

## **City of Kettering, Ohio**

Reports on Internal Controls and Compliance  
and Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2010

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

A 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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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## Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated March 31, 2011.

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

Handwritten signature in cursive script: Clark, Schaefer, Hackett & Co.

Springfield, Ohio  
March 31, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

**Compliance**

We have audited the compliance of the City of Kettering, Ohio (the City) with the types of compliance requirements described in the *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, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major programs for the year ended December 31, 2010.

**Internal Control over Compliance**

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

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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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of and for the year ended December 31, 2010, and have issued our report thereon dated March 31, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
March 31, 2011

City of Kettering, Ohio  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2010

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>				
<i>Direct Program:</i>				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	B-10-MC-39-0011	14.218	1/1/08	\$ 770,823
ARRA - Community Development Block Grants/Entitlement Grants	B-09-MY-39-0011	14.253	7/23/09	134,121
Total CDBG - Entitlement Grants Cluster				904,944
<i>Passed through the Board of County Commissioners of Montgomery County:</i>				
HOME Investment Partnerships Program	A-C-03-281-2	14.239	9/1/03	24,754
Lead-Based Paint Hazard Control in Privately-Owned Housing	OH-LHB0448-09	14.900	1/1/10	25,793
<i>Passed through the City of Dayton, Ohio:</i>				
HOME Investment Partnerships Program	M-07-MC-39-0205	14.239	3/22/08	221,566
Total HOME Investment Partnerships Program				272,113
<i>Passed through the City of Dayton, Ohio:</i>				
ARRA - Neighborhood Stabilization Program	B-09-CN-OH-0029	14.256	1/14/10	294,292
<i>Passed through the State of Ohio Department of Development:</i>				
Community Development Block Grants/State's program	A-Z-08-281-1	14.228	4/1/09	444,542
Total U.S. Department of Housing and Urban Development				1,915,891
<u>U.S. Department of Justice</u>				
<i>Direct programs:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	2009-G9677-OH-DJ	16.738	7/10/09	4,866
<i>Passed through the City of Dayton, Ohio:</i>				
ARRA - Edward Byrne Memorial Justice Assistance	2009-F2300-OH-SB	16.804	5/19/09	18,652
Total U.S. Department of Justice				23,518
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through the Board of County Commissioners of Montgomery County:</i>				
Temporary Assistance for Needy Families	2010	93.558	2/1/10	125,833
Block Grants for Prevention and Treatment of Substance Abuse	57-8355-CMMCO-P-11-0038	93.959	7/1/10	16,822
Block Grants for Prevention and Treatment of Substance Abuse	57-8355-CMMCO-P-10-0038	93.959	7/28/09	12,690
Total for Block Grants for Prevention and Treatment of Substance Abuse				29,512
Total U.S. Department of Health and Human Services				155,345
<u>U.S. Department of Energy</u>				
<i>Direct programs:</i>				
ARRA - Energy Efficiency and Conservation Block Grant Program	DE-SC0001790	81.128	9/28/09	514,382
Total U.S. Department of Energy				514,382
<u>U.S. Department of Transportation</u>				
<i>Passed through the State of Ohio Governor's Highway Safety Office:</i>				
Highway Planning and Construction	E060619/C21169	20.205	7/11/06	310,854
Highway Planning and Construction	E060947/81556	20.205	10/11/06	665,300
Highway Planning and Construction	E060608/81028	20.205	8/15/08	273,573
Highway Planning and Construction	E051260/80095	20.205	7/19/07	98,538
Highway Planning and Construction	E09100106/81026	20.205	5/10/09	91,475
Highway Planning and Construction	E060680/81027	20.205	7/11/06	178,050
ARRA - Highway Planning and Construction	E100295	20.205	12/21/09	1,345,519
ARRA - Highway Planning and Construction	E090578/86191	20.205	6/22/09	504,278
<i>Passed through AAA Miami Valley:</i>				
Highway Planning and Construction	OVTIF-2011-57-00-00-00380	20.205	10/1/08	553
<i>Passed through the City of Dayton, Ohio:</i>				
Highway Planning and Construction	OVTIF-2010-57-00-00-00350-00	20.205	10/1/09	5,096
Total Highway Planning and Construction				3,473,236
Total U.S. Department of Transportation				3,473,236
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 6,082,372

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

**NOTE 1 – GENERAL:**

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

**NOTE 2 – BASIS OF ACCOUNTING:**

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

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

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

**NOTE 4 – SUBRECIPIENTS:**

The City was a pass-through entity of CDBG funds to two subrecipients, Miami Valley Fair Housing Board for \$32,000 and HomeOwnership Center of Greater Dayton for \$7,987.

**NOTE 5 – LOANS OUTSTANDING:**

At December 31, 2010, the City has the following amounts outstanding under federal loan programs:

HOME Investment Partnership Loan Program (CFDA #14.239)	\$ 768,237
Community Development Block Grant – Business Revolving loan (CFDA #14.218)	303,617
Community Development Block Grant – Housing Rehab Loans (CFDA #14.218)	381,470
Less: Allowance for Uncollectable Accounts	<u>(85,652)</u>
Net Loans Outstanding	<u>\$ 1,367,672</u>

Of the loans noted above, \$64,250 is subject to certain on-going compliance requirements; as such the entire outstanding balance of these loans is included in the Schedule of Expenditures of Federal Awards as part of the HOME Investment Partnerships Program (CFDA #14.239).

The remaining loans above do not have on-going compliance attributes requiring the reporting the balances in the Schedule of Expenditures of Federal Awards. These loans are reported on the City's financial statements within the Community Development Funds. During 2010, the City issued \$60,279 of new loans under Housing Rehab Loans program (CFDA #14.218) and issued \$140,196 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.

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

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
CFDA 14.228 – Community Development Block Grants/State’s Program	
CFDA 14.256 – Neighborhood Stabilization Program (recovery Act Funded)	
CFDA 20.205 – Highway Planning and Construction	
CFDA 81.128 – Energy Efficiency and Conservation Block Grant Program	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

None noted

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

None noted

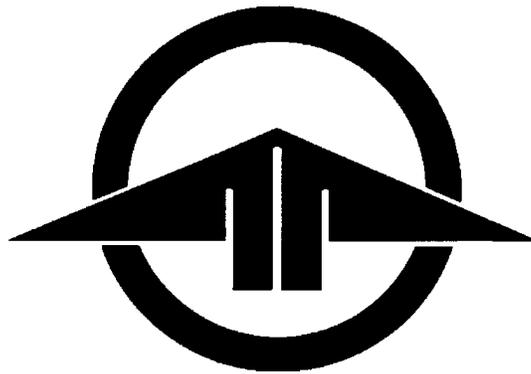
**Section IV – Summary of Prior Audit Findings and Questioned Costs**

No Findings were reported in the Prior Audit

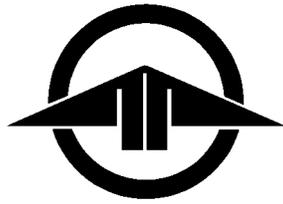
**CITY OF KETTERING, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2010**



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



CITY OF KETTERING

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2010**

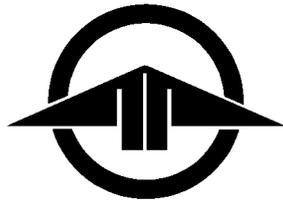
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## **INTRODUCTORY SECTION**



CITY OF KETTERING



## CITY OF KETTERING

March 31, 2011

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, 2010, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of the presentation including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City provides various services including police and fire protection, parks, recreation and cultural arts, street maintenance, planning, zoning and other general governmental services. The City does not maintain utility operations. In addition to general governmental activities, the City oversees the Kettering Volunteer Firefighters Pension Plan, and the activities of the Plan are included in the reporting entity. However, Montgomery County, Greene County, Beavercreek, Centerville, Kettering, Sugarcreek and West Carrollton School Districts, Miami Conservancy District, Miami Valley Regional Transit Authority, Ohio Police and Fire Pension Fund and the Ohio Public Employees Retirement System have not met the established criteria for inclusion in the reporting entity and are excluded from this report. In addition, the City is one of twenty local cities involved in a public entity risk pool, Miami Valley Risk Management Association, Inc. This separate entity does not meet the established criteria for inclusion in the reporting entity and, accordingly is not included in the City's financial report.

### HISTORY AND BACKGROUND

Kettering was established as a village in 1952. Three years later, it achieved City status, adopted a Home Rule Charter and approved the Council/Manager form of government. The City of Kettering was named for its most outstanding citizen, Charles F. Kettering, a well-known philanthropist and inventor.

Kettering invented the automotive self-starter, and the "Bug," the world's first robot plane.

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

The quality of living in any city can be measured best by the satisfaction of the residents with the services they receive. In Kettering, people like what they find. A recent survey showed that 98% of residents are satisfied with Kettering as a place to live. In 2008, Business Week magazine named Kettering the second best city in Ohio to raise a family.

### ECONOMIC CONDITION AND OUTLOOK

After experiencing a decline in income tax revenues resulting from the recession during 2009, a slight rebound during 2010 was welcome news. Our local economy has been hit hard by declining employment, which 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 along with a return to somewhat greater stability during 2010 puts the City in a better position to weather the uncertainties of the current economy.

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 3,300 and completed construction in 2010 of the Schuster Heart Hospital, a \$77 million, 114,000 sq ft addition to the front of the facility. The new Heart Hospital is a six story, state of the art facility focused on patient care with ninety private rooms. Reynolds & Reynolds, a fortune 1000 company based in Dayton since 1866, has transitioned nicely following the merger with Universal Computer Systems (UCS) in 2006. After completion of its \$19 million, 15,000 sq ft Data Center at the Miami Valley Research Park campus in 2009, the company continues to employ 1,300. G.E. Money's interior renovations at the Kettering Business Park (KBP) location are complete, and the company employs 1,400 at this site. Other major employers in the city include Kettering City Schools, Limited Brands Inc., a catalogue order center for Victoria's Secret, Eastman Kodak a manufacturer of digital printers, and a number of engineering firms and computer hardware and software related businesses.

In the area of new employment, the construction by Community Tissue Services of a 90,000 sq ft office and tissue processing facility at the Miami Valley Research Park is expected to be complete in May 2011. The project will result in a \$40 million investment and starting employment of about 175 employees. Also, an international law firm, WilmerHale, performed a 2010 search among 31 eastern U.S. cities to find a location for their professional services division. The company has more than 2,000 employees in the United States, Europe, and Asia. WilmerHale selected a site at Kettering's Miami Valley Research Park. 200 new jobs will be created at the Kettering site with more than 90% to be filled from the local workforce.

Kettering is about 95% developed so a primary focus of economic development in the city is on the redevelopment of underutilized sites. The residential portion of the redevelopment of Kettering Pointe, formerly Van Buren Shopping Center, continued during 2010. The housing portion includes 35 lots of which 17 have been built or are under construction. The retail portion of the site is complete and fully leased with 10 retail sites, a post office and WesBanco Bank. Phase 3 of Madison's Grant, a Ryan Homes housing development continued during 2010. Twenty-two single family homes were constructed during 2010. Madison's Grant will include 154 new homes when the development is complete.

A major undertaking that began in 2009 and continued in 2010 was the implementation of the plans for improvements to the city's parks and

recreation facilities. This program is the result of passage of the Parks and Recreation Bond Levy by Kettering voters in November 2008. The voters approved a \$12.3 million levy with debt service to be paid from property tax revenues over a period of twenty years beginning in 2009. In addition to the voted portion, the city committed an additional \$5 million of general funds for a total investment of \$17.3 million. The planned improvements include major renovations to the Kettering Recreation Center's indoor facilities and outdoor water park and improvements including new playground equipment in all of the city's neighborhood parks. The long-term improvements are scheduled to be complete by the end of 2011.

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. In 2010 Kettering received \$600,000 in funding for two upcoming projects. The City has benefited significantly in the past from this program and will continue to apply for future funds as eligible opportunities become available. The ED/GE program was to expire after 2010, but a new agreement has extended the program for an additional nine years.

