Housing and Urban Development				<u>1,336,471</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through the Board of County Commissioners of Montgomery County:				
Block Grants for Prevention and Treatment of Substance Abuse	57-8355-CMMCO-P-13-0038	93.959	7/1/12	6,920
Block Grants for Prevention and Treatment of Substance Abuse	57-8355-CMMCO-P-14-0038	93.959	7/1/13	18,247
Total U.S. Department of Health and Human Services				<u>25,167</u>
<u>U.S. Department of Transportation</u>				
Passed through the State of Ohio Governor's Highway Safety Office:				
Highway Planning and Construction	E080494	20.205	5/6/08	811,116
Highway Planning and Construction	E100766	20.205	8/4/10	180,094
Highway Planning and Construction	E080495	20.205	5/6/08	297,528
Passed through the State of Ohio Department of Public Safety:				
State and Community Highway Safety	HVEO-2013-57-00-00-00410-00	20.600	9/5/12	5,803
Alcohol Traffic Safety and Drunk Driving Prevention	HVEO-2013-57-00-00-00410-00	20.601	9/5/12	5,803
Passed through the City of Dayton, Ohio:				
Highway Planning and Construction	OVTIF-2013-57-00-00-00313-00	20.205	10/1/13	9,460
Passed through the Regional Transit Authority:				
Federal Transit Formula Grants	JARC-NEW FREEDOM	20.507	11/9/12	64,895
Total U.S. Department of Transportation				<u>1,374,699</u>
TOTAL - ALL FEDERAL PROGRAMS				<u>\$2,736,337</u>

**CITY OF KETTERING, OHIO**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**December 31, 2013**

**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 three subrecipients, Miami Valley Fair Housing Board for \$32,000, HomeOwnership Center of Greater Dayton for \$37,250, and County Corp for \$56,955.

**NOTE 5- LOANS OUTSTANDING:**

At December 31, 2013, the City has the following amounts outstanding under federal loan programs:

HOME Investment Partnership Loan Program (CFDA #14.239)	\$751,132
Community Development Block Grant-Business Revolving Loans (CFDA #14.218)	77,749
Community Development Block Grant-Housing Rehab Loans (CFDA #14.218)	305,339
Less: Allowance for Uncollectable Accounts	<u>(70,370)</u>
Net Loans Outstanding	<u><u>\$1,063,850</u></u>

Of the loans noted above, \$200,906 is subject to certain on-going compliance requirements; as such the entire outstanding balance of these loans is included in the Schedule of Expenditures of Federal Awards as part of the HOME Investment Partnerships Program (CFDA #14.239).

The remaining loans above do not have on-going compliance attributes requiring the reporting the balances in the Schedule of Expenditures of Federal Awards. These loans are reported on the City's financial statements within the Community Development Funds. During 2013, the City issued \$23,830 of new loans under Housing Rehab Loans program (CFDA #14.218), and issued \$71,572 of new loans under the HOME Investment Partnership loan program (CFDA #14.239), which are included within the reported federal expenditures of the respective programs for the year.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 18, 2014.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Dayton, Ohio  
March 18, 2014



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

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

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

We have audited the City of Kettering, Ohio's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements

that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 18, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Dayton, Ohio  
March 18, 2014

**CITY OF KETTERING, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2013**

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

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

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

None

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

None

**CITY OF KETTERING**  
**December 31, 2013**

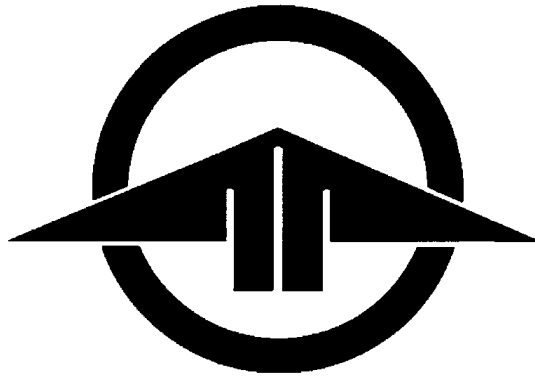
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
***OMB CIRCULAR A-133***

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

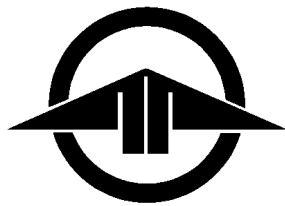
**CITY OF KETTERING, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2013**



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



CITY OF KETTERING

# CITY OF KETTERING, OHIO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2013

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2013**

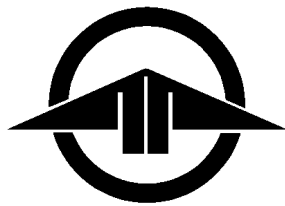
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## **INTRODUCTORY SECTION**



CITY OF KETTERING



## CITY OF KETTERING

March 18, 2014

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, 2013, 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 97% of residents are satisfied with Kettering as a place to live.

### **ECONOMIC CONDITION AND OUTLOOK**

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

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

G.E. Money, and Reynolds & Reynolds. KMC employs 3,500 and continued to work on a master plan that includes additional growth on vacant land across the street from the main campus. Reynolds & Reynolds, a fortune 1000 company based in Dayton since 1866, increased employment from 1,150 to 1,300 at its Miami Valley Research Park campus. G.E. Money completed \$1.5 million of improvements to their facility at the Kettering Business Park (KBP). These improvements allowed for an increase in employment from 1,450 to 1,800 people. Other major employers in the city include Kettering City Schools, Limited Brands Inc., a catalogue order center for Victoria's Secret, Tenneco Inc., a leading supplier of automobile replacement parts, and a number of engineering firms and computer hardware and software related businesses.

In the area of new employment, Mound Laser and Photonics Center completed a new 20,800 square foot facility. The \$4 million project currently employs 36 with plans to create at least 50 new jobs in the next three years. Community Tissue Services purchased an additional 22 acres of property for the purpose of creating a bioscience campus. The Dayton Regional STEM School completed a 50,000 square foot expansion to accommodate increasing student enrollment. Booz/Allen/Hamilton, a defense contractor located at the Miami Valley Research Park, completed construction of 5,000 square feet of SCIF area. Safe Sourcing expanded their location in the Executive Building on West Dorothy Lane with plans to hire up to 30 additional employees in the next three years. The former Kettering Sports Medicine facility on Far Hills Avenue was completely renovated and is now the Carlyle House, an Assisted Living Community with special Alzheimer's care.

Implementation of the plans for improvements to the city's parks and recreation facilities continued throughout 2013. This program of extensive improvements is the result of passage of the Parks and Recreation Bond Levy by Kettering voters in November 2008. The voters approved a \$12.3 million levy with debt service to be paid from property tax revenues over a period of twenty years beginning in 2009. In addition to the voted portion, the city committed an additional \$5 million of general funds for a total investment of \$17.3 million. 2013 projects included the building of the Habitat Environmental Center which provides educational programs for children and students. Renovations of Pondview Park were completed and the design of a new neighborhood park named Gentile Park began. Some additional renovations were made to Adventure Reef

Water Park including a ramp entrance feature to the waterfall pool which allows for wheel chair accessibility, enlargement of the Splash Pad, and the addition of curb and benches around the Splash Pad. In 2014, the focus for the remaining funds will be on the Frazee Pavilion Outdoor Amphitheater and the surrounding Lincoln Park Civic Commons.

Kettering participates in ED/GE, a revenue sharing program that includes about thirty communities in Montgomery County. Money from the program is distributed to the communities for economic development projects after an application for funds is filed and a board of local officials for the communities reviews and approves the projects. Kettering received \$131,000 in 2013 to be used as an incentive for the Mound Laser and Photonics Center project. The City has benefited significantly in the past from this program and will continue to apply for future funds as eligible opportunities become available. The ED/GE program was to expire after 2010, but a new agreement has extended the program for an additional nine years.

A significant area of emphasis for this organization is long term financial planning. This includes preparation of a five year capital improvement program and a long range financial forecast. Additional practices are discussed under Long Term Financial Policies in the City's 2014 Budget message. These policies include the development each year of a balanced budget where the appropriations for any given year shall not exceed the sum of available cash balances, less reserves, plus revenues to be received during the year. In addition, current year operating expenditures and debt service obligations shall be covered using current year operating revenues. In the area of debt, the City shall not issue long-term debt to pay for current operations.

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

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

## ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

## OTHER INFORMATION

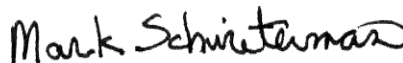
**Independent Audit.** The basic financial statements of the City of Kettering were audited by Plattenburg & Associates, Inc. Certified Public Accountants. See page 2 of the Financial Section of this report for their unmodified opinion.

**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, 2012. 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 31

consecutive years (fiscal years ended 1982-2012). 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, 2013. In order to receive this award, the City must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

**Acknowledgements.** A note of sincere appreciation is extended to the many conscientious people who have contributed so much of their time and effort to the preparation of this report. The Finance Department staff, in particular, are to be commended for their commitment to professional excellence as exemplified by the contents of this report. Finally, contributions to the financial condition of the City of Kettering by the Mayor, members of City Council, Assistant City Manager and Department Directors cannot be overemphasized. Their guidance and support represent invaluable factors necessary for the City to continue to manage the financial affairs and reporting requirements of municipal government within the Kettering Community.

Respectfully submitted,



Mark Schwieterman  
City Manager



Nancy H. Gregory, CPA  
Director of Finance

## **CITY OF KETTERING, OHIO**

### CITY OFFICIALS

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

### CITY MANAGER

Mark Schwieterman

### INDEPENDENT AUDITORS

Plattenburg & Associates, Inc.  
Certified Public Accountants

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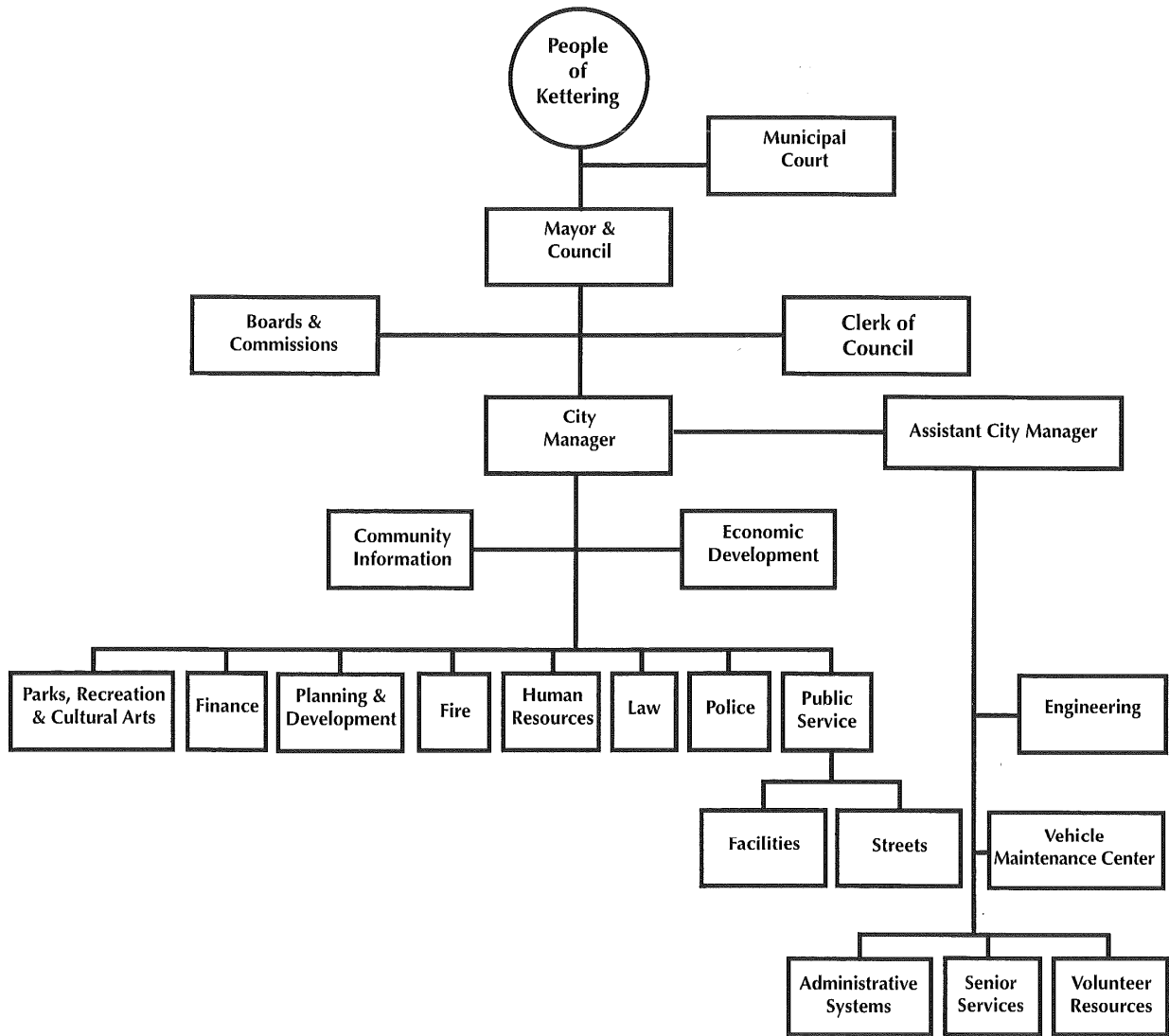
## CITY OF KETTERING, OHIO

### DEPARTMENT OF FINANCE

#### STAFF

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

# City of Kettering 2013 Organizational Chart







Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

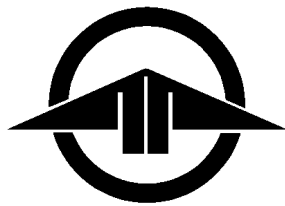
**City of Kettering  
Ohio**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive style.

Executive Director/CEO



CITY OF KETTERING

**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Supplementary and Other Information*

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

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

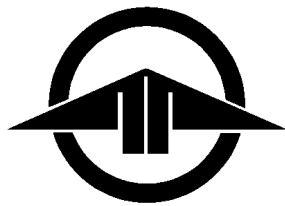
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Dayton, Ohio  
March 18, 2014



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, 2013.

**FINANCIAL HIGHLIGHTS**

1. Net position increased \$45,224,000 or 21.8% while unrestricted net position increased \$42,334,000 or 78.8%.
2. Total revenues increased 47.8% while total expenses increased 1.1%.
3. Operating grants and contributions increased \$359,100 or 25.1%.
4. Income taxes decreased \$3,105,000 or 7.3%
5. Estate taxes increased \$41,279,800 or 2,103%.
6. Investment earnings decreased \$486,200 or 61.4%
7. Total costs of services increased by 1.16%, while net costs of services increased by 1.5%.
8. The General Fund reported an increase in fund balance of \$2,834,000.
9. The Fraze Pavilion required no General Fund transfer for the eighth time in its 23-year history.
10. The Capital Projects Fund reported an increase in fund balance of \$39,220,600.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 10 and 11) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 12. For governmental funds, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

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

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that help answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

Our analysis of the City's major funds begins on page 8. The fund financial statements begin on page 12 and provide detailed information about the most significant funds — not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the Finance Director establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds — governmental and proprietary — use different accounting approaches.

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

## **The City as Trustee**

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

The City is the trustee, or fiduciary, for its volunteer firefighters pension plan. It is also responsible for other assets that — because of a trust arrangement — can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on page 19. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **THE CITY AS A WHOLE**

For 2013 the City produced an unprecedented 21.8% increase in total net position. This compares with a 4.4% increase in 2012. Revenues generated were \$114.8 million and expenses from all programs were \$69.6 million resulting in a surplus for the year of \$45,224,000. The unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — increased \$42,334,400. A one-time estate tax settlement was the reason for the large increase in net position and revenues.

Explanations for the larger fluctuations between years are as follows:

- Operating grants and contributions were higher because of increased CDBG grant activity.
- Capital grants and contributions were much higher last year because of outside funding for several roadway projects.
- Income taxes were lower due to decreased corporate estimated payments and an amnesty program conducted in 2012.
- Other taxes increased substantially due to an increase in estate tax revenue.
- Investment earnings decreased due to lower interest rates.



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

### NET POSITION

	2013	2012
Current and other assets	\$131,746,487	\$88,512,628
Capital assets	155,540,116	153,888,813
Total assets	<u>287,286,603</u>	<u>242,401,441</u>
Long-term debt outstanding	(19,100,473)	(19,732,950)
Other liabilities	(7,103,956)	(6,337,140)
Total liabilities	<u>(26,204,429)</u>	<u>(26,070,090)</u>
Deferred inflows of resources	(8,326,906)	(8,800,409)
Net position:		
Net investment in capital assets	141,039,021	138,528,286
Restricted	15,657,354	15,278,141
Unrestricted	96,058,893	53,724,515
Total net position	<u><u>\$252,755,268</u></u>	<u><u>\$207,530,942</u></u>

### CHANGES IN NET POSITION

	2013	2012
Revenues		
Program revenues:		
Charges for services	\$11,102,659	\$11,108,525
Operating grants and contributions	1,790,624	1,431,456
Capital grants and contributions	5,271,888	5,584,310
General revenues:		
Income taxes	39,240,269	42,345,005
Property taxes	8,044,281	8,176,061
Other taxes	47,022,663	6,253,383
Investment earnings	305,672	791,959
Other general revenue	2,074,040	1,988,618
Total revenues	<u>114,852,096</u>	<u>77,679,317</u>
Program expenses		
General government	14,294,069	14,533,955
Police	14,806,948	14,631,811
Fire	11,303,884	10,903,086
Public works	13,726,430	14,186,561
Leisure services	14,949,267	14,030,681
Interest on long-term debt	547,172	585,092
Total expenses	<u>69,627,770</u>	<u>68,871,186</u>
Increase (decrease) in net position	45,224,326	8,808,131
Net position beginning	207,530,942	198,722,811
Net position ending	<u><u>\$252,755,268</u></u>	<u><u>\$207,530,942</u></u>

The following table presents the cost of each of the City's four largest programs – police, fire, public works and leisure services – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

## GOVERNMENTAL ACTIVITIES

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Police	\$14,806,948	\$14,631,811	\$14,768,131	\$14,558,780
Fire	11,303,884	10,903,086	9,858,972	9,373,220
Public works	13,726,430	14,186,561	8,703,648	9,360,343
Leisure services	14,949,267	14,030,681	6,854,050	6,364,629
All others	14,294,069	14,533,955	10,730,626	10,504,831
	<u>\$69,080,598</u>	<u>\$68,286,094</u>	<u>\$50,915,427</u>	<u>\$50,161,803</u>

Total costs of services for 2013 increased by \$794,504 while net costs of services increased by \$753,624.

The capital asset activity for the year was normal. Capital asset additions totaled \$11.2 million compared to \$12.6 million in 2012 which was a high year. 2013's larger additions included over \$5 million in street improvements, \$882,000 for land for a new fire station, and \$634,000 in parks improvements. Total net capital assets for 2013 were \$155,540,116. Of this total, \$12,985,637 was not being depreciated and the capital assets being depreciated totaled \$273,799,389 with accumulated depreciation of \$131,244,910.

At December 31, 2013, the City had various debt issues outstanding, which included \$12,750,000 of general obligation bonds and \$1,582,228 of promissory notes. As of December 31, 2013, the City's net general obligation bonded debt of \$11,915,379 was well below the legal limit of \$117,738,192 and debt per capita equaled \$212.16.

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

## THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 12 and 13) reported a combined fund balance of \$107.05 million, which is 65.8% higher than last year's total of \$64.5 million.

As stated earlier, the City received a one-time estate tax distribution in 2013 of over \$42 million dollars. This estate tax distribution consisted of 2 large estates one being the largest estate ever settled in Montgomery County Ohio. In the past, The City has relied on revenues derived from Ohio's estate tax to pay for capital improvements in the city. The Ohio General Assembly abolished the estate tax effective in 2013. In prior years, on average, the City received \$3,000,000 per year that was placed in the Capital Projects Fund. Consistent with established policy and past practice of using estate tax revenues to fund capital projects and in response to the abolishment of the estate tax, City Council passed legislation in 2013 to commit the \$40 million to the Capital Projects Fund. The legislation states that the funds are to be expended for future capital improvement projects at a rate of \$3,000,000 per year until the \$40 million is exhausted.

The City's General Fund experienced a \$927,900, or 1.8% overall decrease in revenues for 2013. At the same time expenditures increased by \$187,100 or .5%, and transfers out decreased by \$1,468,200 or 12.3%. The City's General Fund balance increased in 2013 for the third year in a row. Income taxes decreased in 2013 due to decreased corporate estimated tax payments and an amnesty program conducted in 2012. Investment earnings decreased for the year due to lower rates of return. Total revenues for the General Fund were \$51.42 million while total expenditures were \$38.18 million. Transfers to other funds totaled \$10.4 million resulting in the \$2,834,000, or 6.4% increase to the General Fund balance.

The Frazee Pavilion, an outdoor amphitheater accounted for in a major special revenue fund, has produced a surplus only five times since it began operations in 1991. In 2013 it produced its sixth surplus of \$382,200. Increased ticket

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and concession revenue as well as expenditure control are responsible for the surplus. There were no other material changes to the major funds in 2013.

There was a significant variation in the City's original General Fund budget and the final General Fund budget. Budgeted "Transfers to other funds" was decreased during the year by \$2.2 million because of higher than anticipated estate tax revenues. There was also a significant variance between actual expenditures and final budgeted expenditures for "Transfers to other funds". Because of the higher estate tax revenues and lower than expected expenditures in the Capital Projects Fund, the required transfers were reduced. Capital Project Fund expenditures were lower due to the City planning many new capital projects, which, in hindsight, proved to be an overly optimistic number to accomplish in one year.

As mentioned above, 2013 produced an increase to the General Fund balance. This increase can be attributed primarily to decreased transfers to other funds. The City was fortunate this year to have the large estate tax revenues, since many other revenue sources declined. The future will present mounting financial challenges for the City resulting from property tax revenue declines due to lower property values, the elimination of tangible property tax, the State reducing the local share of sales tax distributions, and finally the State's total elimination of the estate tax in 2013. The City is still struggling to replace lost income tax revenues which have yet to recover from the last recession.

**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

<b>ASSETS</b>	
Pooled cash and investments (note 2)	\$110,327,842
Receivables:	
Income taxes (net of allowance for \$1,017,290)	7,392,400
Property taxes	8,088,306
Interest	911,437
Accounts	506,712
Special assessments	750,000
Loans (net of allowance for \$70,370)	1,063,850
Due from other governments	2,145,514
Prepaid expenses	22,705
Inventory	537,721
Capital assets not being depreciated (note 6)	12,985,637
Capital assets being depreciated, net (note 6)	142,554,479
Total assets	<u>287,286,603</u>
<b>LIABILITIES</b>	
Accounts payable	1,959,883
Salary and benefits payable	2,385,099
Accrued interest payable	49,637
Accrued health claims	462,266
Unearned revenue	2,247,071
Noncurrent liabilities (note 11)	
Due within one year	3,537,374
Due in more than one year	15,563,099
Total liabilities	<u>26,204,429</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property taxes	8,326,906
Total deferred inflows	<u>8,326,906</u>
<b>NET POSITION</b>	
Net investment in capital assets	141,039,021
Restricted for:	
Debt service	834,621
Social services	1,654,973
Public safety	11,346,847
Road construction/Public works	149,788
Leisure services	46,416
Municipal court activities	1,624,709
Unrestricted	96,058,893
Total net position	<u>\$252,755,268</u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$14,294,069	\$2,377,070	\$1,093,020	\$93,353	(\$10,730,626)
Police	14,806,948	35,768	3,049		(14,768,131)
Fire	11,303,884	1,444,912			(9,858,972)
Public works	13,726,430	22,225		5,000,557	(8,703,648)
Leisure services	14,949,267	7,222,684	694,555	177,978	(6,854,050)
Interest on long-term debt	547,172				(547,172)
Total	<u>\$69,627,770</u>	<u>\$11,102,659</u>	<u>\$1,790,624</u>	<u>\$5,271,888</u>	<u>(51,462,599)</u>
General revenues:					
Taxes:					
					39,240,269
					7,161,176
					883,105
					43,242,544
					690,837
					1,902,894
					759,335
					149,771
					277,282
					305,672
					1,938,118
					135,922
					<u>96,686,925</u>
					45,224,326
					<u>207,530,942</u>
					<u>\$252,755,268</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
<b>ASSETS</b>				
Pooled cash and investments	\$46,251,462	\$339,824	\$446,744	\$2,028,617
Receivables:				
Income taxes (net of allowance for \$1,017,290)	7,392,400			
Property taxes	6,675,306			
Interest	911,437			
Accounts	195,418	11,957	4,428	
Special assessments	400,000			
Loans (net of allowance for \$70,370)				
Due from other governments	560,276	1,073,796		
Prepaid expenditures	18,449	549	2,625	843
Inventory		201,163		
Total assets	<u>\$62,404,748</u>	<u>\$1,627,289</u>	<u>\$453,797</u>	<u>\$2,029,460</u>
<b>LIABILITIES</b>				
Accounts payable	\$606,493	\$142,907	\$186,299	\$27,775
Accrued payroll	1,477,288	143,163	196,128	13,320
Unearned revenue	1,899,546		38,615	308,909
Total liabilities	<u>3,983,327</u>	<u>286,070</u>	<u>421,042</u>	<u>350,004</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Income taxes	3,919,681			
Property taxes	7,075,306			
Grants and other taxes	351,696	870,200		
Total deferred inflows of resources	<u>11,346,683</u>	<u>870,200</u>		
<b>FUND BALANCES</b>				
Nonspendable: Inventory and prepaids	18,449	201,712	2,625	843
Restricted for:				
Debt service				
Social services				
Public safety				
Road construction / Public works				
Leisure services				
Municipal court activities				
Committed to:				
Social services	57,062			
Public safety	361,456			
Road construction / Public works	20,694	269,307		
Leisure services			30,130	1,678,613
Economic development	949,994			
Other purposes	789,393			
Unassigned:	44,877,690			
Total fund balances	<u>47,074,738</u>	<u>471,019</u>	<u>32,755</u>	<u>1,679,456</u>
Total liabilities, deferred inflows & fund balances	<u>\$62,404,748</u>	<u>\$1,627,289</u>	<u>\$453,797</u>	<u>\$2,029,460</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
\$250,280	\$10,355,298	\$834,621	\$41,747,163	\$4,583,411	\$106,837,420
		900,000	178,000	335,000	7,392,400
	286,679		3,724	3,329	8,088,306
			350,000		911,437
1,063,850			38,245	175,747	505,535
297,450					750,000
					1,063,850
					2,145,514
					22,466
					201,163
<u>\$1,611,580</u>	<u>\$10,641,977</u>	<u>\$1,734,621</u>	<u>\$42,317,132</u>	<u>\$5,097,487</u>	<u>\$127,918,091</u>
\$198,919	\$64,184		\$507,784	\$40,980	\$1,775,341
				430,953	2,260,852
<u>198,919</u>	<u>64,184</u>		<u>507,784</u>	<u>471,933</u>	<u>2,247,070</u>
					6,283,263
		\$900,000	528,000	335,000	3,919,681
<u>277,425</u>	<u>152,935</u>		<u>38,246</u> *	<u>135,263</u>	<u>8,838,306</u>
<u>277,425</u>	<u>152,935</u>	<u>900,000</u>	<u>566,246</u>	<u>470,263</u>	<u>1,825,765</u>
					14,583,752
					223,629
		834,621			834,621
1,377,548					1,377,548
	10,424,858			769,054	11,193,912
				79,188	79,188
				1,624,709	1,624,709
				5,994	63,056
				12,127	373,583
			196,481		486,482
			432,003	1,625,045	3,765,791
					949,994
			40,614,618	39,174	41,443,185
<u>(242,312)</u>					<u>44,635,378</u>
<u>1,135,236</u>	<u>10,424,858</u>	<u>834,621</u>	<u>41,243,102</u>	<u>4,155,291</u>	<u>107,051,076</u>
<u>\$1,611,580</u>	<u>\$10,641,977</u>	<u>\$1,734,621</u>	<u>\$42,317,132</u>	<u>\$5,097,487</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 154,961,272

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

Income taxes receivable 3,919,682

Grants and other taxes receivable 2,337,165

Internal service funds are used by management to charge the costs of certain activities. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 3,196,631

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

Bonds and notes payable (14,501,095)

Vacation and sick leave benefits (4,159,826)

Accrued interest on bonds payable (49,637)

Net Position of Governmental Activities \$252,755,268

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2013**

	General Fund	Major		Special
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
<b>REVENUES</b>				
Income taxes	\$39,386,072			
Property taxes	6,363,278			
Licenses and permits	516,042	\$22,225		
Intergovernmental revenue	1,075,344	2,485,895	\$19,122	
Charges for services	179,629		3,155,855	\$4,066,828
Fines and forfeits	1,219,818			
Investment earnings	43,336			
Special assessments	413,977			
Refunds and reimbursements	2,192,842	230,475	83,396	9,094
Miscellaneous	32,678	9,222	39,947	514,904
<b>Total revenues</b>	<b>51,423,016</b>	<b>2,747,817</b>	<b>3,298,320</b>	<b>4,590,826</b>
<b>EXPENDITURES</b>				
Current:				
General government	11,399,887			
Police	13,225,172			
Fire	10,847,877			
Public works	2,704,063	5,485,401		
Leisure services			9,089,220	4,208,579
Capital improvements				
Debt service:				
Principal				
Interest				
<b>Total expenditures</b>	<b>38,176,999</b>	<b>5,485,401</b>	<b>9,089,220</b>	<b>4,208,579</b>
Excess (deficiency) of revenues over expenditures	13,246,017	(2,737,584)	(5,790,900)	382,247
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		2,828,000	5,808,000	
Transfers out	(10,434,938)			
Sale of city assets	22,897	30,477		
<b>Net change in fund balance</b>	<b>2,833,976</b>	<b>120,893</b>	<b>17,100</b>	<b>382,247</b>
Fund balances--beginning	44,240,762	350,126	15,655	1,297,209
<b>Fund balances--ending</b>	<b>\$47,074,738</b>	<b>\$471,019</b>	<b>\$32,755</b>	<b>\$1,679,456</b>