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

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

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in

conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

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

## OTHER INFORMATION

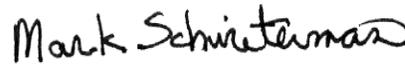
**Independent Audit.** The basic financial statements of the City of Kettering were audited by Clark, Schaefer, Hackett & Co., Certified Public Accountants. See page 2 of the Financial Section of this report for their unqualified opinion.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kettering, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2008. 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 27 consecutive years (fiscal years ended 1982-2008). 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, 2009. 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  
Tony Klepacz, Vice Mayor  
Bruce E. Duke  
Amy Schrimpf  
Keith Thompson  
Joseph D. Wanamaker  
Ashley Webb

### CITY MANAGER

Mark Schwieterman

### INDEPENDENT AUDITORS

Clark, Schaefer, Hackett & Co.  
Certified Public Accountants

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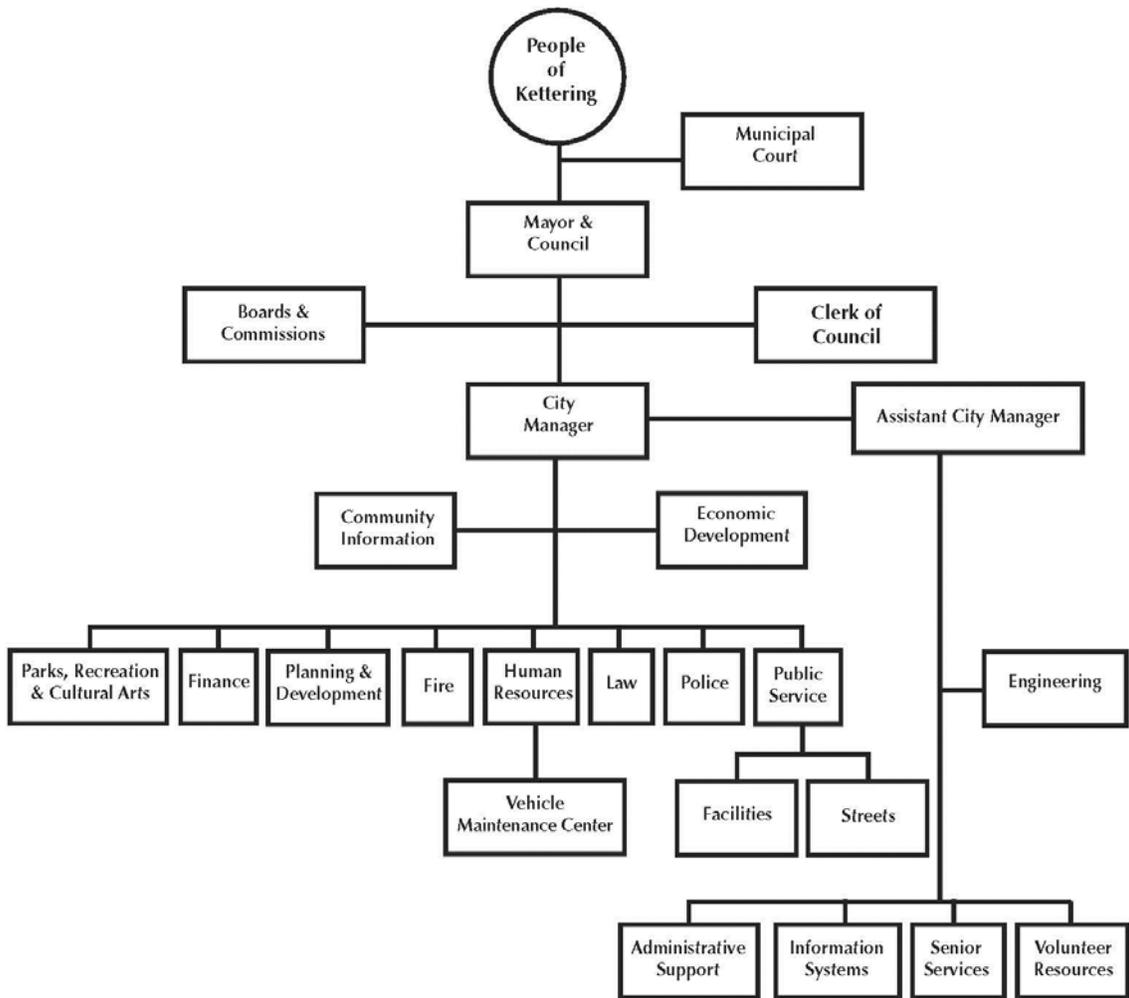
## CITY OF KETTERING, OHIO

### DEPARTMENT OF FINANCE

#### STAFF

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

## City of Kettering 2010 Organizational Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kettering  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2009

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

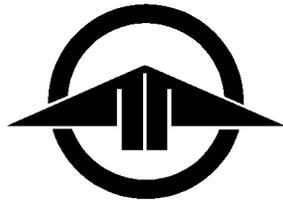


A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



CITY OF KETTERING

## **FINANCIAL SECTION**

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* and should be considered in assessing the results of our audit.

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

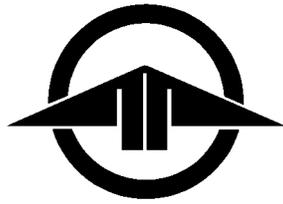
2525 north limestone street, ste. 103  
springfield, oh 45503

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p. 937.399.2000  
f. 937.399.5433

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
March 31, 2011



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, 2010.

**FINANCIAL HIGHLIGHTS**

1. The City's net assets increased by \$10,524,000 or 6% while unrestricted net assets increased \$2,195,000 or 5%.
2. Total revenues increased 4.9% while total expenses increased 2.5%.
3. Income tax revenues increased \$2,506,100 or 7.2%.
4. Capital grants and contributions increased \$2,375,000 or 61.6%.
5. The General Fund reported a decrease in fund balance for the second year in a row. This years decreases was \$861,900.
6. The Frazee Pavilion required no General Fund transfer for the fifth time in its 20-year history.
7. Total costs of services increased by 2.3%, while net costs of services decreased by 3.6%.

**USING THIS ANNUAL REPORT**

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

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

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

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

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

Our analysis of the City's major funds begins on page 8. The fund financial statements begin on page 12 and provide detailed information about the most significant funds — not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the Finance Director establishes many other funds to help

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

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

## **The City as Trustee**

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

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

## **THE CITY AS A WHOLE**

For 2010 the City produced a 6% increase in total net assets. This compares with a 5.2% increase in 2009. Revenues generated were \$75.1 million and expenses from all programs were \$64.6 million resulting in a surplus for the year of \$10,524,300. The unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — increased \$2,194,800.

Explanations for the larger fluctuations between years are as follows:

- Grant revenue was much higher this year because of outside funding for several roadway projects and increased federal dollars for neighborhood stabilization.
- Income taxes increased because of corporate estimated tax payments.
- Investment earnings decreased due to lower interest rates.
- Interest on long-term debt increased due to the first full year of the recreation bonds issued midyear 2009.

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

<b>NET ASSETS</b>		
	<u>2010</u>	<u>2009</u>
Current and other assets	\$92,289,048	\$91,211,913
Capital assets	135,170,882	123,554,004
Total assets	<u>227,459,930</u>	<u>214,765,917</u>
Long-term debt outstanding	(21,795,871)	(22,607,556)
Other liabilities	(19,328,500)	(16,347,059)
Total liabilities	<u>(41,124,371)</u>	<u>(38,954,615)</u>
Net assets:		
Invested in capital assets, net of debt	124,238,000	105,196,955
Restricted	13,590,268	24,301,857
Unrestricted	48,507,291	46,312,490
Total net assets	<u><u>\$186,335,559</u></u>	<u><u>\$175,811,302</u></u>

<b>CHANGES IN NET ASSETS</b>		
	<u>2010</u>	<u>2009</u>
Revenues		
Program revenues:		
Charges for services	\$10,067,985	\$9,938,544
Operating grants and contributions	1,594,869	1,484,287
Capital grants and contributions	6,231,007	3,856,056
General revenues:		
Income taxes	37,352,248	34,846,179
Property taxes	9,393,940	9,346,886
Other taxes	7,630,175	7,464,283
Investment earnings	1,173,152	2,963,720
Other general revenue	1,695,575	1,706,421
Total revenues	<u>75,138,951</u>	<u>71,606,376</u>
Program expenses		
General government	12,813,463	13,175,646
Police	14,161,364	13,658,265
Fire	10,504,095	9,968,087
Public works	13,425,510	12,901,084
Leisure services	13,038,928	12,836,109
Interest on long-term debt	671,334	504,262
Total expenses	<u>64,614,694</u>	<u>63,043,453</u>
Increase (decrease) in net assets	10,524,257	8,562,923
Net assets beginning	175,811,302	167,248,379
Net assets ending	<u><u>\$186,335,559</u></u>	<u><u>\$175,811,302</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	
	2010	2009	2010	2009
Police	\$14,161,364	\$13,658,265	\$14,120,321	\$13,526,758
Fire	10,504,095	9,968,087	9,096,708	8,537,529
Public works	13,425,510	12,901,084	8,464,176	9,200,350
Leisure services	13,038,928	12,836,109	6,422,481	6,284,826
All others	12,813,463	13,175,646	7,945,813	9,710,841
	<u>\$63,943,360</u>	<u>\$62,539,191</u>	<u>\$46,049,499</u>	<u>\$47,260,304</u>

Total costs of services for 2010 increased by \$1,404,200 while net costs of services decreased by \$1,700,300. The largest decreases in net costs of services were in All others and Public works function. These functions received significant grant revenues in 2010 for roadway projects and federal neighborhood stabilization programs.

The capital asset activity for the year was very much out of the ordinary. Asset additions totaled \$19.2 million as compared to \$10.1 million in 2009 which was also a high year. 2010's larger additions included over \$7 million in street improvements, \$3.9 million in parks improvements, \$3.6 million in Government Center remodeling, and \$2.6 million in recreation center improvements. Total net capital assets for 2010 were \$135,170,882. Of this total, \$10,897,040 was not being depreciated and the capital assets being depreciated totaled \$234,494,218 with accumulated depreciation of \$110,220,376.

In November 2008 the voters approved a \$12.3 million bond levy to construct and improve parks & recreation facilities. The City has also committed \$5 million of non-debt city funds for a total of \$17.3 million worth of improvements. The City issued the new bonds in 2009. A 1988 voted bond levy for the same purpose expired on December 31, 2008. At December 31, 2010, the City had various debt issues outstanding, which included \$14,963,217 of general obligation bonds, \$271,783 of special assessment debt with City commitment and \$2,100,914 of promissory notes. As of December 31, 2010, the City's net general obligation bonded debt of \$14,165,532 was well below the legal limit of \$131,262,545 and debt per capita equaled \$252.22.

For more detail on capital asset and long-term debt activity, refer to note 6 and note 12 respectively in the Notes to the Basic Financial Statements.

### THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 12 and 13) reported a combined fund balance of \$67.5 million, which is 3.4% lower than last year's total of \$69.9 million.

The City's General Fund experienced a \$55,700, or .1% overall increase in revenues for 2010. At the same time expenditures increased by \$1,117,700 or 3.2%, and transfers out decreased by \$224,000 or 1.5%. The City's General Fund balance decreased in 2009 breaking a four-year trend of rising fund balances. 2010 continued that trend due to the poor economy. Both income taxes and sales tax revenues increased in 2010, but by small amounts. Investment earnings decreased for the year due to lower rates of return. Total revenues were \$50.8 million while total expenditures were \$36.5 million. Transfers to other funds totaled \$15.2 million resulting in the \$861,900, or 2.1% decrease to the General Fund balance.

The Frazee Pavilion, an outdoor amphitheater accounted for in a major special revenue fund, has produced a surplus only two times since it began operations in 1991. In 2010 it produced its third and largest surplus ever of \$250,900.

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Increased ticket and concession revenue as well as expenditure control are responsible for the large surplus. The Parks, Recreation & Cultural Arts Fund saw revenues decrease by over 5%. Construction at the recreation center caused parts of the facility to be closed resulting in lost revenues. The Community Development Fund saw a significant increase in both revenues and expenditures during 2010. This was due to additional federal grants for neighborhood stabilization. The Capital Projects Fund also saw a significant increase in both revenues and expenditures. Construction on parks and recreation projects, the government center remodel, and roadway projects all contributed to the increase. There were no other material changes to the major funds in 2010.

There was one significant variation in the City's original General Fund budget and the final General Fund budget. Budgeted "Transfers to other funds" was increased during the year by just over \$2 million primarily because of additional parks and recreation capital projects that were added during the year. There was also a significant variance between actual expenditures and final budgeted expenditures for "Transfers to other funds". Because of the Frazee Pavilion Fund's good year, no transfer was required, and lower than expected expenditures in the Capital Projects Fund reduced significantly the transfer required. Capital Project Fund expenditures were lower due to the City planning many new capital projects, which, in hindsight, proved to be an overly optimistic number to accomplish in one year.

As mentioned above, 2010 produced a decrease to the General Fund balance. This decrease can be attributed to the poor economy. The City is fortunate to have a fund balance capable of absorbing a poor economic year such as 2010. If the economic recovery does not emerge in 2011, the City will need to explore areas where it can cut back on future expenditures.

**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2010**

<b>ASSETS</b>	
Pooled cash and investments (note 2)	\$68,668,024
Receivables:	
Income taxes (net of allowance for \$153,774)	6,671,800
Property taxes	9,744,504
Interest	718,860
Accounts	267,662
Special assessments	1,121,783
Loans (net of allowance for \$85,652)	1,367,671
Due from other governments	2,889,146
Prepaid expenses	377,127
Inventory	462,471
Capital assets not being depreciated (note 6)	10,897,040
Capital assets being depreciated, net (note 6)	124,273,842
Total assets	<u>227,459,930</u>
<b>LIABILITIES</b>	
Accounts payable	4,722,193
Salary and benefits payable	2,521,943
Accrued interest payable	58,900
Deferred revenue	12,025,464
Long-term liabilities (note 12)	
Due within one year	3,604,175
Due in more than one year	18,191,696
Total liabilities	<u>41,124,371</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	124,238,000
Restricted for:	
Debt service	797,685
Social services	1,913,673
Public safety	9,189,154
Road construction/Public Works	204,394
Leisure services	86,165
Municipal court activities	1,399,197
Unrestricted	48,507,291
Total net assets	<u>\$186,335,559</u>

See accompanying notes to the basic financial statements.

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$12,813,463	\$2,475,623	\$1,188,029	\$1,203,998	(\$7,945,813)
Police	14,161,364	35,201	5,842		(14,120,321)
Fire	10,504,095	1,407,084	303		(9,096,708)
Public works	13,425,510	7,560	9,082	4,944,692	(8,464,176)
Leisure services	13,038,928	6,142,517	391,613	82,317	(6,422,481)
Interest on long-term debt	671,334				(671,334)
<b>Total</b>	<b>\$64,614,694</b>	<b>\$10,067,985</b>	<b>\$1,594,869</b>	<b>\$6,231,007</b>	<b>(46,720,833)</b>
General revenues:					
Taxes:					
Income taxes					37,352,248
Property taxes, levied for general purposes					8,117,860
Property taxes, levied for debt service					1,276,080
Other taxes (note 5)					7,630,175
Investment earnings					1,173,152
Refunds and reimbursements					1,516,425
Miscellaneous					179,150
Total general revenues					<u>57,245,090</u>
Change in net assets					10,524,257
Net assets--beginning					<u>175,811,302</u>
Net assets--ending					<u>\$186,335,559</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS  
DECEMBER 31, 2010

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
<b>ASSETS</b>				
Pooled cash and investments	\$38,179,676	\$387,727	\$578,079	\$383,989
Receivables:				
Income taxes (net of allowance for \$153,774)	6,671,800			
Property taxes	7,996,504			
Interest	654,559			
Accounts	19,228	100	37,175	
Special assessments	400,000			
Loans (net of allowance for \$85,652)				
Due from Community Development fund	36,500			
Due from Health Insurance internal service fund	304,400			
Due from other governments	487,568	1,076,873	1,000	
Prepaid expenditures	24,580	60	1,437	3,807
Inventory		140,018		
Total assets	<u>\$54,774,815</u>	<u>\$1,604,778</u>	<u>\$617,691</u>	<u>\$387,796</u>
<b>LIABILITIES</b>				
Accounts payable	\$596,606	\$35,668	\$306,473	\$18,453
Due to General fund				
Accrued payroll	1,618,038	153,257	203,455	8,846
Deferred revenue	12,964,808	875,300	22,410	2,405
Total liabilities	<u>15,179,452</u>	<u>1,064,225</u>	<u>532,338</u>	<u>29,704</u>
<b>FUND BALANCES</b>				
Nonspendable: Inventory and prepaids	24,580	140,078	1,437	3,807
Restricted for:				
Debt service				
Social services				
Public safety				
Road construction / Public works				
Leisure services				
Municipal court activities				
Committed to:				
Social services	54,747			
Public safety	398,642			
Road construction / Public works	10,580	400,475		
Leisure services	5,428		83,916	354,285
Government center remodel				
Other purposes	173,267			
Assigned to: Leisure services	104,717			
Unassigned:	38,823,402			
Total fund balances	<u>39,595,363</u>	<u>540,553</u>	<u>85,353</u>	<u>358,092</u>
Total liabilities and fund balances	<u>\$54,774,815</u>	<u>\$1,604,778</u>	<u>\$617,691</u>	<u>\$387,796</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
\$122	\$8,211,785	\$797,685	\$15,419,235	\$4,097,522	\$68,055,820
					6,671,800
		926,000	421,000	401,000	9,744,504
			64,300		718,859
	162,853		47,905	313	267,574
		271,783	450,000		1,121,783
1,367,670					1,367,670
					36,500
					304,400
301,673			812,888	209,145	2,889,147
					29,884
					140,018
<u>\$1,669,465</u>	<u>\$8,374,638</u>	<u>\$1,995,468</u>	<u>\$17,215,328</u>	<u>\$4,707,980</u>	<u>\$91,347,959</u>
\$98,344	\$13,435		\$3,446,310	\$24,084	\$4,539,373
36,500					36,500
				401,383	2,384,979
250,538	97,581	\$1,197,783	977,512	532,011	16,920,348
<u>385,382</u>	<u>111,016</u>	<u>1,197,783</u>	<u>4,423,822</u>	<u>957,478</u>	<u>23,881,200</u>
					169,902
		797,685			797,685
1,663,135					1,663,135
	8,263,622			827,951	9,091,573
				87,516	87,516
			6,834,838	7,732	6,842,570
				1,399,197	1,399,197
				7,298	62,045
				12,027	410,669
			206,310		617,365
			5,094,127	1,367,674	6,905,430
			656,231		656,231
				41,107	214,374
					104,717
(379,052)					38,444,350
<u>1,284,083</u>	<u>8,263,622</u>	<u>797,685</u>	<u>12,791,506</u>	<u>3,750,502</u>	<u>67,466,759</u>
<u>\$1,669,465</u>	<u>\$8,374,638</u>	<u>\$1,995,468</u>	<u>\$17,215,328</u>	<u>\$4,707,980</u>	
Amounts reported for governmental activities in the Statement of Net Assets (page 10) are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 134,710,096					
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:					
Income taxes receivable 2,700,987					
Grants and other taxes receivable 2,193,898					
Internal service funds are used by management to charge the costs of certain activities. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 758,482					
Debt issuance costs and issuance discounts/premiums are amortized over the life of the debt, the unamortized portion remains on the Statement of Net Assets. 13,692					
The following long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:					
Bonds and notes payable (17,335,914)					
Vacation and sick leave benefits (4,113,541)					
Accrued interest on bonds payable (58,900)					
Net Assets of Governmental Activities <u>\$186,335,559</u>					

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2010**

	General Fund	Major		Special
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
<b>REVENUES</b>				
Income taxes	\$36,417,018			
Property taxes	7,579,402			
Licenses and permits	483,762	\$7,560		
Intergovernmental revenue	1,637,842	2,493,387	\$13,548	
Charges for services	147,385		3,048,057	\$3,094,460
Fines and forfeits	1,379,744			
Investment earnings	865,304			
Special assessments	410,113			
Refunds and reimbursements	1,898,781	310,646	65,105	1,000
Miscellaneous	22,487	12,625	31,020	356,713
Total revenues	<u>50,841,838</u>	<u>2,824,218</u>	<u>3,157,730</u>	<u>3,452,173</u>
<b>EXPENDITURES</b>				
Current:				
General government	11,139,361			
Police	12,419,691			
Fire	10,202,668			
Public works	2,787,380	5,460,240		
Leisure services			8,943,860	3,201,243
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	<u>36,549,100</u>	<u>5,460,240</u>	<u>8,943,860</u>	<u>3,201,243</u>
Excess (deficiency) of revenues over expenditures	14,292,738	(2,636,022)	(5,786,130)	250,930
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		2,811,600	5,772,400	
Transfers out	(15,221,132)			
Sale of city assets	66,511	20,211	4,303	
Net change in fund balance	<u>(861,883)</u>	<u>195,789</u>	<u>(9,427)</u>	<u>250,930</u>
Fund balances--beginning	<u>40,457,246</u>	<u>344,764</u>	<u>94,780</u>	<u>107,162</u>
Fund balances--ending	<u>\$39,595,363</u>	<u>\$540,553</u>	<u>\$85,353</u>	<u>\$358,092</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
		\$1,276,080	\$137,229	\$398,929	\$36,417,018
					9,391,640
					491,322
\$2,261,890			7,556,824	685,184	14,648,675
	\$1,395,922			44,333	7,730,157
				455,600	1,835,344
1,338	145,402	34,057	114,040	13,010	1,173,151
		149,592	459,532		1,019,237
		26,484	592,564	36,840	2,931,420
16,931				120,917	560,693
<u>2,280,159</u>	<u>1,541,324</u>	<u>1,486,213</u>	<u>8,860,189</u>	<u>1,754,813</u>	<u>76,198,657</u>
720,407				616,761	12,476,529
				1,556,880	13,976,571
	826,330				11,028,998
				144,008	8,391,628
				28,615	12,173,718
1,443,120			17,386,788	153,192	18,983,100
		1,021,134			1,021,134
		672,521			672,521
<u>2,163,527</u>	<u>826,330</u>	<u>1,693,655</u>	<u>17,386,788</u>	<u>2,499,456</u>	<u>78,724,199</u>
116,632	714,994	(207,442)	(8,526,599)	(744,643)	(2,525,542)
		290,000	5,204,000	1,143,132	15,221,132
					(15,221,132)
35,048					126,073
<u>151,680</u>	<u>714,994</u>	<u>82,558</u>	<u>(3,322,599)</u>	<u>398,489</u>	<u>(2,399,469)</u>
<u>1,132,403</u>	<u>7,548,628</u>	<u>715,127</u>	<u>16,114,105</u>	<u>3,352,013</u>	<u>69,866,228</u>
<u>\$1,284,083</u>	<u>\$8,263,622</u>	<u>\$797,685</u>	<u>\$12,791,506</u>	<u>\$3,750,502</u>	<u>\$67,466,759</u>

Net change in Fund Balance - Governmental Funds

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	19,208,939
				Depreciation expense	(7,237,956)
In the Statement of Activities, only the gain on the sale of city assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differ from the change in fund balance by the book value of the asset sold.					(240,418)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.					
				Income taxes receivable	935,230
				Grants receivable	(612,147)
				Property taxes receivable	2,300
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.					1,021,134
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	(196,597)
				Interest payable	1,187
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.)					42,054
Change in Net Assets on the Statement of Activities					<u>\$10,524,257</u>

**BALANCE SHEET  
PROPRIETARY FUNDS  
DECEMBER 31, 2010**

	Governmental Activities- Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Pooled cash and investments	\$612,204
Accounts receivable	88
Prepaid expenses	333,552
Inventory	322,453
Total current assets	<u>1,268,297</u>
Noncurrent assets:	
Buildings and improvements	757,936
Machinery and equipment	1,981,674
Less: Accumulated depreciation	<u>(2,278,824)</u>
Total noncurrent assets	<u>460,786</u>
Total assets	<u><u>\$1,729,083</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$182,821
Due to General fund	304,400
Accrued payroll	136,964
Total current liabilities	<u>624,185</u>
Noncurrent liabilities:	
Accrued vacation and sick leave benefits	<u>346,416</u>
Total liabilities	<u>970,601</u>
<b>NET ASSETS</b>	
Invested in capital assets	460,785
Unrestricted	297,697
Total net assets	<u>758,482</u>
Total liabilities and net assets	<u><u>\$1,729,083</u></u>

See accompanying notes to the basic financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$10,447,078
Total operating revenues	<u>10,447,078</u>
OPERATING EXPENSES	
Personal services	3,174,552
Repairs and maintenance	1,435,510
Contractual services	5,109,641
Other materials and expenses	567,475
Depreciation	130,267
Total operating expenses	<u>10,417,445</u>
Operating income (loss)	<u>29,633</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	12,421
Change in net assets	42,054
Total net assets--beginning	716,428
Total net assets--ending	<u><u>\$758,482</u></u>

See accompanying notes to the basic financial statements.