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
		\$883,105	\$455,575	\$342,023	\$39,386,072
\$727,017			45,179,938	587,799	50,075,115
	\$1,458,680			76,692	8,937,684
				420,656	1,640,474
2,651	83,931	20,797	135,503	19,455	305,673
			547,273		961,250
22,501	10,000	50,624	265,968	19,988	2,884,888
5,825			0	135,163	737,739
<u>757,994</u>	<u>1,552,611</u>	<u>954,526</u>	<u>46,584,257</u>	<u>1,601,776</u>	<u>113,511,143</u>
725,162				690,402	12,815,451
				1,732,103	14,957,275
	87,584				10,935,461
				124,655	8,314,119
				63,887	13,361,686
597,418	1,229,155		7,437,479	282,169	9,546,221
		848,799			848,799
		559,885			559,885
<u>1,322,580</u>	<u>1,316,739</u>	<u>1,408,684</u>	<u>7,437,479</u>	<u>2,893,216</u>	<u>71,338,897</u>
(564,586)	235,872	(454,158)	39,146,778	(1,291,440)	42,172,246
47,917		421,400	73,832	1,255,789	10,434,938
					(10,434,938)
<u>275,890</u>					<u>329,264</u>
(240,779)	235,872	(32,758)	39,220,610	(35,651)	42,501,510
1,376,015	10,188,986	867,379	2,022,492	4,190,942	64,549,566
<u>\$1,135,236</u>	<u>\$10,424,858</u>	<u>\$834,621</u>	<u>\$41,243,102</u>	<u>\$4,155,291</u>	<u>\$107,051,076</u>

Net change in Fund Balance - Governmental Funds \$42,501,510

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	8,666,418
		Depreciation expense	(8,856,730)

In the Statement of Activities, only the gain on the sale of city assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differ from the change in fund balance by the book value of the asset sold. (520,975)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Income taxes receivable	(145,803)
Grants receivable	(60,231)
Property taxes receivable	300
Contribution of fixed assets	2,246,552

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Position. 848,799

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	(201,728)
Interest payable	12,713

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.) 733,501

Change in Net Position on the Statement of Activities \$45,224,326

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2013**

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	Governmental Activities- Internal Service Funds
<b>ASSETS</b>	
Current Assets:	
Pooled cash and investments	\$3,490,420
Accounts receivable	1,176
Prepaid expenses	238
Inventory	336,557
Total current assets	<u>3,828,391</u>
Noncurrent Assets:	
Capital assets:	
Buildings and improvements	757,936
Machinery and equipment	2,114,108
Less: Accumulated depreciation	<u>(2,293,200)</u>
Total noncurrent assets	<u>578,844</u>
Total assets	<u>4,407,235</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	184,541
Accrued payroll	124,247
Accrued health claims	462,266
Total current liabilities	<u>771,054</u>
Noncurrent liabilities:	
Accrued vacation and sick benefits due within one year	254,940
Accrued vacation and sick benefits due within more than one year	184,611
Total noncurrent liabilities	<u>439,551</u>
Total liabilities	<u>1,210,605</u>
<b>NET POSITION</b>	
Net investment in capital assets	578,844
Unrestricted	<u>2,617,787</u>
Total net position	<u>\$3,196,631</u>

See accompanying notes to the basic financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

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	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	<u>\$12,455,246</u>
Total operating revenues	<u>12,455,246</u>
OPERATING EXPENSES	
Personal services	3,342,434
Repairs and maintenance	1,684,261
Contractual services	6,152,347
Other materials and expenses	438,974
Depreciation	<u>121,862</u>
Total operating expenses	<u>11,739,878</u>
Operating income (loss)	<u>715,368</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	<u>18,133</u>
Change in net position	733,501
Total net position--beginning	<u>2,463,130</u>
Total net position--ending	<u><u>\$3,196,631</u></u>

See accompanying notes to the basic financial statements.

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2013  
 Increase (Decrease) in cash**

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received for services	\$12,452,795
Cash paid to suppliers for goods or services	(8,321,434)
Cash paid to employees for services	(3,308,487)
Net cash provided (used) by operating activities	<u>822,874</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(239,348)
Sale of capital assets	3,123
Net cash used by capital and related financing activities	<u>(236,225)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	18,133
Net cash provided by investing activities	<u>18,133</u>
Net increase (decrease) in cash	604,782
Cash at beginning of year	2,885,638
Cash at end of year	<u><u>\$3,490,420</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$715,368
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	121,862
(Increase) decrease in receivables	(191)
(Increase) decrease in inventories	42,134
Increase (decrease) in accounts payable	(108,223)
Increase (decrease) in accrued health claims	19,847
Net (increase) decrease in other operating net position	32,077
Net cash provided (used) by operating activities	<u><u>\$822,874</u></u>

See accompanying notes to the basic financial statements.

## FIDUCIARY FUNDS

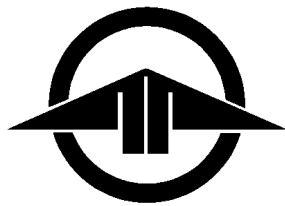
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2013

	Volunteer Firefighter Pension	Deceased Police Dependents Private Purpose Trust	Agency Funds
<b>ASSETS</b>			
Pooled cash and investments		\$91,560	\$797,114
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$2,083,805		
Other investments			281,625
Total assets	<u>2,083,805</u>	<u>91,560</u>	<u>\$1,078,739</u>
<b>LIABILITIES</b>			
Accounts payable			\$1,915
Withholdings payable			788,089
Undistributed moneys			281,625
Unclaimed moneys			7,110
Total liabilities			<u>\$1,078,739</u>
<b>NET POSITION</b>			
Restricted for pension benefits and other purposes	<u>\$2,083,805</u>	<u>\$91,560</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2013

<b>ADDITIONS</b>			
Employer contributions	\$59,581		
Investment earnings (loss)	3,348	\$802	
Total additions	<u>62,929</u>	<u>802</u>	
<b>DEDUCTIONS</b>			
Pension payments	112,632		
Total deductions	<u>112,632</u>		
Net increase (decrease)	(49,703)	802	
Net position--beginning of year	<u>2,133,508</u>	<u>90,758</u>	
Net position--end of year	<u>\$2,083,805</u>	<u>\$91,560</u>	

See accompanying notes to the basic financial statements.



CITY OF KETTERING

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

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

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

#### B. Basis of Presentation

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

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

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

The City reports the following major governmental funds:

**General Fund** – This fund is the general operating fund of the City. It should be used to account for and report all financial resources not accounted for and reported in another fund.

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

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

#### C. Basis of Accounting

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

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



All governmental funds are accounted for using a current financial resources measurement focus and are reported on a modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which, for the City’s purposes, is considered to be 30 days after year end. Revenues considered susceptible to accrual are community development block grants, delinquent property taxes, income taxes, and interest on investments. Property taxes levied before year-end are not recognized as revenue until the next calendar year. The fiscal period for which property taxes are levied at year-end in the State of Ohio is the succeeding calendar year.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on unmatured general long-term debt, and on special assessment indebtedness collateralized by special assessment levies, which are recognized when due. Inventory and prepaid expenditures are recorded in the governmental fund types and charged as expenditures when used. A portion of the fund balance is classified as nonspendable in governmental funds for the amount of inventory and prepaid expenditures. When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure is incurred for purposes for which amounts in any unrestricted fund balance classification could be used it is the government’s policy to use assigned resources first, committed resources second, and then unassigned amounts as they are needed.

#### D. Pooled Cash and Investments and Investment with Fiscal Agent

All investments are stated at fair value, which are based on quoted market prices.

#### E. Inventory

Inventory is valued at cost (specific identification method in the internal service funds and FIFO (first-in, first-out) method in the special revenue funds.) Inventories are recorded as expenses/expenditures when used.

#### F. Capital Assets

Capital assets include land, improvements to land, buildings, building improvements, machinery, equipment, infrastructure and all other assets that are used in operations and that have initial useful lives expending beyond a single reporting period. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges and drainage systems.

All capital assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value at the time received.

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

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

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

### G. Interfund Transactions and Transfers

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

### H. Fund Balance Classifications

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

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

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

### I. Grants and Other Intergovernmental Revenues

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

### J. Use of Estimates

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

## 2. POOLED CASH AND INVESTMENTS

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

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

Deposits: At year-end, the City's bank balance was \$23,452,182. Of this amount, \$3,484,005 was insured; the remaining \$19,968,177 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name per Ohio Revised Code Section 135.181. This statute requires all financial institutions acting as public depositories to pledge a pool of collateral with a market value of at least 105% of the total amount of public deposits secured. The City has no deposit policy for custodial credit risk.

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

The City's investments in corporate bonds, listed below, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. On December 31, the City had \$10,754,592 in corporate bonds issued by GE, \$10,090,736 in corporate bonds issued by AT&T, \$5,813,138 in corporate bonds issued by Wells Fargo and \$5,570,039 issued by American Express. These amounts represent 9.6%, 9.0%, 5.2% and 5.0% respectively of the pooled cash and investments. At year-end, \$4,846,932 of the securities in the corporate bond category below are rated "BAA1", \$151,302 are rated "BAA2", the remaining \$83,178,388 are rated "A" or better and all other investment types listed are unrated.

As of December 31, 2013 the City had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-3</u>	<u>3-6</u>	<u>6-7</u>
Corporate Bonds	\$88,176,622	\$27,519,321	\$60,657,301		
Pension Plan Pooled Invest Fund	2,083,805				\$2,083,805
Total	<u>\$90,260,427</u>	<u>\$27,519,321</u>	<u>\$60,657,301</u>		<u>\$2,083,805</u>

### 3. INCOME TAXES

The City levies a 2.25% income tax on substantially all income earned within the City. Additional increases in the income tax rate require voter approval. In 2006, the voters approved an income tax rate increase to 2.25% from 1.75% effective January 1<sup>st</sup>, 2007. City residents pay City income tax on income earned outside the City, however; a credit is allowed for income taxes paid to other municipalities.

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

#### 4. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property taxes are levied each December 31 on the assessed value listed as of the prior December 31. Assessed values are established for real property at 35% of true value. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2008.

The property tax calendar is as follows:

Levy date	December 31, 2012
Lien date	December 31, 2012
Tax bill mailed	January 20, 2013
First installment payment due	February 15, 2013
Second installment payment due	July 15, 2013

The assessed values for the City at December 31, 2012 were as follows:

	<b>Assessed Value</b>
	<b>Category</b>
Real Estate	\$1,098,824,520
Public Utility Real Property	15,290
Public Utility Personal Property	22,476,300
Total	<u>\$1,121,316,110</u>

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

#### 5. LOANS RECEIVABLE AND NOTES RECEIVABLE

The City used a portion of the Federal Community Development Block Grant (CDBG) to provide low interest loans for housing rehabilitation, as well as for economic and job development. The loans are payable in installments to 2038. Fund balance has been classified as restricted for the loans receivable at December 31, 2013. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures.

## 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$11,684,618	\$1,253,329	(\$477,169)	\$12,460,778
Right of Way	493,013	31,846		524,859
Subtotal	<u>12,177,631</u>	<u>1,285,175</u>	<u>(477,169)</u>	<u>12,985,637</u>
Capital assets being depreciated:				
Buildings and improvements	54,320,399	462,029	(49,213)	54,733,215
Machinery and equipment	18,968,802	951,234	(1,349,741)	18,570,295
Infrastructure	193,693,303	8,469,973	(1,667,397)	200,495,879
Subtotal	<u>266,982,504</u>	<u>9,883,236</u>	<u>(3,066,351)</u>	<u>273,799,389</u>
Accumulated depreciation:				
Buildings and improvements	(31,131,569)	(1,720,952)	49,213	(32,803,308)
Machinery and equipment	(14,182,122)	(1,001,799)	1,288,395	(13,895,526)
Infrastructure	(79,957,631)	(6,255,842)	1,667,397	(84,546,076)
Subtotal	<u>(125,271,322)</u>	<u>(8,978,593)*</u>	<u>3,005,005</u>	<u>(131,244,910)</u>
Net capital assets being depreciated	<u>141,711,182</u>	<u>904,643</u>	<u>(61,346)</u>	<u>142,554,479</u>
Net capital assets	<u>\$153,888,813</u>	<u>\$2,189,818</u>	<u>(\$538,515)</u>	<u>\$155,540,116</u>

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

General government	\$667,289
Police	264,433
Fire	370,815
Public works	6,024,384
Leisure services	1,529,810
In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets.	<u>121,862</u>
Total depreciation expense	<u>\$8,978,593</u>

## 7. RISK MANAGEMENT

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

Insurance coverage is as follows:

- Property** – \$1,000,000,000 per occurrence
- Crime** - \$2,000,000 per occurrence
- Liability** - \$10,000,000 per occurrence
- Boiler & Machinery** - \$100,000,000 per occurrence
- Public Official Liability** - \$10,000,000 per occurrence

The deductible per occurrence for all types is \$2,500. Pool coverage is \$2,500 - \$350,000 for boiler and machinery, \$2,501 - \$50,000 for crime, \$2,501 - \$250,000 for property, and \$2,501 - \$500,000 for liability. Excess insurance coverage, provided by commercial companies, is the amount in excess of pool coverage to the limits stated above. The City pays an annual premium to MVRMA that is intended to cover administrative expenses and any claims covered by the pool. MVRMA has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. An actuarial opinion issued as of December 31, 2012, indicates reserves in excess of anticipated claims.

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

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

Beginning in 2012, employee health insurance is provided through a self-insured plan and is accounted for and financed through an internal service fund. The City has purchased commercial stop-loss insurance for individual claims over \$125,000 and annual aggregate claims in excess of 120% of the expected total claims for the year. The health insurance claim liability of \$462,266 recorded at year-end was calculated by the City's health care broker based on the City's claims experience over the past twelve months.

	Beginning of Year Liability	Current Year Claims & Changes in Estimate	Claim Payments	Balance at Year-End
2012	\$0	\$5,203,488	\$4,761,069	\$442,419
2013	442,419	5,446,584	5,426,737	462,266

## 8. PENSION PLAN OBLIGATIONS

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

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

OP&F is a cost-sharing multiple-employer defined benefit pension plan, which provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting their website at [www.op-f.org](http://www.op-f.org).