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 Increase (Decrease) in cash**

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received for services	\$10,466,240
Cash paid to suppliers for goods or services	(7,104,964)
Cash paid to employees for services	(3,166,667)
Net cash provided (used) by operating activities	<u>194,609</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(17,185)
Loan from General fund	70,100
Sale of capital assets	232
Net cash used by capital and related financing activities	<u>53,147</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	12,421
Net cash provided by investing activities	<u>12,421</u>
Net increase (decrease) in cash	260,177
Cash at beginning of year	<u>352,027</u>
Cash at end of year	<u><u>\$612,204</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$29,633
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	130,267
(Increase) decrease in receivables	19,394
(Increase) decrease in inventories	10,264
Increase (decrease) in accounts payable	66,684
Net (increase) decrease in other operating net assets	(61,633)
Net cash provided (used) by operating activities	<u><u>\$194,609</u></u>

See accompanying notes to the basic financial statements.

## FIDUCIARY FUNDS

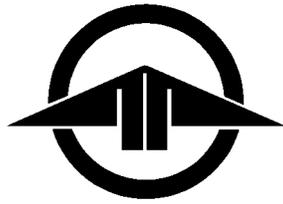
STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2010

	Volunteer Firefighter Pension	Deceased Police Dependents Private Purpose Trust	Agency Funds
<b>ASSETS</b>			
Pooled cash and investments		\$87,507	\$265,114
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$2,006,718		
Other investments			278,977
Total assets	<u>2,006,718</u>	<u>87,507</u>	<u>\$544,091</u>
<b>LIABILITIES</b>			
Accounts payable			\$2,347
Withholdings payable			257,861
Undistributed moneys			278,977
Unclaimed moneys			4,906
Total liabilities			<u>\$544,091</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u>\$2,006,718</u>	<u>\$87,507</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2010

<b>ADDITIONS</b>			
Employer contributions	\$59,726		
Investment earnings (loss)	191,652	\$1,573	
Total additions	<u>251,378</u>	<u>1,573</u>	
<b>DEDUCTIONS</b>			
Pension payments	114,890		
Total deductions	<u>114,890</u>		
Net increase (decrease)	136,488	1,573	
Net assets--beginning of year	1,870,230	85,934	
Net assets--end of year	<u>\$2,006,718</u>	<u>\$87,507</u>	

See accompanying notes to the basic financial statements.



CITY OF KETTERING

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

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

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

#### B. Basis of Presentation

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

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

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

The City reports the following major governmental funds:

**General Fund** – This fund is the general operating fund of the City. It 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.

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 revenue when the related expenditures are incurred.

### J. Use of Estimates

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

## 2. POOLED CASH AND INVESTMENTS

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

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

Deposits: At year-end, the City's bank balance was \$15,451,429. Of this amount, \$4,566,796 was insured, the remaining \$10,194,054 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; the remaining \$690,579 was uninsured, uncollateralized with a broker agent. This statute requires all financial institutions acting as public depositories to pledge a pool of collateral with a market value of at least 105% of the total amount of public deposits secured. The City has no deposit policy for custodial credit risk.

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

The City's investments in corporate bonds, listed below, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. On December 31, the City had \$7,041,772 in corporate bonds issued by Met Life, \$6,985,646 in corporate bonds issued by General Electric, \$5,810,558 in corporate bonds issued by AT&T, \$4,178,444 in corporate bonds issued by John Deere and \$3,647,003 in corporate bonds issued by Caterpillar. These amounts represent 10.1%, 10.0%, 8.3%, 6.0% and 5.2% respectively of the pooled cash and investments. At year-end, \$2,238,286 of the securities in the corporate bond category below are rated "Baa1", the remaining \$52,156,890 are rated "A" or better and all other investment types listed are unrated.

As of December 31, 2010 the City had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-3</u>	<u>3-9</u>	<u>9-10</u>
Corporate Bonds	\$54,395,176	\$32,017,374	\$22,377,802		
Pension Plan Pooled Invest Fund	2,006,718				\$2,006,718
Total	<u>\$56,401,894</u>	<u>\$32,017,374</u>	<u>\$22,377,802</u>		<u>\$2,006,718</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, 2009
Lien date	December 31, 2009
Tax bill mailed	January 20, 2010
First installment payment due	February 15, 2010
Second installment payment due	July 15, 2010

The assessed values for the City at December 31, 2009 were as follows:

	<b>Assessed Value</b>
	<b>Category</b>
Real Estate	\$1,232,193,520
Public Utility Real Property	13,110
Public Utility Personal Property	17,912,850
Total	<u>\$1,250,119,480</u>

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

#### 5. OTHER TAXES

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

Estate taxes	\$3,038,598
Sales taxes	1,479,106
Gasoline taxes	1,917,456
Vehicle license taxes	758,449
Cell phone taxes	153,839
Miscellaneous other taxes	282,727
	<u>\$7,630,175</u>

## 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$10,517,496	\$373,466	(\$158,047)	\$10,732,915
Right of Way		164,125		164,125
Subtotal	<u>10,517,496</u>	<u>537,591</u>	<u>(158,047)</u>	<u>10,897,040</u>
Capital assets being depreciated:				
Buildings and improvements	42,007,863	6,281,439	(99,510)	48,189,792
Machinery and equipment	17,952,937	1,179,674	(1,114,027)	18,018,584
Infrastructure	157,209,286	11,228,790	(152,234)	168,285,842
Subtotal	<u>217,170,086</u>	<u>18,689,903</u>	<u>(1,365,771)</u>	<u>234,494,218</u>
Accumulated depreciation:				
Buildings and improvements	(27,350,241)	(991,018)	99,061	(28,242,198)
Machinery and equipment	(13,141,532)	(1,105,879)	1,030,131	(13,217,280)
Infrastructure	(63,641,806)	(5,271,326)	152,234	(68,760,898)
Subtotal	<u>(104,133,579)</u>	<u>(7,368,223) *</u>	<u>1,281,426</u>	<u>(110,220,376)</u>
Net capital assets being depreciated	<u>113,036,507</u>	<u>11,321,680</u>	<u>(84,345)</u>	<u>124,273,842</u>
Net capital assets	<u>\$123,554,003</u>	<u>\$11,859,271</u>	<u>(\$242,392)</u>	<u>\$135,170,882</u>

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

General government	\$433,887
Police	266,681
Fire	348,168
Public works	5,412,438
Leisure services	776,782
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>130,267</u>
Total depreciation expense	<u>\$7,368,223</u>

## 7. LOANS RECEIVABLE AND NOTES RECEIVABLE

The City used a portion of the Federal Community Development Block Grant (CDBG) to provide low interest loans for housing rehabilitation, as well as for economic and job development. The loans are payable in installments to 2035. Fund balance has been classified as nonspendable for the loans receivable at December 31, 2010. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures.

## 8. RISK MANAGEMENT

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

Insurance coverage is as follows:

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

The deductible per occurrence for all types is \$2,500. Pool coverage is \$2,500 - \$5,000 for boiler and machinery, \$2,501 - \$25,000 for crime, \$2,501 - \$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, 2009, indicates reserves in excess of anticipated claims.

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

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

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

## 9. PENSION PLAN OBLIGATIONS

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

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

OP&F is a cost-sharing multiple-employer defined benefit pension plan, which provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 742 of the Ohio Revised Code. The Police and Fire Pension Fund issues a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 10% of their annual covered salary and the City is required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to the plan for the years ending December 31, 2008, 2009 and 2010, were \$2,448,027, \$2,572,780 and \$2,618,896 respectively, or 77% of the required contributions for 2008, 75% for 2009, and 55% for 2010.

### OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD.

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 10% of their annual covered salary and the City is required to contribute 14%. The City's contributions to the plan for the years ending December 31, 2008, 2009 and 2010, were \$2,683,518, \$2,752,560 and \$2,758,135 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, 2010, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	80
Terminated employees entitled to benefits but not yet receiving them	41
Active members	<u>46</u>
Total	<u><u>167</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 assets available for benefits.

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

The annual required contribution for the current year was determined as part of the January 1, 2010, actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included a 6.00% investment rate of return and that benefits will not increase after retirement. The actuarial value of assets was determined using the contract basis. Because the aggregate actuarial cost method does not identify or separately amortize

unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. The funded status of the plan as of January 1, 2010, the most recent actuarial valuation date is as follows:

#### FUNDED STATUS AND FUNDING PROGRESS

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) -Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
1/1/2008	\$2,000,381	\$2,236,175	\$235,794	89.5%	\$427,556	55.1%
1/1/2009	2,014,762	2,368,846	354,084	85.1%	375,974	94.2%
1/1/2010	2,064,070	2,305,101	241,031	89.5%	459,200	52.5%

#### SCHEDULE OF EMPLOYER CONTRIBUTIONS

<b>Year Ended December 31</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution</b>	<b>Percent Contributed</b>
2005	\$40,399	\$40,399	100%
2006	70,294	70,294	100%
2007	67,025	67,025	100%
2008	69,847	69,847	100%
2009	91,662	91,662	100%
2010	59,726	59,726	100%

For the fiscal years ended December 31, 2008, 2009 and 2010, the Annual Pension cost (APC) was \$69,847, \$91,662 and \$59,726 respectively; the percentage of APC contributed was 100% and the net pension obligation was \$0.

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

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

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

#### OHIO POLICE AND FIRE PENSION FUND OPEB

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

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

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the ORC to the OP&F board of trustees. The board of trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 155 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2010, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h). The OP&F board of trustees is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions to OP&F allocated to the healthcare plan for 2010, 2009 and 2008 were \$825,850, \$810,604 and \$773,772 respectively.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

#### OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB

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

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

OPERS post employment healthcare plan was established and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2010, the employer contribution allocated to the health care plan was 5.5% of covered payroll from January 1 through February 28<sup>th</sup> and 5.0% for the remainder of the year. 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 2010, 2009 and 2008 were \$1,007,103, \$1,135,580 and \$1,341,759 respectively.

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

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

## 11. LEASES AND CONSTRUCTION COMMITMENTS

There are no operating leases, in which the City is a lessee, in excess of one year. Operating lease payments in 2010 were \$229,234.

Significant commitments and encumbrances at December 31, 2010 included:

Capital Projects Fund \$8,008,000

## 12. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2010, was as follows:

	<b>Beginning</b>			<b>Ending</b>	<b>Amounts</b>
	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>	<b>Due Within</b>
					<b>One Year</b>
<b>General obligation bonds:</b>					
Street Improvement bonds-					
Series 1991, 4.5%-6.65%	\$124,899		\$36,682	\$88,217	\$43,481
Street Improvement bonds-					
Series 1992, 3.25%-6.45%	240,000		75,000	165,000	80,000
Court Facility, 3.0%-4.5%	3,250,000		165,000	3,085,000	170,000
Recreation & Parks Improvements					
3.0%-5.0%	<u>12,075,000</u>		<u>450,000</u>	<u>11,625,000</u>	<u>465,000</u>
Total general obligation bonds	<u>15,689,899</u>		<u>726,682</u>	<u>14,963,217</u>	<u>758,481</u>
<b>Special assessment bonds:</b>					
Streets Series 1991, 4.5%-6.65%	<u>395,101</u>		<u>123,318</u>	<u>271,783</u>	<u>131,519</u>
Total special assessment bonds	<u>395,101</u>		<u>123,318</u>	<u>271,783</u>	<u>131,519</u>
<b>Other:</b>					
Accrued vacation and					
sick leave benefits	4,250,508	\$2,414,534	2,205,085	4,459,957	2,542,175
Ohio Public Works Commission					
Long-Term Promissory Notes, 0-3%	<u>2,272,048</u>		<u>171,134</u>	<u>2,100,914</u>	<u>172,000</u>
Total other	<u>6,522,556</u>	<u>2,414,534</u>	<u>2,376,219</u>	<u>6,560,871</u>	<u>2,714,175</u>
Total long-term liabilities	<u>\$22,607,556</u>	<u>\$2,414,534</u>	<u>\$3,226,219</u>	<u>\$21,795,871</u>	<u>\$3,604,175</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 75% has been paid by the General Fund, 10% by the Street Maintenance Fund and the remainder by the other governmental and internal service funds. The City uses the "vesting method" to determine the appropriate liability.

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

From time to time the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the

public interest. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year-end there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$4.8 million.

The annual requirements to pay principal and interest on long-term obligations at December 31, 2010, are as follows:

	General Obligation Bonds		Promissory Notes		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	758,481	605,410	172,000	13,668	131,519	18,074
2012	779,736	577,287	172,888	12,779	140,264	9,327
2013	675,000	548,018	173,799	11,868	-	-
2014	695,000	528,623	174,735	10,933	-	-
2015	720,000	500,823	170,944	9,973	-	-
2016-2020	4,090,000	2,015,400	799,165	34,558	-	-
2021-2025	4,695,000	1,112,821	437,383	8,006	-	-
2026-2028	2,550,000	222,636	-	-	-	-
	<u>\$14,963,217</u>	<u>\$6,111,018</u>	<u>\$2,100,914</u>	<u>\$101,785</u>	<u>\$271,783</u>	<u>\$27,401</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, 2010, the City had a legal debt margin for total debt of \$117,097,013 and a legal debt margin for unvoted debt of \$66,216,039.

### 13. CONTINGENT LIABILITIES

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

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

### 14. GASB 51

In 2010 the City adopted GASB Statement No. 51 "Accounting and Financial Reporting for Intangible Assets". Any intangible assets acquired by the City prior to January 1, 2010 are considered to have indefinite useful lives and are not retroactively reported.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$40,457,246	\$40,457,246	\$40,457,246	
Resources (inflows)				
Income taxes	35,300,000	35,300,000	36,417,018	\$1,117,018
Property taxes	7,610,000	7,610,000	7,579,402	(30,598)
Licenses and permits	515,000	523,000	483,762	(39,238)
Intergovernmental revenue	1,501,000	1,501,000	1,637,842	136,842
Charges for services	161,000	151,000	147,385	(3,615)
Fines and forfeits	1,415,000	1,415,000	1,379,744	(35,256)
Investment earnings	1,500,000	1,160,000	865,304	(294,696)
Special assessments	400,000	410,000	410,113	113
Refunds and reimbursements	1,200,000	1,550,000	1,898,781	348,781
Miscellaneous	13,000	13,000	22,487	9,487
Sale of city assets	30,000	50,000	66,511	16,511
Amounts available for appropriation	90,102,246	90,140,246	91,365,595	1,225,349
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	252,000	252,000	249,368	2,632
Operating expenditures	83,288	84,058	71,538	12,520
Capital outlay				
Total mayor and council	335,288	336,058	320,906	15,152
Municipal court:				
Personal services	976,700	986,700	984,418	2,282
Operating expenditures	280,211	280,211	243,477	36,734
Capital outlay				
Total municipal court	1,256,911	1,266,911	1,227,895	39,016
Clerk of courts:				
Personal services	827,100	827,100	793,458	33,642
Operating expenditures	154,701	154,526	130,164	24,362
Capital outlay				
Total clerk of courts	981,801	981,626	923,622	58,004
Office of City Manager:				
Personal services	574,900	584,900	577,434	7,466
Operating expenditures	57,923	59,071	52,956	6,115
Capital outlay				
Total office of city manager	632,823	643,971	630,390	13,581
Law department:				
Personal services	746,700	736,700	697,082	39,618
Operating expenditures	158,961	218,961	199,815	19,146
Capital outlay				
Total law department	905,661	955,661	896,897	58,764
Finance department:				
Personal services	1,530,800	1,530,800	1,505,035	25,765
Operating expenditures	532,210	545,586	432,021	113,565
Capital outlay	10,500			
Total finance department	2,073,510	2,076,386	1,937,056	139,330
Administrative support:				
Personal services	502,600	502,600	491,490	11,110
Operating expenditures	90,249	92,287	85,863	6,424
Capital outlay				
Total administrative support	592,849	594,887	577,353	17,534

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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$640,500	\$640,500	\$627,826	\$12,674
Operating expenditures	351,584	351,584	214,648	136,936
Capital outlay				
Total human resources department	<u>992,084</u>	<u>992,084</u>	<u>842,474</u>	<u>149,610</u>
Planning and development:				
Personal services	1,973,800	2,070,000	1,997,267	72,733
Operating expenditures	438,203	441,644	260,934	180,710
Capital outlay				
Total planning and development	<u>2,412,003</u>	<u>2,511,644</u>	<u>2,258,201</u>	<u>253,443</u>
Economic development:				
Personal services	137,400	139,100	139,094	6
Operating expenditures	591,976	590,276	399,760	190,516
Capital outlay				
Total economic development	<u>729,376</u>	<u>729,376</u>	<u>538,854</u>	<u>190,522</u>
Miscellaneous:				
Operating expenditures	1,276,803	1,277,803	985,713	292,090
Total miscellaneous	<u>1,276,803</u>	<u>1,277,803</u>	<u>985,713</u>	<u>292,090</u>
Total general government	<u>12,189,109</u>	<u>12,366,407</u>	<u>11,139,361</u>	<u>1,227,046</u>
Police:				
Personal services	10,541,300	10,601,300	10,550,297	51,003
Operating expenditures	2,115,268	2,115,061	1,754,357	360,704
Capital outlay	164,836	160,000	115,037	44,963
Total police	<u>12,821,404</u>	<u>12,876,361</u>	<u>12,419,691</u>	<u>456,670</u>
Fire:				
Personal services	7,882,600	8,083,600	8,062,324	21,276
Operating expenditures	2,344,362	2,258,512	1,933,500	325,012
Capital outlay	796,000	676,000	206,844	469,156
Total fire	<u>11,022,962</u>	<u>11,018,112</u>	<u>10,202,668</u>	<u>815,444</u>
Public works:				
Engineering department:				
Personal services	2,014,000	2,014,000	1,970,989	43,011
Operating expenditures	447,573	452,883	310,140	142,743
Capital outlay				
Total engineering department	<u>2,461,573</u>	<u>2,466,883</u>	<u>2,281,129</u>	<u>185,754</u>
Street lighting:				
Operating expenditures	540,000	540,000	506,251	33,749
Total street lighting	<u>540,000</u>	<u>540,000</u>	<u>506,251</u>	<u>33,749</u>
Total public works	<u>3,001,573</u>	<u>3,006,883</u>	<u>2,787,380</u>	<u>219,503</u>
Transfers to other funds	18,913,000	20,945,150	15,221,132	5,724,018
Total charges to appropriations	<u>57,948,048</u>	<u>60,212,913</u>	<u>51,770,232</u>	<u>8,442,681</u>
Fund balance, December 31	<u>\$32,154,198</u>	<u>\$29,927,333</u>	<u>\$39,595,363</u>	<u>\$9,668,030</u>

See accompanying notes to the required supplementary information.

## 36 CITY OF KETTERING, OHIO

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - STREET MAINTENANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$344,764	\$344,764	\$344,764	
Resources (inflows)				
Licenses and permits	10,000	10,000	7,560	(\$2,440)
Intergovernmental revenue	2,530,000	2,540,000	2,493,387	(46,613)
Refunds and reimbursements	200,000	200,000	310,646	110,646
Miscellaneous	5,000	15,000	12,625	(2,375)
Sale of city assets	20,000	20,000	20,211	211
Transfer from the general fund	2,977,000	3,328,810	2,811,600	(517,210)
Amounts available for appropriation	6,086,764	6,458,574	6,000,793	(457,781)
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	3,873,600	3,873,600	3,671,347	202,253
Operating expenditures	1,908,415	2,253,383	1,724,812	528,571
Capital outlay	250,897	250,897	64,081	186,816
Total charges to appropriations	6,032,912	6,377,880	5,460,240	917,640
Fund balance, December 31	\$53,852	\$80,694	\$540,553	\$459,859

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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$94,780	\$94,780	\$94,780	
Resources (inflows)				
Intergovernmental revenue	10,000	9,800	13,548	\$3,748
Charges for services	3,305,000	3,216,000	3,048,057	(167,943)
Refunds and reimbursements	101,000	106,000	65,105	(40,895)
Miscellaneous	23,000	17,000	31,020	14,020
Sale of city assets			4,303	4,303
Transfer from the general fund	5,850,000	6,141,508	5,772,400	(369,108)
Amounts available for appropriation	9,383,780	9,585,088	9,029,213	(555,875)
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	5,326,300	5,326,300	5,125,190	201,110
Operating expenditures	3,895,068	4,091,104	3,773,318	317,786
Capital outlay	40,000	45,400	45,352	48
Total charges to appropriations	9,261,368	9,462,804	8,943,860	518,944
Fund balance, December 31	\$122,412	\$122,284	\$85,353	(\$36,931)

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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$107,162	\$107,162	\$107,162	
Resources (inflows)				
Charges for services	2,615,000	3,055,000	3,094,460	\$39,460
Refunds and reimbursements	5,000	3,000	1,000	(2,000)
Miscellaneous	245,000	342,000	356,713	14,713
Transfer from the general fund	300,000	300,000		(300,000)
Amounts available for appropriation	<u>3,272,162</u>	<u>3,807,162</u>	<u>3,559,335</u>	<u>(247,827)</u>
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	704,600	684,600	680,462	4,138
Operating expenditures	2,496,669	2,613,789	2,520,781	93,008
Total charges to appropriations	<u>3,201,269</u>	<u>3,298,389</u>	<u>3,201,243</u>	<u>97,146</u>
Fund balance, December 31	<u>\$70,893</u>	<u>\$508,773</u>	<u>\$358,092</u>	<u>(\$150,681)</u>

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -  
 COMMUNITY DEVELOPMENT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,132,403	\$1,132,403	\$1,132,403	
Resources (inflows)				
Intergovernmental revenue	3,878,135	3,878,635	2,261,890	(\$1,616,745)
Investment earnings	2,500	2,500	1,338	(1,162)
Miscellaneous	27,400	27,400	16,931	(10,469)
Sale of city assets	37,500	37,500	35,048	(2,452)
Amounts available for appropriation	<u>5,077,938</u>	<u>5,078,438</u>	<u>3,447,610</u>	<u>(1,630,828)</u>
Charges to appropriations (outflows)				
General government	1,323,461	1,320,812	720,407	600,405
Capital improvements	2,737,396	2,806,499	1,443,120	1,363,379
Total charges to appropriations	<u>4,060,857</u>	<u>4,127,311</u>	<u>2,163,527</u>	<u>1,963,784</u>
Fund balance, December 31	<u>\$1,017,081</u>	<u>\$951,127</u>	<u>\$1,284,083</u>	<u>\$332,956</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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$7,548,628	\$7,548,628	\$7,548,628	
Resources (inflows)				
Charges for services	1,500,000	1,375,000	1,395,922	\$20,922
Investment earnings	225,000	225,000	145,402	(79,598)
Refunds and reimbursements				
Amounts available for appropriation	9,273,628	9,148,628	9,089,952	(58,676)
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	154,875	157,878	104,196	53,682
Capital outlay	1,125,183	1,115,183	722,134	393,049
Total fire	1,280,058	1,273,061	826,330	446,731
Capital Improvements				
Total charges to appropriations	1,280,058	1,273,061	826,330	446,731
Fund balance, December 31	\$7,993,570	\$7,875,567	\$8,263,622	\$388,055

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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## 1. BUDGETS AND BUDGETARY ACCOUNTING

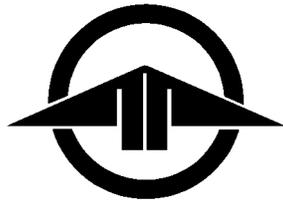
An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings 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, 2010

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
<b>ASSETS</b>						
Pooled cash and investments	\$74,013	\$397,575	\$405,877	\$55,428	\$3,164,629	\$4,097,522
Receivables:						
Property taxes			401,000			401,000
Accounts				313		313
Due from other governments	130,784		9		78,352	209,145
Prepaid expenditures						
Total assets	<u>\$204,797</u>	<u>\$397,575</u>	<u>\$806,886</u>	<u>\$55,741</u>	<u>\$3,242,981</u>	<u>\$4,707,980</u>
<b>LIABILITIES</b>						
Accounts payable	\$403	\$800		\$14,634	\$8,248	\$24,085
Accrued payroll			\$395,317		6,066	401,383
Deferred revenue	116,878		401,000		14,132	532,010
Total liabilities	<u>117,281</u>	<u>800</u>	<u>796,317</u>	<u>14,634</u>	<u>28,446</u>	<u>957,478</u>
<b>FUND BALANCES</b>						
Nonspendable: Prepays						
Restricted for:						
Public safety			10,569		817,382	827,951
Road construction / Public works	87,516					87,516
Leisure services					7,732	7,732
Municipal court activities					1,399,197	1,399,197
Committed to:						
Social services					7,298	7,298
Public safety					12,027	12,027
Leisure services		396,775			970,899	1,367,674
Other purposes				41,107		41,107
Total fund balances	<u>87,516</u>	<u>396,775</u>	<u>10,569</u>	<u>41,107</u>	<u>3,214,535</u>	<u>3,750,502</u>
Total liabilities and fund balances	<u>\$204,797</u>	<u>\$397,575</u>	<u>\$806,886</u>	<u>\$55,741</u>	<u>\$3,242,981</u>	<u>\$4,707,980</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, 2010