The Ohio Revised Code provides statutory authority for employee and employer contributions. During 2013 from Jan. 1 thru July 1, and from July 2 thru Dec. 31 plan members were required to contribute 10% and 10.75% of their annual covered salary respectively. Throughout all of 2013 the City was 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, 2011, 2012 and 2013, were \$2,667,129, \$2,658,962 and \$2,723,226 respectively, equal to the required contributions for the year.

### OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP and CO. Members of the MD do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members were required to contribute 10% of their annual covered salary and the City was required to contribute 14%. The City's contributions to the plan for the years ending December 31, 2011, 2012 and 2013, were \$2,761,028, \$2,736,865, and \$2,791,845 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, 2013, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	76
Terminated employees entitled to benefits but not yet receiving them	29
Active members	<u>32</u>
Total	<u><u>137</u></u>

On August 1<sup>st</sup>, 2010 the City implemented a soft freeze so that no new members could join the pension plan after that date. On October 1<sup>st</sup>, 2010 the City implemented a hard freeze so that no additional benefits could be earned by existing members after that date. All regular members before August 1<sup>st</sup>, 2010 of the Volunteer Fire Department are eligible for the plan upon completion of 3 years of continuous service before October 1, 2010. Members may retire at age 55 and receive a monthly benefit, payable for life. The monthly retirement benefit is equal to the sum of \$8.00 multiplied by the number of years of credited service before October 1, 2010 not in excess of 10 years and \$10.00 multiplied by the number of years of credited service before October 1, 2010 in excess of 10 years. Benefits vest at 15% upon 3 years of credited service before October 1, 2010 plus 5% for each additional year before October 1, 2010, up to 100%. Benefits are established by and may be amended by City Ordinance.

Financial Statements of the Volunteer Firefighter Pension are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. The Pension plan does not issue a stand-alone financial report. Plan investments are reported at fair value. No investment, in any one organization, exceeded five percent of net position available for benefits.

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

The annual required contribution for the current year was determined as part of the January 1, 2013, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included a 5.25% investment rate of return and that benefits will not increase after retirement. The actuarial value of assets was determined using the contract basis. The funded status of the plan as of January 1, 2013, the most recent actuarial valuation date is as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
1/1/2011	\$2,094,393	\$2,444,592	\$350,199	85.7%	\$656,820	53.3%
1/1/2012	2,090,377	2,381,620	291,243	87.8%	673,704	43.2%
1/1/2013	2,091,874	2,357,457	265,583	88.7%	701,807	37.8%

#### SCHEDULE OF EMPLOYER CONTRIBUTIONS

<b>Year Ended December 31</b>	<b>Annual Required Contribution (ARC)</b>	<b>Actual Contribution</b>	<b>Percent Contributed</b>
2008	\$69,847	\$69,847	100%
2009	91,662	91,662	100%
2010	59,726	59,726	100%
2011	45,905	45,905	100%
2012	38,176	44,427	116%
2013	34,813	59,581	171%

For the fiscal years ended December 31, 2011, 2012 and 2013, the Annual Pension cost (APC) was \$45,905, \$38,176 and \$35,304 respectively; the percentage of APC contributed was 100% in 2011, 116% in 2012, and 171% in 2013. The net pension obligation (NPO) was (\$30,528) calculated as follows:

<b>Year</b>	<b>Amort Period</b>	<b>ARC</b>	<b>Interest on NPO</b>	<b>ARC Adjustment</b>	<b>APC</b>	<b>Actual Deposit</b>	<b>Change in NPO</b>	<b>NPO Balance</b>
2011	10 yrs	\$45,905	\$0	\$0	\$45,905	\$45,905	\$0	\$0
2012	10 yrs	38,176	0	0	38,176	44,427	(6,251)	(6,251)
2013	10 yrs	34,813	(328)	(819)	35,304	59,581	(24,277)	(30,528)

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

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

In addition to the pension benefits described in Note 8, both the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OP&F) provide post retirement health care coverage, which meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. For both systems, the Ohio Revised Code (ORC) permits, but does not mandate, OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in the ORC Chapter 145 for OPERS and Chapter 742 for OP&F.

#### OHIO POLICE AND FIRE PENSION FUND OPEB

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

The ORC provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OP&F. A portion of each employer's contribution is set aside for the funding of post retirement health care benefits. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of



covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% and 24.0% of covered payroll for police and fire employers respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the ORC to the OP&F board of trustees. The board of trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 155 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2013, the employer contribution allocated to the healthcare plan was 4.69% of covered payroll from 1/1/13 thru 5/31/13 and 2.85% from 6/1/13 thru 12/31/13. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h). The OP&F board of trustees is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions to OP&F allocated to the healthcare plan for 2013, 2012 and 2011 were \$462,535, \$839,888 and \$841,537 respectively, equal to the required contributions for the year.

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

#### OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB

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

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

OPERS post employment healthcare plan was established and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2013, the employer contribution allocated to the health care plan was 1.0% and 1.0% for the Traditional Plan and Combined Plan respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions to OPERS allocated to fund post employment benefits for 2013, 2012 and 2011 were \$199,338, \$781,922 and \$788,826 respectively, equal to the required contributions for the year. Changes to the health care plan were adopted in 2012 with a transition plan beginning in 2014. Because of these changes and the recent passage of pension legislation, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

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

## 10. LEASES AND CONSTRUCTION COMMITMENTS

There are no operating leases, in which the City is a lessee, in excess of one year. Operating lease payments in 2013 were \$315,198.

Significant commitments and encumbrances at December 31, 2013 included:

Capital Projects Fund \$1,206,000

## 11. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2013, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>General obligation bonds:</b>					
Court Facility, 3.0%-4.5%	\$2,740,000		\$180,000	\$2,560,000	\$190,000
Court Facility discount	(16,595)		1,355	(15,240)	
Recreation & Parks Improvements 3.0%-5.0%	10,685,000		495,000	10,190,000	505,000
Recreation & Parks premium	196,095		11,988	184,107	
Total general obligation bonds	<u>13,604,500</u>		<u>688,343</u>	<u>12,918,867</u>	<u>695,000</u>
<b>Other:</b>					
Accrued vacation and sick leave benefits	4,372,423	\$2,637,727	2,410,772	4,599,378	2,667,639
Ohio Public Works Commission Long-Term Promissory Notes, 0-3%	1,756,027		173,799	1,582,228	174,735
Total other	<u>6,128,450</u>	<u>2,637,727</u>	<u>2,584,571</u>	<u>6,181,606</u>	<u>2,842,374</u>
Total noncurrent liabilities	<u>\$19,732,950</u>	<u>\$2,637,727</u>	<u>\$3,272,914</u>	<u>\$19,100,473</u>	<u>\$3,537,374</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 77% has been paid by the General Fund, 8% by the Street Maintenance Fund and the remainder by the other governmental and internal service funds. The City uses the "vesting method" to determine the appropriate liability.

From time to time the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year-end there was one Industrial Revenue Bond series outstanding, with an aggregate principal amount payable of \$4.1 million.

The annual requirements to pay principal and interest on noncurrent obligations at December 31, 2013, are as follows:

	<b>General Obligation Bonds</b>		<b>Promissory Notes</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2014	\$695,000	\$528,622	\$174,735	\$10,933
2015	720,000	500,823	170,944	9,973
2016	750,000	471,048	162,660	8,988
2017	785,000	440,198	157,542	7,977
2018	815,000	403,098	158,580	6,939
2019-2023	4,610,000	1,488,369	716,265	18,139
2024-2028	4,375,000	548,144	41,502	521
	<u>\$12,750,000</u>	<u>\$4,380,302</u>	<u>\$1,582,228</u>	<u>\$63,470</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, 2013 the City had a legal debt margin for total debt of \$105,822,813 and a legal debt margin for unvoted debt of \$59,947,007.

## 12. CONTINGENT LIABILITIES

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

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

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$44,240,762	\$44,240,762	\$44,240,762	
Resources (inflows)				
Income taxes	39,726,000	40,126,000	39,386,072	(\$739,928)
Property taxes	6,361,000	6,435,000	6,363,278	(71,722)
Licenses and permits	457,000	502,000	516,042	14,042
Intergovernmental revenue	967,000	1,101,000	1,075,344	(25,656)
Charges for services	130,000	158,000	179,629	21,629
Fines and forfeits	1,370,000	1,318,000	1,219,818	(98,182)
Investment earnings	440,000	350,000	43,336	(306,664)
Special assessments	400,000	414,000	413,977	(23)
Refunds and reimbursements	1,539,000	2,100,000	2,192,842	92,842
Miscellaneous	8,000	12,000	32,678	20,678
Sale of city assets	25,000	25,000	22,897	(2,103)
Amounts available for appropriation	<u>95,663,762</u>	<u>96,781,762</u>	<u>95,686,675</u>	<u>(1,095,087)</u>
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	252,300	252,300	249,291	3,009
Operating expenditures	83,280	83,280	61,980	21,300
Capital outlay				
Total mayor and council	<u>335,580</u>	<u>335,580</u>	<u>311,271</u>	<u>24,309</u>
Municipal court:				
Personal services	990,900	990,900	953,160	37,740
Operating expenditures	256,100	256,100	233,101	22,999
Capital outlay				
Total municipal court	<u>1,247,000</u>	<u>1,247,000</u>	<u>1,186,261</u>	<u>60,739</u>
Clerk of courts:				
Personal services	898,000	898,000	865,809	32,191
Operating expenditures	146,600	146,600	105,953	40,647
Capital outlay				
Total clerk of courts	<u>1,044,600</u>	<u>1,044,600</u>	<u>971,762</u>	<u>72,838</u>
Office of City Manager:				
Personal services	579,700	579,700	568,718	10,982
Operating expenditures	113,500	113,500	76,751	36,749
Capital outlay				
Total office of city manager	<u>693,200</u>	<u>693,200</u>	<u>645,469</u>	<u>47,731</u>
Law department:				
Personal services	828,100	828,100	749,766	78,334
Operating expenditures	175,060	270,060	220,257	49,803
Capital outlay				
Total law department	<u>1,003,160</u>	<u>1,098,160</u>	<u>970,023</u>	<u>128,137</u>
Finance department:				
Personal services	1,901,600	1,901,600	1,863,901	37,699
Operating expenditures	531,659	557,262	401,977	155,285
Capital outlay				
Total finance department	<u>2,433,259</u>	<u>2,458,862</u>	<u>2,265,878</u>	<u>192,984</u>
Administrative support:				
Personal services	703,700	703,700	693,704	9,996
Operating expenditures	679,483	790,105	219,600	570,505
Capital outlay				
Total administrative support	<u>1,383,183</u>	<u>1,493,805</u>	<u>913,304</u>	<u>580,501</u>

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$608,900	\$609,800	\$609,747	\$53
Operating expenditures	392,174	391,274	296,571	94,703
Capital outlay				
Total human resources department	<u>1,001,074</u>	<u>1,001,074</u>	<u>906,318</u>	<u>94,756</u>
Planning and development:				
Personal services	2,071,100	2,071,100	1,855,694	215,406
Operating expenditures	503,130	503,130	266,305	236,825
Capital outlay				
Total planning and development	<u>2,574,230</u>	<u>2,574,230</u>	<u>2,121,999</u>	<u>452,231</u>
Economic development:				
Personal services	136,600	136,600	136,028	572
Operating expenditures	694,900	744,900	386,504	358,396
Capital outlay				
Total economic development	<u>831,500</u>	<u>881,500</u>	<u>522,532</u>	<u>358,968</u>
Miscellaneous:				
Operating expenditures	799,146	799,146	585,070	214,076
Total miscellaneous	<u>799,146</u>	<u>799,146</u>	<u>585,070</u>	<u>214,076</u>
Total general government	<u>13,345,932</u>	<u>13,627,157</u>	<u>11,399,887</u>	<u>2,227,270</u>
Police:				
Personal services	11,565,100	11,540,100	11,165,331	374,769
Operating expenditures	2,018,778	2,049,559	1,889,282	160,277
Capital outlay	208,003	200,118	170,559	29,559
Total police	<u>13,791,881</u>	<u>13,789,777</u>	<u>13,225,172</u>	<u>564,605</u>
Fire:				
Personal services	9,070,900	9,100,900	9,098,511	2,389
Operating expenditures	1,882,835	2,079,389	1,698,389	381,000
Capital outlay	233,000	53,713	50,977	2,736
Total fire	<u>11,186,735</u>	<u>11,234,002</u>	<u>10,847,877</u>	<u>386,125</u>
Public works:				
Engineering department:				
Personal services	1,919,100	1,919,100	1,890,873	28,227
Operating expenditures	463,599	446,099	293,134	152,965
Capital outlay	62,900	80,400	51,046	29,354
Total engineering department	<u>2,445,599</u>	<u>2,445,599</u>	<u>2,235,053</u>	<u>210,546</u>
Street lighting:				
Operating expenditures	498,000	498,000	469,010	28,990
Total street lighting	<u>498,000</u>	<u>498,000</u>	<u>469,010</u>	<u>28,990</u>
Total public works	<u>2,943,599</u>	<u>2,943,599</u>	<u>2,704,063</u>	<u>239,536</u>
Transfers to other funds	16,834,000	14,637,319	10,434,938	4,202,381
Total charges to appropriations	<u>58,102,147</u>	<u>56,231,854</u>	<u>48,611,937</u>	<u>7,619,917</u>
Fund balance, December 31	<u>\$37,561,615</u>	<u>\$40,549,908</u>	<u>\$47,074,738</u>	<u>\$6,524,830</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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$350,126	\$350,126	\$350,126	
Resources (inflows)				
Licenses and permits	5,000	12,000	22,225	\$10,225
Intergovernmental revenue	2,490,000	2,490,000	2,485,895	(4,105)
Refunds and reimbursements	200,000	200,000	230,475	30,475
Miscellaneous	10,000	10,000	9,222	(778)
Sale of city assets	20,000	30,000	30,477	477
Transfer from the general fund	3,215,000	3,273,000	2,828,000	(445,000)
Amounts available for appropriation	<u>6,290,126</u>	<u>6,365,126</u>	<u>5,956,420</u>	<u>(408,706)</u>
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	3,940,700	3,940,700	3,454,220	486,480
Operating expenditures	1,667,220	1,810,330	1,652,370	157,960
Capital outlay	525,896	551,896	378,811	173,085
Total charges to appropriations	<u>6,133,816</u>	<u>6,302,926</u>	<u>5,485,401</u>	<u>817,525</u>
Fund balance, December 31	<u>\$156,310</u>	<u>\$62,200</u>	<u>\$471,019</u>	<u>\$408,819</u>

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -  
 PARKS, RECREATION AND CULTURAL ARTS FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$15,655	\$15,655	\$15,655	
Resources (inflows)				
Intergovernmental revenue	7,000	19,000	19,122	\$122
Charges for services	3,561,000	3,295,000	3,155,855	(139,145)
Refunds and reimbursements	37,000	47,000	83,396	36,396
Miscellaneous	23,000	40,000	39,947	(53)
Sale of city assets				
Transfer from the general fund	6,125,000	6,200,000	5,808,000	(392,000)
Amounts available for appropriation	9,768,655	9,616,655	9,121,975	(494,680)
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	5,637,600	5,488,600	5,311,123	177,477
Operating expenditures	4,125,610	4,038,409	3,778,097	260,312
Capital outlay	13,000			
Total charges to appropriations	9,776,210	9,527,009	9,089,220	437,789
Fund balance, December 31	(\$7,555)	\$89,646	\$32,755	(\$56,891)

See accompanying notes to the required supplementary information.