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes						
Intergovernmental revenue	\$316,000	\$271,118	(\$44,882)			
Charges for services				\$7,000	\$12,711	\$5,711
Fines and forfeits						
Investment earnings	1,000	2,945	1,945	5,000	7,145	2,145
Refunds and reimbursements		25,876	25,876			
Miscellaneous				3,000	1,900	(1,100)
Total revenues	<u>317,000</u>	<u>299,939</u>	<u>(17,061)</u>	<u>15,000</u>	<u>21,756</u>	<u>6,756</u>
EXPENDITURES						
Current:						
General government				20,000	11,622	8,378
Police						
Fire						
Public works	131,000	128,813	2,187			
Leisure services						
Capital improvements	158,000	97,088	60,912			
Total expenditures	<u>289,000</u>	<u>225,901</u>	<u>63,099</u>	<u>20,000</u>	<u>11,622</u>	<u>8,378</u>
Excess (deficiency) of revenues over expenditures	28,000	74,038	46,038	(5,000)	10,134	15,134
OTHER FINANCING SOURCES (USES)						
Transfers in	505,000		(505,000)			
Transfers out						
Net change in fund balance	<u>533,000</u>	<u>74,038</u>	<u>(458,962)</u>	<u>(5,000)</u>	<u>10,134</u>	<u>15,134</u>
Fund balances--beginning	13,478	13,478		386,641	386,641	
Fund balances--ending	<u>\$546,478</u>	<u>\$87,516</u>	<u>(\$458,962)</u>	<u>\$381,641</u>	<u>\$396,775</u>	<u>\$15,134</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, 2010**

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$399,000	\$398,929	(\$71)			
Intergovernmental revenue						
Charges for services				\$33,000	\$31,622	(\$1,378)
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				11,000	10,964	(36)
Miscellaneous						
Total revenues	<u>399,000</u>	<u>398,929</u>	<u>(71)</u>	<u>44,000</u>	<u>42,586</u>	<u>(1,414)</u>
EXPENDITURES						
Current:						
General government				241,675	178,805	62,870
Police	1,426,900	1,395,323	31,577			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,426,900</u>	<u>1,395,323</u>	<u>31,577</u>	<u>241,675</u>	<u>178,805</u>	<u>62,870</u>
Excess (deficiency) of revenues over expenditures	(1,027,900)	(996,394)	31,506	(197,675)	(136,219)	61,456
OTHER FINANCING SOURCES (USES)						
Transfers in	1,048,000	996,400	(51,600)	140,000	115,000	(25,000)
Transfers out						
Net change in fund balance	<u>20,100</u>	<u>6</u>	<u>(20,094)</u>	<u>(57,675)</u>	<u>(21,219)</u>	<u>36,456</u>
Fund balances--beginning	10,563	10,563		62,326	62,326	
Fund balances--ending	<u>\$30,663</u>	<u>\$10,569</u>	<u>(\$20,094)</u>	<u>\$4,651</u>	<u>\$41,107</u>	<u>\$36,456</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, 2010

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes				\$399,000	\$398,929	(\$71)
Intergovernmental revenue	\$482,017	\$414,066	(\$67,951)	798,017	685,184	(112,833)
Charges for services				40,000	44,333	4,333
Fines and forfeits	418,000	455,600	37,600	418,000	455,600	37,600
Investment earnings	14,000	2,920	(11,080)	20,000	13,010	(6,990)
Refunds and reimbursements				11,000	36,840	25,840
Miscellaneous	110,000	119,017	9,017	113,000	120,917	7,917
Total revenues	<u>1,024,017</u>	<u>991,603</u>	<u>(32,414)</u>	<u>1,799,017</u>	<u>1,754,813</u>	<u>(44,204)</u>
EXPENDITURES						
Current:						
General government	692,662	426,334	266,328	954,337	616,761	337,576
Police	400,347	161,557	238,790	1,827,247	1,556,880	270,367
Fire	3,000		3,000	3,000		3,000
Public works	22,641	15,195	7,446	153,641	144,008	9,633
Leisure services	96,303	28,615	67,688	96,303	28,615	67,688
Capital improvements	96,872	56,104	40,768	254,872	153,192	101,680
Total expenditures	<u>1,311,825</u>	<u>687,805</u>	<u>624,020</u>	<u>3,289,400</u>	<u>2,499,456</u>	<u>789,944</u>
Excess (deficiency) of revenues over expenditures	(287,808)	303,798	591,606	(1,490,383)	(744,643)	745,740
OTHER FINANCING SOURCES (USES)						
Transfers in	43,262	31,732	(11,530)	1,736,262	1,143,132	(593,130)
Transfers out						
Net change in fund balance	(244,546)	335,530	580,076	245,879	398,489	152,610
Fund balances--beginning	2,879,005	2,879,005		3,352,013	3,352,013	
Fund balances--ending	<u>\$2,634,459</u>	<u>\$3,214,535</u>	<u>\$580,076</u>	<u>\$3,597,892</u>	<u>\$3,750,502</u>	<u>\$152,610</u>

**DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$1,283,000	\$1,276,080	(\$6,920)
Investment earnings	20,000	34,057	14,057
Special assessments	149,000	149,592	592
Refunds and reimbursements	26,000	26,484	484
Total revenues	<u>1,478,000</u>	<u>1,486,213</u>	<u>8,213</u>
EXPENDITURES			
Current:			
General government	2,000		2,000
Debt service:			
Principal	1,021,134	1,021,134	
Interest	672,521	672,521	
Total expenditures	<u>1,693,655</u>	<u>1,693,655</u>	<u>2,000</u>
Deficiency of revenues over expenditures	(217,655)	(207,442)	10,213
OTHER FINANCING SOURCES (USES)			
Transfers in	292,000	290,000	(2,000)
Net change in fund balance	74,345	82,558	8,213
Fund balances--beginning	<u>715,127</u>	<u>715,127</u>	
Fund balances--ending	<u>\$789,472</u>	<u>\$797,685</u>	<u>\$8,213</u>

CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$128,000	\$137,229	\$9,229
Intergovernmental	11,966,000	7,556,824	(4,409,176)
Investment earnings		114,040	114,040
Special assessments	459,000	459,532	532
Refunds and reimbursements	700,000	592,564	(107,436)
Total revenues	<u>13,253,000</u>	<u>8,860,189</u>	<u>(4,392,811)</u>
EXPENDITURES			
Capital improvements	36,024,014	17,386,788	18,637,226
Total expenditures	<u>36,024,014</u>	<u>17,386,788</u>	<u>18,637,226</u>
Deficiency of revenues over expenditures	(22,771,014)	(8,526,599)	14,244,415
OTHER FINANCING SOURCES (USES)			
Transfers in	9,146,570	5,204,000	(3,942,570)
Net change in fund balance	<u>(13,624,444)</u>	<u>(3,322,599)</u>	<u>10,301,845</u>
Fund balances--beginning	<u>16,114,105</u>	<u>16,114,105</u>	
Fund balances--ending	<u><u>\$2,489,661</u></u>	<u><u>\$12,791,506</u></u>	<u><u>\$10,301,845</u></u>

CAPITAL PROJECTS FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2010

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$155,000	\$99,507	\$55,493
Street construction	13,124,440	7,046,683	6,077,757
Drainage	50,000	9,991	40,009
Parks and recreation	18,263,083	6,572,254	11,690,829
Tree planting and landscaping	131,498	36,655	94,843
Other	4,299,993	3,621,698	678,295
Total capital projects fund	<u>\$36,024,014</u>	<u>\$17,386,788</u>	<u>\$18,637,226</u>

INTERNAL SERVICE FUNDS  
 COMBINING BALANCE SHEET  
 DECEMBER 31, 2010

	Administrative Operations	Health Insurance	Totals
<b>ASSETS</b>			
Current assets:			
Pooled cash and investments	\$612,165	\$39	\$612,204
Accounts receivable	88		88
Prepaid expenses		333,552	333,552
Inventory	322,453		322,453
Total current assets	<u>934,706</u>	<u>333,591</u>	<u>1,268,297</u>
Noncurrent assets:			
Buildings and improvements	757,936		757,936
Machinery and equipment	1,981,674		1,981,674
Less: Accumulated depreciation	(2,278,824)		(2,278,824)
Total noncurrent assets	<u>460,786</u>		<u>460,786</u>
Total assets	<u><u>\$1,395,492</u></u>	<u><u>\$333,591</u></u>	<u><u>\$1,729,083</u></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$182,821		\$182,821
Due to General fund		\$304,400	304,400
Accrued payroll	136,964		136,964
Total current liabilities	<u>319,785</u>	<u>304,400</u>	<u>624,185</u>
Noncurrent liabilities:			
Accrued vacation and sick leave benefits	346,416		346,416
Total liabilities	<u>666,201</u>	<u>304,400</u>	<u>970,601</u>
<b>NET ASSETS</b>			
Invested in capital assets	460,785		460,785
Unrestricted	268,506	29,191	297,697
Total net assets	<u>729,291</u>	<u>29,191</u>	<u>758,482</u>
Total liabilities and net assets	<u><u>\$1,395,492</u></u>	<u><u>\$333,591</u></u>	<u><u>\$1,729,083</u></u>

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INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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	Administrative Operations	Health Insurance	Totals
OPERATING REVENUES			
Charges for services	\$6,022,427	\$4,424,651	\$10,447,078
Total operating revenues	<u>6,022,427</u>	<u>4,424,651</u>	<u>10,447,078</u>
OPERATING EXPENSES			
Personal services	3,174,552		3,174,552
Repairs and maintenance	1,435,510		1,435,510
Contractual services	684,954	4,424,687	5,109,641
Other materials and expenses	567,475		567,475
Depreciation	130,267		130,267
Total operating expenses	<u>5,992,758</u>	<u>4,424,687</u>	<u>10,417,445</u>
Operating income (loss)	<u>29,669</u>	<u>(36)</u>	<u>29,633</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	12,359	62	12,421
Change in net assets	42,028	26	42,054
Total net assets--beginning	<u>687,263</u>	<u>29,165</u>	<u>716,428</u>
Total net assets--ending	<u>\$729,291</u>	<u>\$29,191</u>	<u>\$758,482</u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2010  
 Increase (Decrease) in cash

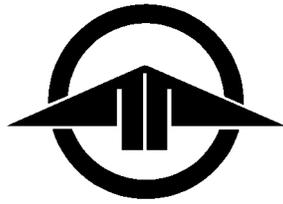
	Administrative Operations	Health Insurance	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received for services	\$6,041,589	\$4,424,651	\$10,466,240
Cash paid to suppliers for goods or services	(2,610,186)	(4,494,778)	(7,104,964)
Cash paid to employees for services	(3,166,667)		(3,166,667)
Net cash provided (used) by operating activities	<u>264,736</u>	<u>(70,127)</u>	<u>194,609</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(17,185)		(17,185)
Loan from General fund		70,100	70,100
Sale of capital assets	232		232
Net cash used by capital and related financing activities	<u>(16,953)</u>	<u>70,100</u>	<u>53,147</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	12,359	62	12,421
Net cash provided by investing activities	<u>12,359</u>	<u>62</u>	<u>12,421</u>
Net increase (decrease) in cash	260,142	35	260,177
Cash at beginning of year	<u>352,023</u>	<u>4</u>	<u>352,027</u>
Cash at end of year	<u><u>\$612,165</u></u>	<u><u>\$39</u></u>	<u><u>\$612,204</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$29,669	(\$36)	\$29,633
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	130,267		130,267
(Increase) decrease in receivables	19,394		19,394
(Increase) decrease in inventories	10,264		10,264
Increase (decrease) in accounts payable	66,684		66,684
Net (increase) decrease in other operating net assets	8,458	(70,091)	(61,633)
Net cash provided (used) by operating activities	<u><u>\$264,736</u></u>	<u><u>(\$70,127)</u></u>	<u><u>\$194,609</u></u>

**AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance December 31 2009	Additions	Deductions	Balance December 31 2010
<u>PAYROLL WITHHOLDING FUND</u>				
ASSETS - Cash	\$245,807	\$10,400,668	\$10,388,614	\$257,861
LIABILITIES - Withholdings payable	\$245,807	\$10,400,668	\$10,388,614	\$257,861
<u>MUNICIPAL COURT FUND</u>				
ASSETS - Investments with fiscal agent	\$331,776	\$4,367,366	\$4,420,165	\$278,977
LIABILITIES - Undistributed moneys	\$331,776	\$4,367,366	\$4,420,165	\$278,977
<u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u>				
ASSETS - Cash	\$7,328	\$153,395	\$153,470	\$7,253
LIABILITIES				
Accounts payable	\$4,310	\$147,015	\$148,978	\$2,347
Unclaimed moneys	3,018	6,380	4,492	4,906
Total liabilities	\$7,328	\$153,395	\$153,470	\$7,253
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$253,135	\$10,554,063	\$10,542,084	\$265,114
Investments with fiscal agent	331,776	4,367,366	4,420,165	278,977
Total assets	\$584,911	\$14,921,429	\$14,962,249	\$544,091
LIABILITIES				
Accounts payable	\$4,310	\$147,015	\$148,978	\$2,347
Withholdings payable	245,807	10,400,668	10,388,614	257,861
Undistributed moneys	331,776	4,367,366	4,420,165	278,977
Unclaimed moneys	3,018	6,380	4,492	4,906
Total liabilities	\$584,911	\$14,921,429	\$14,962,249	\$544,091

**DEBT SCHEDULE  
DECEMBER 31, 2010**

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2011	
						Principal	Interest
General Obligation Bonds:							
Street Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	\$524,921	\$88,217	\$43,481	\$5,866
Street Improvement bonds-series 1992	11/1/1992	3.25-6.45	12/1/2012	994,303	165,000	80,000	10,643
Court facility	3/29/2005	3.0-4.5	12/1/2024	3,950,000	3,085,000	170,000	127,983
Recreation & Parks Improvement	5/28/2009	3.0-5.0	12/1/2028	12,300,000	11,625,000	465,000	460,918
Total general obligation bonds					<u>14,963,217</u>	<u>758,481</u>	<u>605,410</u>
Special Assessment Bonds:							
Street Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	1,665,079	271,783	131,519	18,074
Total special assessment bonds					<u>271,783</u>	<u>131,519</u>	<u>18,074</u>
Promissory Notes:							
Ohio public works commission:							
Bridge replacements	12/1/1994	0.00	7/1/2015	280,393	65,348	14,020	0
Rushland drive improvement	7/1/1996	0.00	7/1/2016	122,577	36,773	6,129	0
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	912,431	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	365,566	23,374	10,793
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	428,811	34,305	0
Ridgeway Bridge Rehab	12/31/2004	1.00	7/1/2025	380,000	291,985	18,136	2,875
Total promissory notes					<u>2,100,914</u>	<u>172,000</u>	<u>13,668</u>
Total					<u>\$17,335,914</u>	<u>\$1,062,000</u>	<u>\$637,152</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.

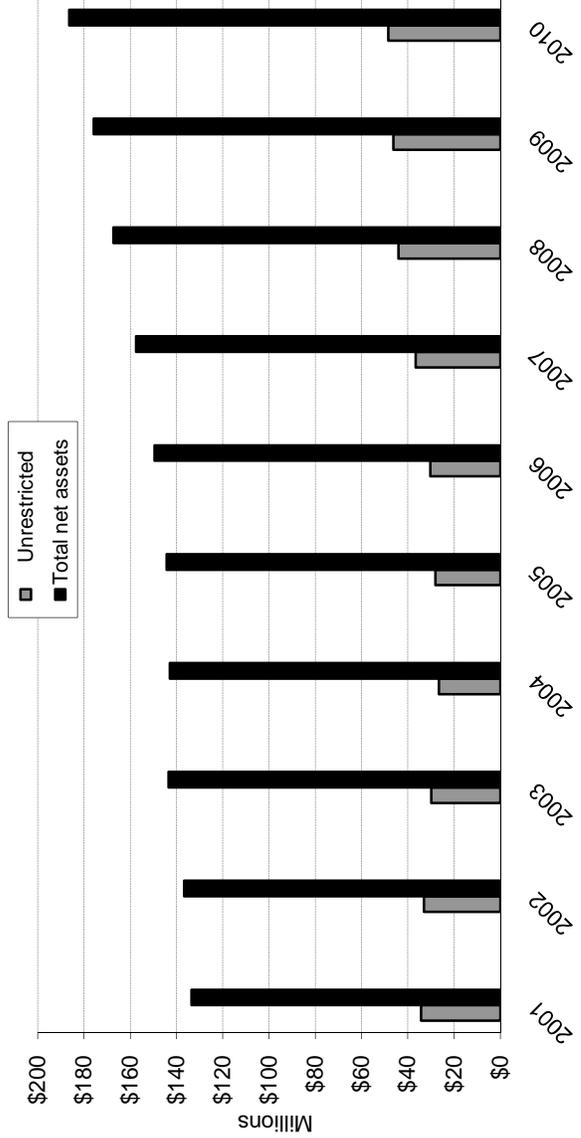
SCHEDULE 1

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities										
Invested in capital assets, net of related debt	\$95,986,319	\$100,065,903	\$109,267,077	\$112,412,581	\$112,076,412	\$113,557,610	\$113,438,967	\$113,942,666	\$105,196,955	\$124,238,000
Restricted for:										
Debt service	38,533	46,554	34,549	15,178	15,638	16,476	16,697	12,367	715,127	797,685
Social services	2,035,858	2,080,807	1,863,768	1,043,771	1,255,296	1,379,856	1,495,228	1,409,593	1,691,954	1,913,673
Public safety	145,955	152,010	1,084,425	1,251,530	1,756,451	3,124,736	4,550,806	6,472,806	8,422,177	9,189,154
Leisure services	7,104	119,787	38,496	11,039	36,232	43,756	64,198	58,234	12,064,953	86,165
Municipal court activities	559,340	742,720	957,095	1,112,424	660,228	764,100	876,020	1,054,048	1,236,513	1,399,197
Other purposes	444,840	460,589	284,734	403,659	407,886	379,322	327,576	279,542	171,133	204,394
Unrestricted	34,320,366	33,037,037	29,905,347	26,619,777	28,054,056	30,230,404	36,673,435	44,019,123	46,312,490	48,507,291
<b>Total net assets</b>	<b>\$133,538,315</b>	<b>\$136,705,407</b>	<b>\$143,435,491</b>	<b>\$142,869,959</b>	<b>\$144,262,199</b>	<b>\$149,496,260</b>	<b>\$157,442,927</b>	<b>\$167,248,379</b>	<b>\$175,811,302</b>	<b>\$186,335,559</b>

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

Net Assets (accrual basis)



# CITY OF KETTERING, OHIO

## SCHEDULE 2

### CHANGES IN NET ASSETS

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

Expenses	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	\$10,716,604	\$11,179,273	\$12,142,127	\$13,210,288	\$12,339,967	\$14,150,379	\$17,232,295	\$13,755,091	\$13,175,646	\$12,813,463
Police	10,270,530	10,626,973	10,840,287	11,282,263	11,530,015	12,914,191	12,849,315	13,760,327	13,658,265	14,161,364
Fire	7,349,117	7,569,675	7,768,263	8,768,088	8,380,554	8,709,771	8,932,687	9,666,999	9,968,087	10,504,095
Public works	9,812,828	10,803,744	11,236,775	11,926,820	11,813,178	11,360,485	12,263,789	13,400,995	12,901,084	13,425,510
Leisure services	10,832,180	11,665,610	11,479,183	11,834,644	11,873,881	12,416,056	12,234,615	13,254,478	12,836,109	13,038,928
Interest on long term debt	541,085	458,517	386,200	292,918	1,168,357	1,180,009	1,148,457	1,144,483	504,262	671,334
Total expenses	49,522,344	52,303,792	53,852,835	57,315,021	57,105,952	60,730,891	64,661,158	64,985,473	63,043,453	64,614,694
<b>Program Revenues</b>										
Charges for services:										
General government	2,015,725	2,353,231	2,344,241	2,436,404	2,704,373	2,496,686	2,623,279	2,644,901	2,443,428	2,475,623
Fire	4,098,781	4,508,945	4,398,036	5,085,696	5,379,969	5,344,896	5,852,344	6,439,659	6,001,520	6,142,517
Leisure services	880	205	67,602	62,639	55,265	56,126	64,520	85,171	63,138	42,761
Other activities	1,216,785	1,743,952	1,388,760	1,623,605	1,563,184	1,253,950	1,225,065	2,367,960	1,484,287	1,594,869
Capital grants and contributions:										
Public works	4,284,996	3,779,248	6,560,882	2,583,208	2,187,075	3,216,110	3,286,179	1,677,377	3,692,950	4,944,692
Other activities	367,750		58,653	29,216	203,067	904,254	302,002	36,521	163,106	1,286,315
Total program revenues	11,984,917	12,385,581	15,962,965	12,807,505	13,249,510	14,615,303	14,787,353	14,773,693	15,278,887	17,893,861
<b>Net (Expense)/Revenue <sup>1</sup></b>										
General government	(7,591,743)	(7,615,770)	(8,920,581)	(9,489,609)	(8,400,440)	(9,876,734)	(13,528,315)	(10,308,033)	(9,710,841)	(7,945,813)
Police	(10,198,837)	(10,534,263)	(10,692,821)	(11,201,292)	(11,402,343)	(12,759,270)	(12,776,771)	(13,656,869)	(13,526,758)	(14,120,321)
Fire	(7,319,277)	(7,569,335)	(6,568,248)	(7,763,976)	(7,217,962)	(7,366,390)	(7,495,208)	(8,144,890)	(8,537,529)	(9,096,708)
Public works	(5,477,029)	(6,971,161)	(4,519,146)	(9,251,925)	(9,459,835)	(8,138,835)	(8,935,470)	(10,692,207)	(9,200,350)	(8,464,176)
Leisure services	(6,409,456)	(6,769,165)	(6,802,874)	(6,497,796)	(6,207,966)	(6,794,350)	(5,989,584)	(6,265,298)	(6,284,826)	(6,422,481)
Interest on long term debt	(541,085)	(458,517)	(386,200)	(292,918)	(1,168,357)	(1,180,009)	(1,148,457)	(1,144,483)	(504,262)	(671,334)
Total net expense	(37,537,427)	(39,918,211)	(37,889,870)	(44,507,516)	(43,856,442)	(46,115,588)	(49,873,805)	(50,211,780)	(47,764,566)	(46,720,833)
<b>General Revenues</b>										
Taxes										
Income taxes	23,660,299	25,341,919	25,607,227	27,526,627	26,832,269	31,286,014	37,037,639	38,381,641	34,846,179	37,352,248
Property taxes, levied for general purposes	6,618,088	6,706,279	7,025,307	7,134,615	7,533,530	8,086,778	8,054,971	8,220,419	8,094,861	8,117,860
Property taxes, levied for debt service	1,169,189	1,192,441	1,183,447	1,205,190	1,279,605	1,304,564	1,288,494	1,303,288	1,252,025	1,276,080
Other taxes	6,992,076	6,432,237	8,302,792	6,259,591	6,829,478	7,300,029	7,849,842	8,607,168	7,464,283	7,630,175
Investment earnings	2,071,226	1,381,779	780,231	513,456	983,308	1,717,776	2,094,842	1,954,419	2,963,720	1,173,152
Refunds & reimbursements	2,212,010	1,306,890	1,284,483	1,182,084	1,547,397	1,327,366	1,249,838	1,296,369	1,484,720	1,516,425
Miscellaneous	418,087	723,758	436,467	120,421	243,095	327,122	244,846	253,928	221,701	179,150
Total general revenues	43,140,975	43,085,303	44,619,954	43,941,984	45,248,682	51,349,649	57,820,472	60,017,232	56,327,489	57,245,090
<b>Change in Net Assets</b>	\$5,603,548	\$3,167,092	\$6,730,084	(\$565,532)	\$1,392,240	\$5,234,061	\$7,946,667	\$9,805,452	\$8,562,923	\$10,524,257

(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.