38 **CITY OF KETTERING, OHIO****REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,297,209	\$1,297,209	\$1,297,209	
Resources (inflows)				
Charges for services	3,375,000	4,010,000	4,066,828	\$56,828
Refunds and reimbursements	5,000	60,000	9,094	(50,906)
Miscellaneous	325,000	440,000	514,904	74,904
Amounts available for appropriation	5,002,209	5,807,209	5,888,035	80,826
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	799,200	1,019,200	886,749	132,451
Operating expenditures	3,280,488	3,480,208	3,321,830	158,378
Total charges to appropriations	4,079,688	4,499,408	4,208,579	290,829
Fund balance, December 31	\$922,521	\$1,307,801	\$1,679,456	\$371,655

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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,376,015	\$1,376,015	\$1,376,015	
Resources (inflows)				
Intergovernmental revenue	935,805	1,027,246	727,017	(\$300,229)
Investment earnings	1,300	1,300	2,651	1,351
Refunds and reimbursements			22,501	22,501
Miscellaneous	7,795	7,795	5,825	(1,970)
Sale of city assets	193,000	193,000	275,890	82,890
Transfer from the general fund		80,500	47,917	(32,583)
Amounts available for appropriation	<u>2,513,915</u>	<u>2,685,856</u>	<u>2,457,816</u>	<u>(228,040)</u>
Charges to appropriations (outflows)				
General government	932,761	926,465	725,162	201,303
Capital improvements	<u>685,462</u>	<u>901,343</u>	<u>597,418</u>	<u>303,925</u>
Total charges to appropriations	<u>1,618,223</u>	<u>1,827,808</u>	<u>1,322,580</u>	<u>505,228</u>
Fund balance, December 31	<u>\$895,692</u>	<u>\$858,048</u>	<u>\$1,135,236</u>	<u>\$277,188</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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$10,188,986	\$10,188,986	\$10,188,986	
Resources (inflows)				
Charges for services	1,500,000	1,398,000	1,458,680	\$60,680
Investment earnings	190,000	190,000	83,931	(106,069)
Refunds and reimbursements		10,000	10,000	0
Amounts available for appropriation	<u>11,878,986</u>	<u>11,786,986</u>	<u>11,741,597</u>	<u>(45,389)</u>
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	140,223	135,749	87,584	48,165
Capital outlay	1,560,000	1,560,000		1,560,000
Total fire	<u>1,700,223</u>	<u>1,695,749</u>	<u>87,584</u>	<u>1,608,165</u>
Capital Improvements	600,000	2,669,818	1,229,155	1,440,663
Total charges to appropriations	<u>2,300,223</u>	<u>4,365,567</u>	<u>1,316,739</u>	<u>3,048,828</u>
Fund balance, December 31	<u>\$9,578,763</u>	<u>\$7,421,419</u>	<u>\$10,424,858</u>	<u>\$3,003,439</u>

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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## 1. BUDGETS AND BUDGETARY ACCOUNTING

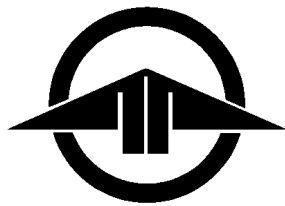
An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings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

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

A temporary appropriations ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriations ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriations ordinance generally controls expenditures at the level of personal services, operating expenditures and capital outlay on a department level, except for the state highway fund, cemetery fund, police pension fund, DESC (Defense Electronics Supply Center) reuse fund, special safety grants and programs fund, community development fund, emergency medical fund and the capital projects fund which are controlled at the fund level. The City Manager has the authority to amend appropriations within the department at the levels of personal service, operating expenditures and capital outlay; amendments above this level require council approval. The ordinance may be amended or supplemented by Council during the year as required. Amendments to the appropriations ordinance made during the year were not material in relation to the original appropriations. Total expenditures in any fund do not exceed the estimated resources for that fund. Unencumbered appropriations lapse at year-end, while encumbered amounts are reappropriated in the following year's budget. The Finance Director in conjunction with the annual budgeting process estimates revenues. However, these estimates are not included or required in the budget ordinance.

The City, being a home rule municipal corporation, has adopted, through ordinance, GAAP (generally accepted accounting principles) as its budgetary basis.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds. Encumbrances outstanding at year-end are reported as restricted, committed or assigned fund balance for subsequent year expenditures.



CITY OF KETTERING

**FINANCIAL STATEMENTS**  
**OF**  
**INDIVIDUAL FUNDS**

**NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET DECEMBER 31, 2013**

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
<b>ASSETS</b>						
Pooled cash and investments	\$65,310	\$418,086	\$432,772	\$53,100	\$3,614,143	\$4,583,411
Receivables:						
Property taxes			335,000			335,000
Accounts				3,329		3,329
Due from other governments	84,674				91,073	175,747
Prepaid expenditures						
Total assets	<u>\$149,984</u>	<u>\$418,086</u>	<u>\$767,772</u>	<u>\$56,429</u>	<u>\$3,705,216</u>	<u>\$5,097,487</u>
<b>LIABILITIES</b>						
Accounts payable	\$196	\$300		\$17,255	\$23,229	\$40,980
Accrued payroll			\$422,003		8,950	430,953
Total liabilities	<u>196</u>	<u>300</u>	<u>422,003</u>	<u>17,255</u>	<u>32,179</u>	<u>471,933</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes			335,000			335,000
Grants and other taxes	70,600				64,663	135,263
Total deferred inflows of resources	<u>70,600</u>		<u>335,000</u>		<u>64,663</u>	<u>470,263</u>
<b>FUND BALANCES</b>						
Nonspendable: Prepaids						
Restricted for:						
Public safety			10,769		758,285	769,054
Road construction / Public works	79,188					79,188
Leisure services						
Municipal court activities					1,624,709	1,624,709
Committed to:						
Social services					5,994	5,994
Public safety					12,127	12,127
Leisure services		\$417,786			1,207,259	1,625,045
Other purposes				39,174		39,174
Total fund balances	<u>79,188</u>	<u>417,786</u>	<u>10,769</u>	<u>39,174</u>	<u>3,608,374</u>	<u>4,155,291</u>
Total liab, defer inflows & fund bals	<u>\$149,984</u>	<u>\$418,086</u>	<u>\$767,772</u>	<u>\$56,429</u>	<u>\$3,705,216</u>	<u>\$5,097,487</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, 2013

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES</b>						
Property taxes						
Intergovernmental revenue	\$168,000	\$169,334	\$1,334			
Charges for services				\$7,000	\$8,112	\$1,112
Fines and forfeits						
Investment earnings	3,000	2,433	(567)	8,000	3,679	(4,321)
Refunds and reimbursements						
Miscellaneous				3,000	3,120	120
Total revenues	<u>171,000</u>	<u>171,767</u>	<u>767</u>	<u>18,000</u>	<u>14,911</u>	<u>(3,089)</u>
<b>EXPENDITURES</b>						
Current:						
General government				28,700	17,273	11,427
Police						
Fire						
Public works	140,000	121,221	18,779			
Leisure services						
Capital improvements	50,000		50,000			
Total expenditures	<u>190,000</u>	<u>121,221</u>	<u>68,779</u>	<u>28,700</u>	<u>17,273</u>	<u>11,427</u>
Excess (deficiency) of revenues over expenditures	(19,000)	50,546	69,546	(10,700)	(2,362)	8,338
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	13,000		(13,000)			
Transfers out						
Net change in fund balance	(6,000)	50,546	56,546	(10,700)	(2,362)	8,338
Fund balances--beginning	28,642	28,642		420,148	420,148	
Fund balances--ending	<u>\$22,642</u>	<u>\$79,188</u>	<u>\$56,546</u>	<u>\$409,448</u>	<u>\$417,786</u>	<u>\$8,338</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, 2013**

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$335,000	\$342,023	\$7,023			
Intergovernmental revenue						
Charges for services				\$68,000	\$68,580	\$580
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				14,000	14,193	193
Miscellaneous						
Total revenues	<u>335,000</u>	<u>342,023</u>	<u>7,023</u>	<u>82,000</u>	<u>82,773</u>	<u>773</u>
EXPENDITURES						
Current:						
General government				292,375	222,762	69,613
Police	1,481,300	1,464,703	16,597			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,481,300</u>	<u>1,464,703</u>	<u>16,597</u>	<u>292,375</u>	<u>222,762</u>	<u>69,613</u>
Excess (deficiency) of revenues over expenditures	(1,146,300)	(1,122,680)	23,620	(210,375)	(139,989)	70,386
OTHER FINANCING SOURCES (USES)						
Transfers in	1,145,000	1,123,000	(22,000)	206,000	114,000	(92,000)
Transfers out						
Net change in fund balance	<u>(1,300)</u>	<u>320</u>	<u>1,620</u>	<u>(4,375)</u>	<u>(25,989)</u>	<u>(21,614)</u>
Fund balances--beginning	<u>10,449</u>	<u>10,449</u>		<u>65,163</u>	<u>65,163</u>	
Fund balances--ending	<u>\$9,149</u>	<u>\$10,769</u>	<u>\$1,620</u>	<u>\$60,788</u>	<u>\$39,174</u>	<u>(\$21,614)</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, 2013

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES</b>						
Property taxes				\$335,000	\$342,023	\$7,023
Intergovernmental revenue	\$616,989	\$418,465	(\$198,524)	784,989	587,799	(197,190)
Charges for services				75,000	76,692	1,692
Fines and forfeits	415,000	420,656	5,656	415,000	420,656	5,656
Investment earnings	20,000	13,343	(6,657)	31,000	19,455	(11,545)
Refunds and reimbursements	5,000	5,795	795	19,000	19,988	988
Miscellaneous	70,000	132,043	62,043	73,000	135,163	62,163
Total revenues	<u>1,126,989</u>	<u>990,302</u>	<u>(136,687)</u>	<u>1,732,989</u>	<u>1,601,776</u>	<u>(131,213)</u>
<b>EXPENDITURES</b>						
Current:						
General government	728,995	450,367	278,628	1,050,070	690,402	359,668
Police	447,630	267,400	180,230	1,928,930	1,732,103	196,827
Fire	1,000		1,000	1,000		1,000
Public works	3,463	3,434	29	143,463	124,655	18,808
Leisure services	136,047	63,887	72,160	136,047	63,887	72,160
Capital improvements	943,693	282,169	661,524	993,693	282,169	711,524
Total expenditures	<u>2,260,828</u>	<u>1,067,257</u>	<u>1,193,571</u>	<u>4,253,203</u>	<u>2,893,216</u>	<u>1,359,987</u>
Excess (deficiency) of revenues over expenditures	(1,133,839)	(76,955)	1,056,884	(2,520,214)	(1,291,440)	1,228,774
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	45,819	18,789	(27,030)	1,409,819	1,255,789	(154,030)
Transfers out						
Net change in fund balance	(1,088,020)	(58,166)	1,029,854	(1,110,395)	(35,651)	1,074,744
Fund balances--beginning	3,666,540	3,666,540		4,190,942	4,190,942	
Fund balances--ending	<u>\$2,578,520</u>	<u>\$3,608,374</u>	<u>\$1,029,854</u>	<u>\$3,080,547</u>	<u>\$4,155,291</u>	<u>\$1,074,744</u>

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DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2013

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	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$900,000	\$883,105	(\$16,895)
Investment earnings	31,000	20,797	(10,203)
Special assessments			
Refunds and reimbursements	50,000	50,624	624
Total revenues	<u>981,000</u>	<u>954,526</u>	<u>(26,474)</u>
EXPENDITURES			
Current:			
General government	2,000		2,000
Debt service:			
Principal	848,799	848,799	
Interest	559,885	559,885	
Total expenditures	<u>1,410,684</u>	<u>1,408,684</u>	<u>2,000</u>
Deficiency of revenues over expenditures	(429,684)	(454,158)	(24,474)
OTHER FINANCING SOURCES (USES)			
Transfers in	430,000	421,400	(8,600)
Net change in fund balance	316	(32,758)	(33,074)
Fund balances--beginning	867,379	867,379	
Fund balances--ending	<u>\$867,695</u>	<u>\$834,621</u>	<u>(\$33,074)</u>

CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$455,000	\$455,575	\$575
Intergovernmental	3,218,000	45,179,938	41,961,938
Investment earnings		135,503	135,503
Special assessments	560,000	547,273	(12,727)
Refunds and reimbursements	280,000	265,968	(14,032)
Miscellaneous			
Total revenues	<u>4,513,000</u>	<u>46,584,257</u>	<u>42,071,257</u>
EXPENDITURES			
Capital improvements	<u>8,578,538</u>	<u>7,437,479</u>	<u>1,141,059</u>
Total expenditures	<u>8,578,538</u>	<u>7,437,479</u>	<u>1,141,059</u>
Deficiency of revenues over expenditures	(4,065,538)	39,146,778	43,212,316
OTHER FINANCING SOURCES (USES)			
Transfers in	3,244,000	73,832	(3,170,168)
Sale of City Assets			
Net change in fund balance	<u>(821,538)</u>	<u>39,220,610</u>	<u>40,042,148</u>
Fund balances--beginning	<u>2,022,492</u>	<u>2,022,492</u>	
Fund balances--ending	<u><u>\$1,200,954</u></u>	<u><u>\$41,243,102</u></u>	<u><u>\$40,042,148</u></u>

CAPITAL PROJECTS FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2013

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$160,000	\$144,680	\$15,320
Street construction	5,915,118	5,464,758	450,360
Drainage	150,000	51,846	98,154
Parks and recreation	1,078,014	788,720	289,294
Tree planting and landscaping	129,000	82,891	46,109
Other	1,146,406	904,584	241,822
Total capital projects fund	<u>\$8,578,538</u>	<u>\$7,437,479</u>	<u>\$1,141,059</u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF NET POSITION  
 DECEMBER 31, 2013

	Administrative Operations	Health Insurance	Totals
<b>ASSETS</b>			
Current Assets:			
Pooled cash and investments	\$767,080	\$2,723,340	\$3,490,420
Accounts receivable	451	725	1,176
Prepaid expenses	238		238
Inventory	336,557		336,557
Total current assets	<u>1,104,326</u>	<u>2,724,065</u>	<u>3,828,391</u>
Noncurrent Assets:			
Capital assets:			
Buildings and improvements	757,936		757,936
Machinery and equipment	2,114,108		2,114,108
Less: Accumulated depreciation	<u>(2,293,200)</u>		<u>(2,293,200)</u>
Total noncurrent assets	<u>578,844</u>		<u>578,844</u>
Total assets	<u>1,683,170</u>	<u>2,724,065</u>	<u>4,407,235</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	183,882	659	184,541
Accrued payroll	124,247		124,247
Accrued health claims		462,266	462,266
Total current liabilities	<u>308,129</u>	<u>462,925</u>	<u>771,054</u>
Noncurrent liabilities:			
Accrued vacation and sick benefits due within 1 year	254,940		254,940
Accrued vacation and sick benefits due in more than 1 year	<u>184,611</u>		<u>184,611</u>
Total noncurrent liabilities	<u>439,551</u>		<u>439,551</u>
Total liabilities	<u>747,680</u>	<u>462,925</u>	<u>1,210,605</u>
<b>NET POSITION</b>			
Net investment in capital assets	578,844		578,844
Unrestricted	<u>356,647</u>	<u>2,261,140</u>	<u>2,617,787</u>
Total net position	<u>\$935,491</u>	<u>\$2,261,140</u>	<u>\$3,196,631</u>

**INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED DECEMBER 31, 2013**

	Administrative Operations	Health Insurance	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$6,492,257	\$5,962,989	\$12,455,246
Total operating revenues	<u>6,492,257</u>	<u>5,962,989</u>	<u>12,455,246</u>
<b>OPERATING EXPENSES</b>			
Personal services	3,342,434		3,342,434
Repairs and maintenance	1,684,261		1,684,261
Contractual services	705,763	5,446,584	6,152,347
Other materials and expenses	438,974		438,974
Depreciation	121,862		121,862
Total operating expenses	<u>6,293,294</u>	<u>5,446,584</u>	<u>11,739,878</u>
Operating income (loss)	<u>198,963</u>	<u>516,405</u>	<u>715,368</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	8,244	9,889	18,133
Change in net position	207,207	526,294	733,501
Total net position--beginning	728,284	1,734,846	2,463,130
Total net position--ending	<u>\$935,491</u>	<u>\$2,261,140</u>	<u>\$3,196,631</u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2013  
 Increase (Decrease) in cash

	Administrative Operations	Health Insurance	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received for services	\$6,490,532	\$5,962,263	\$12,452,795
Cash paid to suppliers for goods or services	(2,895,071)	(5,426,363)	(8,321,434)
Cash paid to employees for services	(3,308,487)		(3,308,487)
Net cash provided (used) by operating activities	<u>286,974</u>	<u>535,900</u>	<u>822,874</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(239,348)		(239,348)
Sale of capital assets	3,123		3,123
Net cash used by capital and related financing activities	<u>(236,225)</u>		<u>(236,225)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	8,244	9,889	18,133
Net cash provided by investing activities	<u>8,244</u>	<u>9,889</u>	<u>18,133</u>
Net increase (decrease) in cash	58,993	545,789	604,782
Cash at beginning of year	708,087	2,177,551	2,885,638
Cash at end of year	<u>\$767,080</u>	<u>\$2,723,340</u>	<u>\$3,490,420</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$198,963	\$516,405	\$715,368
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	121,862		121,862
(Increase) decrease in receivables	534	(725)	(191)
(Increase) decrease in inventories	42,134		42,134
Increase (decrease) in accounts payable	(108,596)	373	(108,223)
Increase (decrease) in accrued health claims		19,847	19,847
Net (increase) decrease in other operating net position	<u>32,077</u>		<u>32,077</u>
Net cash provided (used) by operating activities	<u>\$286,974</u>	<u>\$535,900</u>	<u>\$822,874</u>

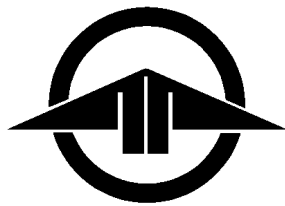
**AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance December 31 2012	Additions	Deductions	Balance December 31 2013
<u>PAYROLL WITHHOLDING FUND</u>				
ASSETS - Cash	\$789,529	\$11,005,634	\$11,007,074	\$788,089
LIABILITIES - Withholdings payable	\$789,529	\$11,005,634	\$11,007,074	\$788,089
<u>MUNICIPAL COURT FUND</u>				
ASSETS - Investments with fiscal agent	\$256,702	\$4,025,327	\$4,000,404	\$281,625
LIABILITIES - Undistributed moneys	\$256,702	\$4,025,327	\$4,000,404	\$281,625
<u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u>				
ASSETS - Cash	\$6,963	\$26,971	\$24,909	\$9,025
LIABILITIES				
Accounts payable	\$2,443	\$19,862	\$20,390	\$1,915
Unclaimed moneys	4,520	7,110	4,520	7,110
Total liabilities	\$6,963	\$26,972	\$24,910	\$9,025
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$796,492	\$11,032,605	\$11,031,983	\$797,114
Investments with fiscal agent	256,702	4,025,327	4,000,404	281,625
Total assets	\$1,053,194	\$15,057,932	\$15,032,387	\$1,078,739
LIABILITIES				
Accounts payable	\$2,443	\$19,862	\$20,390	\$1,915
Withholdings payable	789,529	11,005,634	11,007,074	788,089
Undistributed moneys	256,702	4,025,327	4,000,404	281,625
Unclaimed moneys	4,520	7,110	4,520	7,110
Total liabilities	\$1,053,194	\$15,057,933	\$15,032,388	\$1,078,739



**DEBT SCHEDULE  
DECEMBER 31, 2013**

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2014	
						Principal	Interest
General Obligation Bonds:							
Court facility	3/29/2005	3.0-4.5	12/1/2024	\$3,950,000	\$2,560,000	\$190,000	\$108,280
Court facility discount					(15,240)		
Recreation & parks improvement	5/28/2009	3.0-5.0	12/1/2028	12,300,000	10,190,000	505,000	420,342
Recreation & parks improv premium					184,107		
Total general obligation bonds					<u>12,918,867</u>	<u>695,000</u>	<u>528,622</u>
Promissory Notes:							
Ohio public works commission:							
Bridge replacements	12/1/1994	0.00	7/1/2015	280,393	23,289	14,020	0
Rushland drive improvement	7/1/1996	0.00	7/1/2016	122,577	18,387	6,129	0
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	684,323	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	293,302	25,558	8,609
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	325,897	34,305	0
Ridgeway Bridge Rehab	12/31/2004	1.00	7/1/2025	380,000	237,030	18,687	2,324
Total promissory notes					<u>1,582,228</u>	<u>174,735</u>	<u>10,933</u>
Total					<u>\$14,501,095</u>	<u>\$869,735</u>	<u>\$539,555</u>



CITY OF KETTERING

## STATISTICAL SECTION

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

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

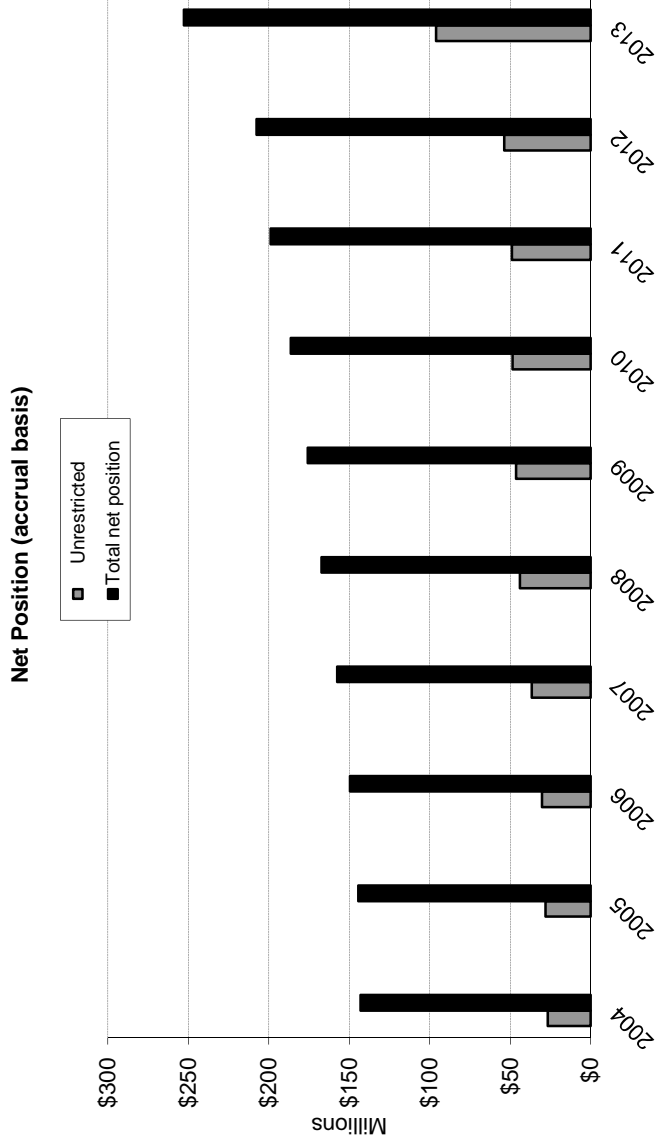
**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**SCHEDULE 1**

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

	Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$112,412,581	\$112,076,412	\$113,557,610	\$113,438,967	\$113,942,666	\$105,196,955	\$124,238,000	\$134,763,717	\$138,528,286	\$141,039,021
Restricted for:										
Debt service	15,178	15,638	16,476	16,697	12,367	715,127	797,685	872,911	867,379	834,621
Social services	1,043,771	1,255,296	1,379,856	1,495,228	1,409,593	1,691,954	1,913,673	1,858,591	1,412,417	1,654,973
Public safety	1,251,530	1,756,451	3,124,736	4,550,806	6,472,806	8,422,177	9,189,154	10,725,180	11,231,818	11,346,847
Leisure services	11,039	36,232	43,756	64,198	58,234	12,064,953	86,165	16,073	35,726	46,416
Municipal court activities	1,112,424	660,228	764,100	876,020	1,054,048	1,236,513	1,399,197	1,537,730	1,632,059	1,624,709
Other purposes	403,659	407,886	379,322	327,576	279,542	171,133	204,394	158,709	98,742	149,788
Unrestricted	26,619,777	28,054,056	30,230,404	36,673,435	44,019,123	46,312,490	48,507,291	48,971,606	53,724,515	96,058,893
<b>Total net position</b>	<b>\$142,869,959</b>	<b>\$144,262,199</b>	<b>\$149,496,260</b>	<b>\$157,442,927</b>	<b>\$167,248,379</b>	<b>\$175,811,302</b>	<b>\$186,335,559</b>	<b>\$198,924,517</b>	<b>\$207,530,942</b>	<b>\$252,755,268</b>

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



# CITY OF KETTERING, OHIO

## SCHEDULE 2

### CHANGES IN NET POSITION

#### LAST TEN YEARS (accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
General government	\$13,210,288	\$12,339,967	\$14,150,379	\$17,232,295	\$13,755,091	\$13,175,646	\$12,813,463	\$13,824,699	\$14,533,955	\$14,294,069
Police	11,282,263	11,530,015	12,914,191	12,849,315	13,760,327	13,658,265	14,161,364	14,346,393	14,631,811	14,806,948
Fire	8,768,088	8,380,554	8,709,771	8,932,687	9,666,999	9,968,087	10,504,095	10,533,420	10,903,086	11,303,884
Public works	11,926,820	11,813,178	11,360,485	12,263,789	13,404,095	12,901,084	13,425,510	13,388,960	14,186,561	13,726,430
Leisure services	11,834,644	11,873,881	12,416,056	12,234,615	13,254,478	12,836,109	13,038,928	13,840,098	14,030,681	14,949,267
Interest on long term debt	292,918	1,168,357	1,180,009	1,148,457	1,144,483	504,262	671,334	635,755	585,092	547,172
Total expenses	57,315,021	57,105,952	60,730,891	64,661,158	64,985,473	63,043,453	64,614,694	66,569,325	68,871,186	69,627,770
<b>Program Revenues</b>										
Charges for services:										
General government	2,436,404	2,704,373	2,496,686	2,623,279	2,644,901	2,443,428	2,475,623	2,428,295	2,530,640	2,377,070
Fire	986,737	1,156,577	1,343,281	1,433,964	1,522,104	1,430,458	1,407,084	1,638,795	1,529,866	1,444,912
Leisure services	5,085,696	5,379,969	5,344,896	5,852,344	6,439,659	6,001,520	6,142,517	6,650,937	6,999,653	7,222,684
Other activities	62,639	55,265	56,126	64,520	85,171	63,138	42,761	40,415	48,366	57,993
Operating grants and contributions	1,623,605	1,563,184	1,253,950	1,225,065	2,367,960	1,484,287	1,594,869	725,501	1,431,456	1,790,624
Capital grants and contributions:										
Public works	2,583,208	2,187,075	3,216,110	3,286,179	1,677,377	3,692,950	4,944,692	9,465,720	4,812,912	5,000,557
Other activities	29,216	203,067	904,254	302,002	36,521	163,106	1,286,315	584,159	771,398	271,331
Total program revenues	12,807,505	13,249,510	14,615,303	14,787,353	14,773,693	15,278,887	17,893,861	21,533,822	18,124,291	18,165,171
<b>Net (Expense)/Revenue<sup>1</sup></b>										
General government	(9,489,609)	(8,400,440)	(9,876,734)	(13,528,315)	(10,308,033)	(9,710,841)	(7,945,813)	(10,483,009)	(10,504,831)	(10,730,626)
Police	(11,201,292)	(11,402,343)	(12,759,270)	(12,776,771)	(13,656,869)	(13,526,758)	(14,120,321)	(14,293,832)	(14,558,780)	(14,768,131)
Fire	(7,763,976)	(7,217,962)	(7,366,390)	(7,495,208)	(8,144,890)	(8,537,529)	(9,096,708)	(8,894,525)	(9,373,220)	(9,858,972)
Public works	(9,261,925)	(9,459,374)	(8,138,835)	(8,935,470)	(10,692,207)	(9,200,350)	(8,464,176)	(3,917,494)	(9,360,343)	(8,703,648)
Leisure services	(6,497,796)	(6,207,966)	(6,794,350)	(5,989,584)	(6,265,298)	(6,284,826)	(6,422,481)	(6,810,888)	(6,364,629)	(6,854,050)
Interest on long term debt	(292,918)	(1,168,357)	(1,180,009)	(1,148,457)	(1,144,483)	(504,262)	(671,334)	(635,755)	(585,092)	(547,172)
Total net expense	(44,507,516)	(43,856,442)	(46,115,588)	(49,873,805)	(50,211,780)	(47,764,566)	(46,720,833)	(45,035,503)	(50,746,895)	(51,462,599)
<b>General Revenues</b>										
Taxes										
Income taxes	27,526,627	26,832,269	31,286,014	37,037,639	38,381,641	34,846,179	37,352,248	36,303,996	42,345,005	39,240,269
Property taxes, levied for general purposes	7,134,615	7,533,530	8,086,778	8,054,971	8,220,419	8,094,861	8,117,860	7,920,953	7,278,599	7,161,176
Property taxes, levied for debt service	1,205,190	1,279,605	1,304,564	1,288,494	1,303,288	1,252,025	1,276,080	975,771	897,462	883,105
Other taxes	6,259,591	6,829,478	7,300,029	7,849,842	8,607,168	7,464,283	7,630,175	10,292,717	6,253,383	47,022,663
Investment earnings	513,456	983,308	1,717,776	2,094,842	1,954,419	2,963,720	1,173,152	629,983	791,959	305,672
Refunds & reimbursements	1,182,084	1,547,397	1,327,366	1,249,838	1,296,369	1,484,720	1,516,425	1,271,393	1,801,694	1,938,118
Miscellaneous	120,421	243,095	327,122	244,846	253,928	221,701	179,150	229,648	186,924	135,922
Total general revenues	43,941,984	45,248,682	51,349,649	57,820,472	60,017,232	56,327,489	57,245,090	57,624,461	59,555,026	96,686,925
<b>Change in Net Position</b>	(\$565,532)	\$1,392,240	\$5,234,061	\$7,946,667	\$9,805,452	\$8,562,923	\$10,524,257	\$12,588,958	\$8,808,131	\$45,224,326

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

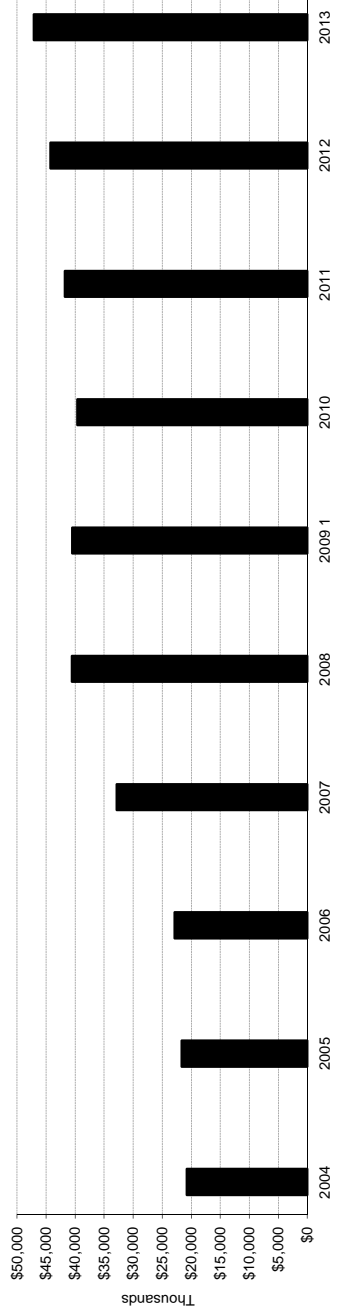
**SCHEDULE 3**

**FUND BALANCES, GOVERNMENTAL FUNDS**

*LAST TEN YEARS (modified accrual basis of accounting)*

	Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$2,310,521	\$2,001,802	\$978,704	\$1,309,942	\$873,976					
Unreserved	18,448,822	19,604,920	21,888,750	31,525,822	39,652,679					
Nonspendable						\$20,601	\$24,580	\$23,113	\$16,988	\$18,449
Committed						851,917	642,664	621,688	1,517,592	2,178,599
Assigned						237,019	104,717			
Unassigned						39,347,709	38,823,402	41,119,258	42,706,182	44,877,690
Total general fund	<u>\$20,759,343</u>	<u>\$21,606,722</u>	<u>\$22,867,454</u>	<u>\$32,835,764</u>	<u>\$40,526,655</u>	<u>\$40,457,246</u>	<u>\$39,595,363</u>	<u>\$41,764,059</u>	<u>\$44,240,762</u>	<u>\$47,074,738</u>
All Other Governmental Funds										
Reserved	\$5,176,218	\$5,944,495	\$7,288,657	\$2,799,221	\$3,621,226					
Unreserved, reported in:										
Special revenue funds	2,481,977	2,767,404	4,314,413	6,350,672	7,336,947					
Debt service fund	15,178	15,638	16,476	16,697	12,367					
Capital project fund	10,463	227,841	10,046	1,196,328	19,910					
Nonspendable, reported in:										
Special revenue funds						\$205,878	\$145,322	\$149,325	\$147,470	\$205,180
Restricted, reported in:										
Special revenue funds						10,998,459	12,249,153	13,930,248	14,101,831	14,275,357
Debt service fund						715,127	797,685	872,911	867,379	834,621
Capital project fund						12,012,909	6,834,638			
Committed, reported in:										
Special revenue funds										
Capital project fund						1,802,782	2,266,782	2,645,510	3,169,632	3,660,390
Unassigned, reported in:						4,101,197	5,956,668	4,161,787	2,022,492	41,243,102
Special revenue funds						(427,369)	(379,052)	(501,760)		(242,312)
Total all other governmental funds	<u>\$7,683,836</u>	<u>\$8,955,378</u>	<u>\$11,629,592</u>	<u>\$10,362,918</u>	<u>\$10,990,450</u>	<u>\$29,408,983</u>	<u>\$27,871,396</u>	<u>\$21,258,021</u>	<u>\$20,308,804</u>	<u>\$59,976,338</u>

General Fund Balance



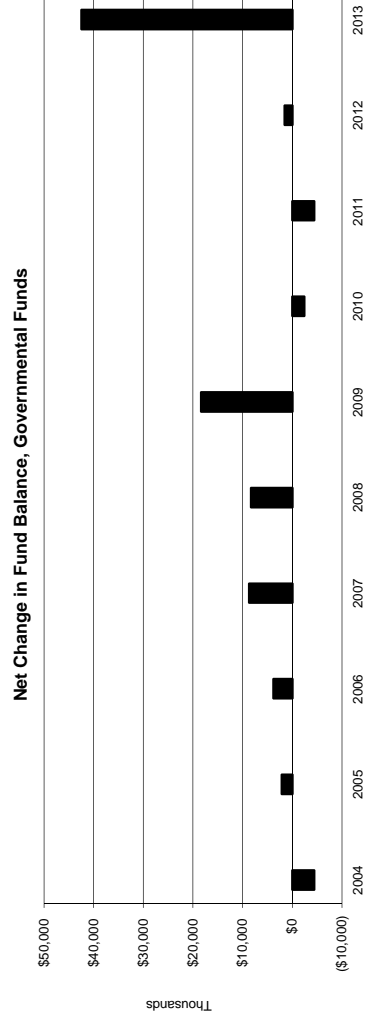
(1) Fund balance classifications changed in 2009 due to the adoption of GASB Statement No. 54.

**CITY OF KETTERING, OHIO**

**SCHEDULE 4**

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>REVENUES</b>										
Income taxes	\$26,783,319	\$27,221,521	\$31,241,870	\$37,128,614	\$38,244,422	\$35,321,486	\$36,417,018	\$37,392,845	\$39,891,659	\$39,386,072
Property taxes	8,339,304	8,811,235	9,433,041	9,341,465	9,399,507	9,345,887	9,391,640	8,970,024	8,131,160	8,043,981
Licenses and permits	606,617	488,598	541,457	567,742	626,290	528,823	491,322	459,696	525,190	538,267
Intergovernmental revenue	8,597,471	9,156,001	11,159,023	11,238,227	10,158,897	11,890,457	14,648,675	20,011,549	11,090,451	50,075,115
Charges for services	6,436,412	6,925,229	6,909,899	7,517,918	8,152,788	7,663,257	7,730,157	8,352,103	8,794,951	8,937,684
Fines and forfeits	1,681,735	1,914,989	1,762,075	1,919,736	1,867,005	1,780,070	1,835,344	1,828,209	1,837,695	1,640,474
Investment earnings	513,456	983,308	1,717,776	2,094,842	1,954,417	2,963,721	1,173,151	629,984	791,959	305,673
Special assessments	1,203,717	1,402,805	902,767	978,014	1,024,719	1,006,879	1,019,237	924,751	965,122	961,250
Refunds and reimbursements	1,743,828	3,078,251	2,318,409	1,993,372	2,898,427	2,101,691	2,931,420	2,181,056	2,227,342	2,884,888
Miscellaneous	551,897	503,483	540,471	555,991	691,840	555,813	560,693	523,814	754,921	737,739
<b>Total revenues</b>	<b>56,457,756</b>	<b>60,485,420</b>	<b>66,526,788</b>	<b>73,335,921</b>	<b>75,018,312</b>	<b>73,158,064</b>	<b>76,198,657</b>	<b>81,274,031</b>	<b>75,010,450</b>	<b>113,511,143</b>
<b>EXPENDITURES</b>										
<b>Current:</b>										
General government	12,664,622	11,687,503	13,105,797	12,117,032	12,558,705	12,153,096	12,476,529	12,050,675	12,553,463	12,815,451
Police	11,230,625	11,308,886	12,901,716	12,828,081	13,576,481	13,641,191	13,976,571	14,399,245	14,822,534	14,957,275
Fire	8,585,929	8,328,226	8,152,880	8,807,160	9,553,065	9,564,579	11,028,998	10,357,123	10,794,655	10,935,461
Public works	8,529,615	7,674,931	7,528,693	8,117,038	10,145,609	8,514,496	8,391,628	8,631,543	8,395,339	8,314,119
Leisure services	10,352,928	10,602,498	10,725,786	11,387,262	12,487,222	12,084,992	12,173,718	12,450,737	12,551,728	13,361,686
Capital improvements	7,778,704	10,294,799	7,966,574	9,676,701	6,652,398	10,221,062	18,983,100	25,101,663	13,270,898	9,546,221
Debt service:										
Principal	2,057,118	1,387,380	1,313,385	667,018	642,739	775,290	1,021,134	1,062,000	1,092,888	848,799
Interest	301,213	1,153,773	1,178,485	1,144,194	1,140,310	463,231	672,521	637,150	599,394	559,885
<b>Total expenditures</b>	<b>61,500,754</b>	<b>62,437,996</b>	<b>62,873,316</b>	<b>64,744,486</b>	<b>66,756,529</b>	<b>67,417,937</b>	<b>78,724,199</b>	<b>84,689,136</b>	<b>74,080,899</b>	<b>71,338,897</b>
Excess (deficiency) of revenues over expenditures	(5,042,998)	(1,952,576)	3,653,472	8,591,435	8,261,783	5,740,127	(2,525,542)	(3,415,105)	929,551	42,172,246
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	12,455,731	8,980,139	10,657,427	8,733,378	9,835,396	15,445,122	15,221,132	10,508,166	11,903,130	10,434,938
Transfers out	(12,455,731)	(8,980,139)	(10,657,427)	(8,733,378)	(9,835,396)	(15,445,122)	(15,221,132)	(11,658,166)	(11,903,130)	(10,434,938)
General obligation debt issuance	303,995	3,987,766				12,539,751				
Sale of city assets	300,302	83,731	127,789	110,201	56,640	69,246	126,073	120,426	597,935	329,264
<b>Net change in fund balance</b>	<b>(\$4,438,701)</b>	<b>\$2,118,921</b>	<b>\$3,781,261</b>	<b>\$8,701,636</b>	<b>\$8,318,423</b>	<b>\$18,349,124</b>	<b>(\$2,399,469)</b>	<b>(\$4,444,679)</b>	<b>\$1,527,486</b>	<b>\$42,501,510</b>
Debt service as a percentage of noncapital expenditures	4.50%	4.97%	4.60%	3.29%	2.96%	2.16%	2.85%	2.79%	2.72%	2.37%

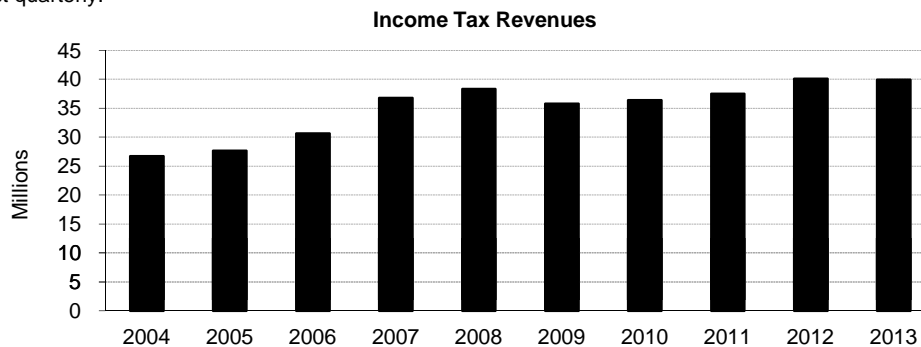


INCOME TAX BY PAYER TYPE AND INCOME TAX RATE  
LAST TEN YEARS (*cash basis of accounting*)

Year	Individual		Total			Total	Income Tax Rate
	Withholding	Non-withholding	Individual	Corporate	Partnership		
2004	22,392,839	2,396,909	24,789,748	1,177,124	708,022	26,674,894	1.75%
2005	23,197,704	2,562,530	25,760,234	1,322,451	526,016	27,608,701	1.75%
2006	25,095,721	2,648,736	27,744,457	1,938,223	935,584	30,618,264	1.75%
2007	32,012,871	2,982,064	34,994,935	1,223,994	515,509	36,734,438	2.25%
2008	30,332,016	4,067,241	34,399,257	2,840,391	1,068,253	38,307,901	2.25%
2009	28,511,501	3,837,474	32,348,975	1,782,656	1,616,788	35,748,419	2.25%
2010	28,673,437	3,871,009	32,544,446	2,712,061	1,122,567	36,379,074	2.25%
2011	29,645,857	4,084,942	33,730,799	2,704,278	1,013,804	37,448,881	2.25%
2012	30,426,208	4,607,103	35,033,311	3,489,120	1,522,725	40,045,156	2.25%
2013	30,215,329	4,921,938	35,137,267	3,192,769	1,570,281	39,900,317	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*)

2013		2003			
Rank	Name	2013 Rank	Rank	Name	
1	Kettering Medical Center	-	1	Delphi Automotive Systems LLC	
2	GE Money	1	2	Kettering Medical Center	
3	Reynolds & Reynolds Company	3	3	Reynolds & Reynolds Company	
4	Federal Government	4	4	Federal Government	
5	Kettering Board of Education	5	5	Kettering Board of Education	
6	City of Kettering	2 <sup>1</sup>	6	Monogram Services Co LLC	
7	Limited Brands Inc. & Subs	6	7	City of Kettering	
8	Eastman Kodak Company	8 <sup>1</sup>	8	Scitex Digital Printing Inc.	
9	Tenneco Automotive Inc.	7 <sup>1</sup>	9	Intimate Brands Inc.	
10	Acco Brands USA LLC	-	10	Time Warner Entertainment Inc.	
Combined percentage of Total Income taxes		31.1%	Combined percentage of Total Income taxes		33.5%

Source: City of Kettering, Ohio, Finance Department

Due to legal restrictions and confidentiality requirements, the City cannot disclose the amount of withholdings by taxpayer.

The City chose not to disclose percentages and number of filers by income level because the City does not require all taxpayers to file a return, therefore it does not have, nor can it obtain, this type of information.

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



# CITY OF KETTERING, OHIO

## SCHEDULE 7

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Obligation Bonds	\$2,643,554	\$5,563,536	\$4,564,339	\$4,218,631	\$3,879,270	\$15,689,899	\$14,963,217	\$14,204,735	\$13,425,000	\$12,750,000
Percent of estimated actual property value	0.08%	0.16%	0.12%	0.11%	0.10%	0.44%	0.42%	0.41%	0.42%	0.40%
Per capita	46	97	79	73	67	273	266	253	239	227
Special Assessment Bonds	905,798	816,127	720,807	619,149	510,730	395,101	271,783	140,265	1,756,027	1,582,228
Promissory Notes	3,278,644	3,075,818	2,856,949	2,637,298	2,442,338	2,272,048	2,100,914	1,928,915	1,756,027	1,582,228
Total Gross Indebtedness	6,827,996	9,455,481	8,142,095	7,475,078	6,832,338	18,357,048	17,335,914	16,273,915	15,181,027	14,332,228
Percentage of personal income	0.40%	0.53%	0.44%	0.39%	0.35%	1.02%	0.93%	0.85%	0.77%	0.73%
Per capita	119	164	142	130	119	319	309	290	270	255
Less debt outside limitations:										
Special Assessment Debt	905,798	816,127	720,807	619,149	510,730	395,101	271,783	140,265		
Promissory Notes	3,278,644	3,075,818	2,856,949	2,637,298	2,442,338	2,272,048	2,100,914	1,928,915	1,756,027	1,582,228
Less debt service fund balance	15,178	15,638	16,476	16,697	12,367	715,127	797,685	872,911	867,379	834,621
Net debt within limitations for both Voted and Unvoted debt	2,628,376	5,547,898	4,547,863	4,201,934	3,866,903	14,974,772	14,165,532	13,331,824	12,557,621	11,915,379
Debt limitation for both Voted and Unvoted debt										
10.5% of assessed valuation	122,665,459	122,629,124	134,354,645	132,966,025	131,355,181	129,749,975	131,262,545	128,476,660	117,348,942	117,738,192
Legal debt margin for Voted and Unvoted debt	\$120,037,083	\$117,081,226	\$129,806,782	\$128,764,091	\$127,488,278	\$114,775,203	\$117,097,013	\$115,144,836	\$104,791,321	\$105,822,813
Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit	2.14%	4.52%	3.38%	3.16%	2.94%	11.54%	10.79%	10.38%	10.70%	10.12%
Net debt within limitations for both Voted and Unvoted debt	\$2,628,376	\$5,547,898	\$4,547,863	\$4,201,934	\$3,866,903	\$14,974,772	\$14,165,532	\$13,331,824	\$12,557,621	\$11,915,379
Less voted debt	429,352	294,663	180,147	82,780	0	12,075,000	11,625,000	11,160,000	10,685,000	10,190,000
Net debt within limitations for Unvoted debt	2,199,024	5,253,235	4,367,716	4,119,154	3,866,903	2,899,772	2,540,532	2,171,824	1,872,621	1,725,379
Debt limitation for Unvoted debt										
5.5% of assessed valuation	64,253,336	64,234,303	70,376,243	69,648,870	68,805,095	67,964,273	68,756,571	67,297,298	61,468,493	61,672,386
Legal debt margin for Unvoted debt	\$62,054,312	\$58,981,068	\$66,008,527	\$65,529,716	\$64,938,192	\$65,064,501	\$66,216,039	\$65,125,474	\$59,595,872	\$59,947,007
Net debt within limitations for Unvoted debt as a percentage of debt limit	3.42%	8.18%	6.21%	5.91%	5.62%	4.27%	3.69%	3.23%	3.05%	2.80%

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT  
DECEMBER 31, 2013

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Kettering <sup>1</sup>	Amount Applicable to City of Kettering
City of Kettering	\$13,497,607	100.0%	\$13,497,607
Overlapping debt:			
Kettering City School District	80,975,930	91.1%	73,769,072
Montgomery County	24,706,369	11.9%	2,940,058
Beavercreek Local School District	97,813,333	0.8%	782,507
Total overlapping debt	203,495,632		77,491,637
Total direct and overlapping debt	\$216,993,239		\$90,989,244

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.

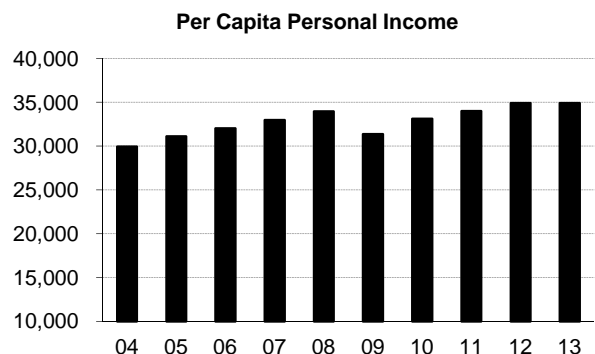
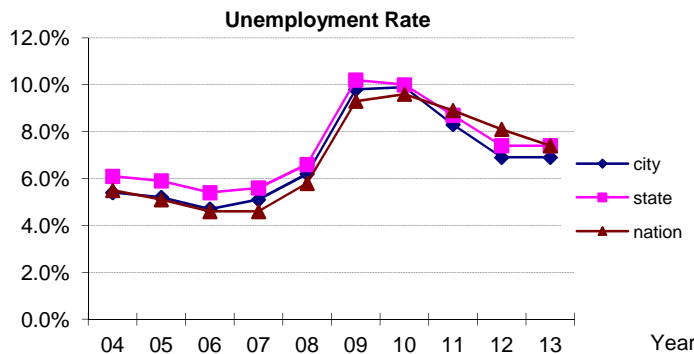
Individual jurisdictions with immaterial amounts of overlapping debt are excluded from this table.

SCHEDULE 9

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>
2004	57,502	1,719,884,820	29,910	5.4%	135,081	1,168,242,464	3,453,224,812
2005	57,502	1,787,162,160	31,080	5.2%	141,345	1,167,896,415	3,423,470,549
2006	57,502	1,840,777,025	32,012	4.7%	137,664	1,279,568,048	3,789,173,634
2007	57,502	1,895,821,619	32,970	5.1%	136,445	1,266,343,094	3,826,742,530
2008	57,502	1,952,885,850	33,962	6.2%	124,105	1,251,001,727	3,906,048,887
2009	57,502	1,803,685,371	31,367	9.8%	121,340	1,235,714,050	3,567,340,682
2010	56,163	1,859,630,280	33,111	9.9%	125,734	1,250,119,480	3,583,279,738
2011	56,163	1,909,460,933	33,999	8.3%	108,793	1,223,587,240	3,490,854,036
2012	56,163	1,960,626,848	34,910	6.9%	110,466	1,117,608,970	3,187,939,565
2013	56,163	1,960,626,848	34,910	6.9%	114,781	1,121,316,110	3,197,265,539

- (1) 2000 & 2010 United States Census Bureau.
- (2) City of Kettering, Ohio, Finance Department.
- (3) Ohio Bureau of Employment Services.
- (4) Dayton Area Board of Realtors, Dayton, Ohio.
- (5) Montgomery County, Ohio, Auditor's Office.



PRINCIPAL EMPLOYERS  
CURRENT YEAR AND TEN YEARS AGO

Employer	2013		2003	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Kettering Medical Center	3,570	13.63%	Kettering Medical Center	2,900 9.24%
GE Money	1,800	6.87%	Delphi Automotive Systems	1,770 5.64%
Reynolds & Reynolds Company	1,307	4.99%	Reynolds & Reynolds Company	1,500 4.78%
Kettering City Schools	1,032	3.94%	Intimate Brands Inc <sup>2</sup>	1,500 4.78%
Limited Brands Inc.	1,000	3.82%	Monogram Services Co. LLC <sup>2</sup>	1,200 3.82%
Kroger	630	2.40%	Kettering City Schools	900 2.87%
Meijer Inc.	550	2.10%	City of Kettering	555 1.77%
City of Kettering	550	2.10%	Meijer Inc.	550 1.75%
Tenneco	522	1.99%	Scitex Digital Printing	520 1.66%
<b>Total</b>	<b>10,961</b>	<b>41.84%</b>	<b>Total</b>	<b>11,395 36.31%</b>

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

(1) Limited Brands Inc. owns Intimate Brands Inc

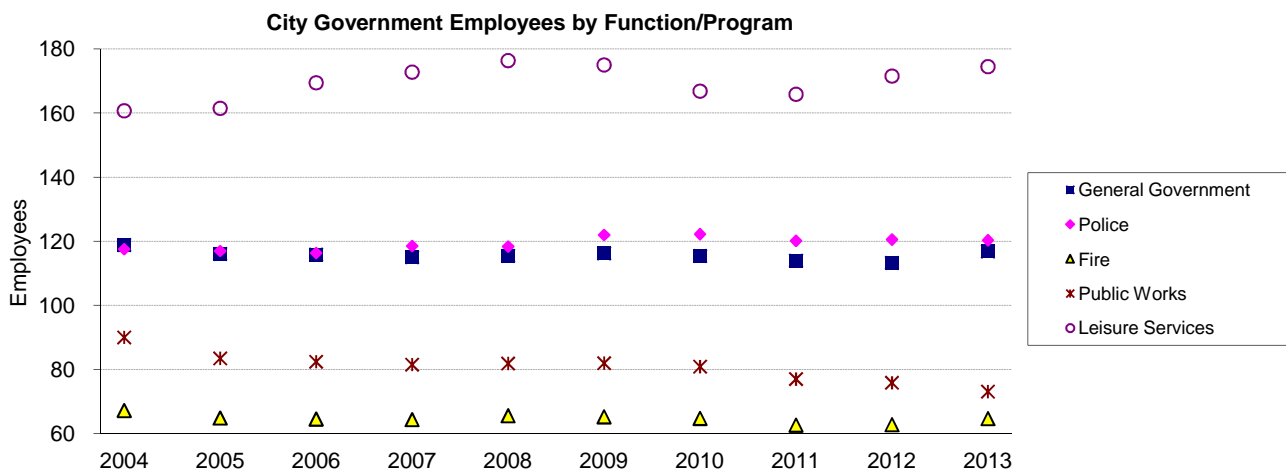
(2) Monogram Services Co. LLC is now GE Money

SCHEDULE 11

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

Function/program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	118.9	116.1	115.9	115.1	115.5	116.3	115.4	114.0	113.3	116.9
Police	117.6	117.0	116.4	118.5	118.4	122.0	122.2	120.2	120.6	120.4
Fire	67.3	64.9	64.6	64.4	65.6	65.3	64.8	62.7	62.9	64.7
Public Works	90.1	83.5	82.5	81.6	81.9	82.0	80.9	77.1	75.9	73.2
Leisure Services	160.7	161.5	169.4	172.8	176.4	175.0	166.8	165.9	171.5	174.5
<b>Total</b>	<b>554.5</b>	<b>543.0</b>	<b>548.8</b>	<b>552.4</b>	<b>557.8</b>	<b>560.6</b>	<b>550.3</b>	<b>539.8</b>	<b>544.2</b>	<b>549.6</b>

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN YEARS

<u>Function/program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government										
Positions filled <sup>1</sup>	5	5	7	14	26	10	7	14	21	26
Permits issued <sup>2</sup>	3,217	3,301	3,053	2,884	2,779	2,467	2,857	2,773	2,520	2,705
Inspections performed <sup>2</sup>	6,974	6,684	6,352	7,639	6,871	6,254	7,101	5,933	6,100	6,118
CDBG loan applications <sup>3</sup>	18	24	25	96	86	53	60	44	60	36
Payroll checks processed <sup>4</sup>	21,710	20,569	20,003	20,093	20,819	20,955	20,873	20,629	20,873	20,712
Purchase orders issued <sup>5</sup>	2,120	2,063	2,069	2,054	2,281	2,166	1,978	2,158	2,000	2,051
Ordinances & resolutions <sup>6</sup>	206	227	220	182	211	236	198	175	201	162
Court cases <sup>7</sup>	18,358	22,593	21,727	22,962	22,051	20,657	19,903	20,049	18,640	17,630
Police										
Criminal arrests <sup>8</sup>	2,813	3,085	3,030	2,812	2,762	2,710	2,813	3,171	3,400	3,201
Calls for service <sup>9</sup>	69,621	72,643	67,394	67,287	65,131	62,172	61,684	67,331	66,441	64,962
Fire										
Fire alarms <sup>10</sup>	1,604	1,324	1,337	1,197	1,544	1,599	1,603	1,960	1,786	1,990
Medic alarms <sup>10</sup>	4,881	5,214	5,445	5,815	5,896	5,485	5,600	5,557	5,565	5,490
Public Works										
Asphalt resurfacing (miles) <sup>11</sup>	10	4	6	4	7	10	11	14	9	10
Truckloads of leaves picked-up <sup>12</sup>	1,988	1,895	2,050	1,837	1,655	1,858	1,623	1,388	1,298	1,540
Tons of snow melting salt used <sup>12</sup>	4,654	6,465	1,560	4,544	6,341	3,368	5,917	4,708	1,603	5,529
Leisure Services										
Recreation complex attendance <sup>13</sup>	1,145,268	1,141,493	1,243,657	1,199,370	1,175,368	1,110,815	1,168,708	981,121	1,046,817	1,009,534
Fraze Pavilion tickets sold <sup>13</sup>	80,480	78,540	72,383	90,232	90,825	87,969	82,511	92,883	90,343	97,973

(1) City of Kettering, Human Resources Department

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

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

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

(5) City of Kettering, Finance Department.

(6) City of Kettering, Law Department

(7) City of Kettering, Municipal Court

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

(9) City of Kettering, Police Department.

(10) City of Kettering, Fire Department.

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

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

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

## SCHEDULE 13

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

<u>Function/program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government										
Square footage occupied <sup>1</sup>	25,582	43,108	43,108	43,108	54,933	54,933	54,933	54,933	54,933	54,933
Police										
Stations <sup>1</sup>	1	1	1	1	1	1	1	1	1	1
Square footage of building <sup>1</sup>	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515
Fire										
Stations <sup>1</sup>	7	7	7	7	7	7	7	7	7	6
Public Works										
Miles of roads <sup>2</sup>	246	246	246	246	246	246	246	246	247	248
Miles of storm sewer/channel <sup>2</sup>	175	175	175	175	175	175	175	175	175	175
Leisure Services										
Number of parks <sup>3</sup>	21	21	21	21	21	21	21	21	21	21
Area of parks (acres) <sup>3</sup>	419	419	419	419	419	419	419	419	419	419
Recreation complexes square ft <sup>1</sup>	145,000	153,512	153,512	153,512	153,512	153,512	161,119	161,119	161,119	161,119

(1) City of Kettering, Facilities Department

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

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



# Dave Yost • Auditor of State

**CITY OF KETTERING**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 22, 2014**