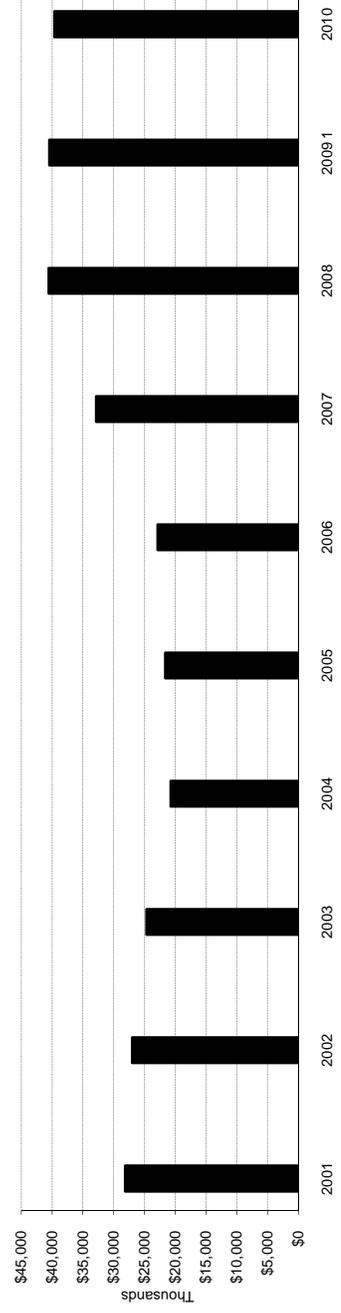
SCHEDULE 3

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN YEARS (modified accrual basis of accounting)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$2,004,958	\$1,658,540	\$1,919,131	\$2,310,521	\$2,001,802	\$978,704	\$1,309,942	\$873,976		\$24,580
Unreserved	26,116,746	25,320,039	22,751,848	18,448,822	19,604,920	21,888,750	31,525,822	39,652,679		642,664
Nonspendable										104,717
Committed										39,347,709
Assigned										38,823,402
Unassigned										\$39,595,363
<b>Total general fund</b>	<b>\$28,121,704</b>	<b>\$26,978,579</b>	<b>\$24,670,979</b>	<b>\$20,759,343</b>	<b>\$21,606,722</b>	<b>\$22,867,454</b>	<b>\$32,835,764</b>	<b>\$40,526,655</b>	<b>\$40,457,246</b>	<b>\$39,595,363</b>
All Other Governmental Funds										
Reserved	\$6,995,171	\$6,723,658	\$5,796,672	\$5,176,218	\$5,944,495	\$7,288,657	\$2,799,221	\$3,621,226		\$145,322
Unreserved, reported in:										
Special revenue funds	1,140,426	1,662,040	2,360,777	2,481,977	2,767,404	4,314,413	6,350,672	7,336,947		12,249,153
Debt service fund	38,533	46,554	34,549	15,178	15,638	16,476	16,697	12,367		797,685
Capital project fund	10,445	10,305	18,903	10,463	227,841	10,046	1,196,328	19,910		6,834,838
Nonspendable, reported in:										
Special revenue funds										
Special revenue funds										
Debt service fund										
Capital project fund										
Committed, reported in:										
Special revenue funds										
Capital project fund										
Unassigned, reported in:										
Special revenue funds										
<b>Total all other governmental funds</b>	<b>\$8,184,575</b>	<b>\$8,442,557</b>	<b>\$8,210,901</b>	<b>\$7,683,836</b>	<b>\$8,955,378</b>	<b>\$11,629,592</b>	<b>\$10,362,918</b>	<b>\$10,990,450</b>	<b>\$29,408,983</b>	<b>(379,052)</b>
										<b>\$27,871,396</b>

General Fund Balance



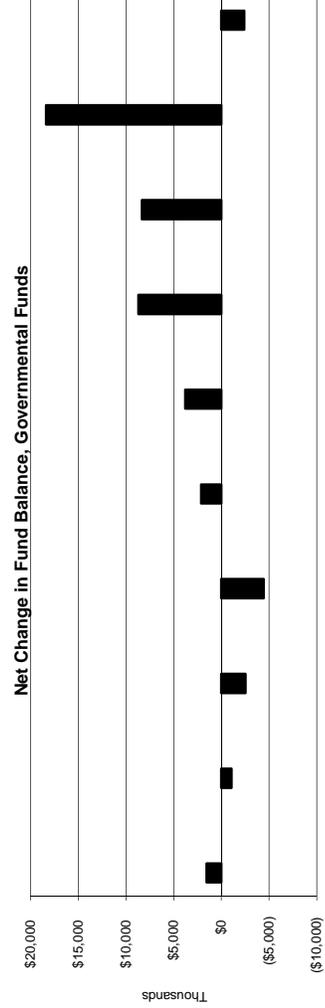
(1) Fund balance classifications changed in 2009 due to the adoption of GASB Statement No. 54.

# CITY OF KETTERING, OHIO

## SCHEDULE 4

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>REVENUES</b>										
Income taxes	\$23,866,680	\$25,095,930	\$26,033,273	\$26,783,319	\$27,221,521	\$31,241,870	\$37,128,614	\$38,244,422	\$35,321,466	\$36,417,018
Property taxes	7,788,476	7,896,919	8,175,853	8,339,304	8,811,235	9,433,041	9,341,465	9,399,507	9,345,887	9,391,640
Licenses and permits	392,917	506,429	567,654	606,617	488,598	541,457	567,742	626,290	528,823	491,322
Intergovernmental revenue	10,276,158	10,043,805	14,669,208	8,597,471	9,156,001	11,159,023	11,238,227	10,158,897	11,890,457	14,648,675
Charges for services	4,223,430	4,615,432	5,448,625	6,436,412	6,925,229	6,909,899	7,517,918	8,152,788	7,663,257	7,730,157
Fines and forfeits	1,499,038	1,740,344	1,674,642	1,681,735	1,914,989	1,762,075	1,919,736	1,867,005	1,780,070	1,835,344
Investment earnings	2,071,226	1,381,779	780,228	513,456	983,308	1,717,776	2,094,842	1,954,417	2,963,721	1,173,151
Special assessments	1,251,362	1,308,754	1,024,871	1,203,717	1,402,805	902,767	978,014	1,024,719	1,006,879	1,019,237
Refunds and reimbursements	2,576,280	1,626,962	1,861,388	1,743,828	3,078,251	2,318,409	1,993,372	2,898,427	2,101,691	2,931,420
Miscellaneous	538,633	676,389	669,066	551,897	503,483	540,471	555,991	691,840	555,813	560,693
<b>Total revenues</b>	<b>54,484,200</b>	<b>54,892,743</b>	<b>60,904,808</b>	<b>56,457,756</b>	<b>60,485,420</b>	<b>66,526,788</b>	<b>73,359,921</b>	<b>75,018,312</b>	<b>73,158,064</b>	<b>76,198,657</b>
<b>EXPENDITURES</b>										
Current:										
General government	9,768,669	10,980,711	11,320,369	12,664,622	11,687,503	13,105,797	12,117,032	12,558,705	12,153,096	12,476,529
Police	10,064,525	10,429,392	10,786,712	11,230,625	11,308,886	12,901,716	12,828,081	13,576,481	13,641,191	13,976,571
Fire	7,224,511	7,275,877	7,831,880	8,585,929	8,328,226	8,152,880	8,807,160	9,553,065	9,564,579	11,028,998
Public works	6,897,648	7,952,650	8,173,691	8,529,615	7,674,931	7,528,693	8,117,038	10,145,609	8,514,496	8,391,628
Leisure services	9,335,122	10,283,469	10,438,031	10,352,928	10,602,498	10,725,786	11,387,262	12,487,222	12,084,992	12,173,718
Capital improvements	9,642,134	8,405,483	12,781,912	7,778,704	10,294,799	7,966,574	9,676,701	6,652,398	10,221,062	18,983,100
Debt service:										
Principal	1,648,134	1,718,134	1,952,988	2,057,118	1,387,380	1,313,385	667,018	642,739	775,290	1,021,134
Interest	547,930	465,787	386,244	301,213	1,153,773	1,178,485	1,144,194	1,140,310	463,231	672,521
<b>Total expenditures</b>	<b>55,128,673</b>	<b>57,511,503</b>	<b>63,671,827</b>	<b>61,500,754</b>	<b>62,437,996</b>	<b>62,873,316</b>	<b>64,744,486</b>	<b>66,756,529</b>	<b>67,417,937</b>	<b>78,724,199</b>
Excess (deficiency) of revenues over expenditures	(644,473)	(2,618,760)	(2,767,019)	(5,042,998)	(1,952,576)	3,653,472	8,591,435	8,261,783	5,740,127	(2,525,542)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	11,583,704	10,879,070	11,332,160	12,455,731	8,980,139	10,657,427	8,733,378	9,835,396	15,445,122	15,221,132
Transfers out	(11,583,704)	(10,879,070)	(11,332,160)	(12,455,731)	(8,980,139)	(10,657,427)	(8,733,378)	(9,835,396)	(15,445,122)	(15,221,132)
General obligation debt issuance	1,930,633	987,255	11,140	303,995	3,987,766				12,539,751	
Sale of city assets	258,652	566,362	216,623	300,302	83,731	127,789	110,201	56,640	69,246	126,073
<b>Net change in fund balance</b>	<b>\$1,544,812</b>	<b>(\$1,065,143)</b>	<b>(\$2,539,256)</b>	<b>(\$4,438,701)</b>	<b>\$2,118,921</b>	<b>\$3,781,261</b>	<b>\$8,701,636</b>	<b>\$8,318,423</b>	<b>\$18,349,124</b>	<b>(\$2,399,469)</b>
Debt service as a percentage of noncapital expenditures	4.91%	4.55%	4.72%	4.50%	4.97%	4.60%	3.29%	2.96%	2.16%	2.85%

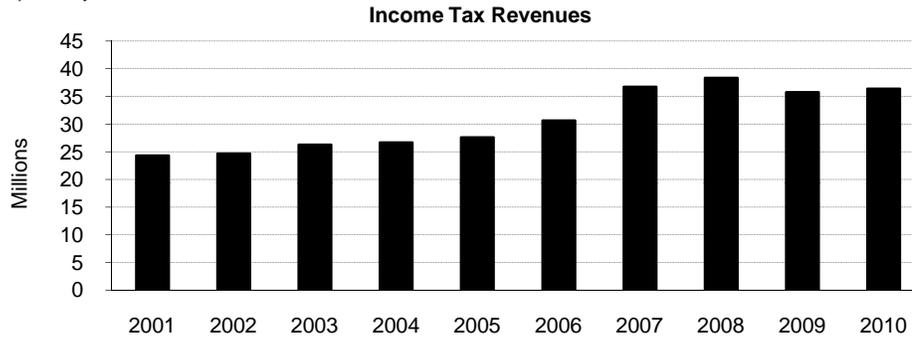


**INCOME TAX BY PAYER TYPE AND INCOME TAX RATE  
LAST TEN YEARS (cash basis of accounting)**

Year	Individual		Total Individual	Corporate	Partnership	Total	Income Tax Rate
	Withholding	Non-withholding					
2001	20,598,600	2,533,287	23,131,887	773,634	411,093	24,316,614	1.75%
2002	20,777,431	2,494,477	23,271,908	973,956	437,015	24,682,879	1.75%
2003	21,881,920	2,781,028	24,662,948	854,079	754,846	26,271,873	1.75%
2004	22,392,839	2,396,909	24,789,748	1,177,124	708,022	26,674,894	1.75%
2005	23,197,704	2,562,530	25,760,234	1,322,451	526,016	27,608,701	1.75%
2006	25,095,721	2,648,736	27,744,457	1,938,223	935,584	30,618,264	1.75%
2007	32,012,871	2,982,064	34,994,935	1,223,994	515,509	36,734,438	2.25%
2008	30,332,016	4,067,241	34,399,257	2,840,391	1,068,253	38,307,901	2.25%
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%

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)**

2010		2000					
Rank	Name	2010 Rank	Rank	Name			
1	Kettering Medical Center	-	1	Delphi Automotive Systems LLC			
2	GE Money	1	2	Kettering Medical Center			
3	Reynolds & Reynolds Company	4	3	Federal Government			
4	Federal Government	3	4	Reynolds & Reynolds Company			
5	Kettering Board of Education	5	5	Kettering Board of Education			
6	Eastman Kodak Company	2 <sup>1</sup>	6	Monogram Services Co LLC			
7	City of Kettering	6 <sup>1</sup>	7	Scitex Digital Printing Inc.			
8	Meadwestvaco Corporation	7	8	City of Kettering			
9	Limited Brands Inc. & Subs	9 <sup>1</sup>	9	Intimate Brands Inc.			
10	Time Warner Entertainment Inc.	-	10	Reed Elsevier Inc.			
Combined percentage of Total Income taxes		26.2%		Combined percentage of Total Income taxes		33.8%	

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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Obligation Bonds	\$7,514,792	\$5,966,977	\$4,349,119	\$2,643,554	\$5,563,536	\$4,564,339	\$4,218,631	\$3,879,270	\$15,689,899	\$14,963,217
Percent of estimated actual property value	0.24%	0.19%	0.13%	0.08%	0.16%	0.12%	0.11%	0.10%	0.44%	0.42%
Per capita	131	104	76	46	97	79	73	67	273	266
Special Assessment Bonds	1,193,560	1,094,375	990,233	905,798	816,127	720,807	619,149	510,730	395,101	271,783
Promissory Notes	2,545,494	3,461,615	3,241,766	3,278,644	3,075,818	2,856,949	2,637,298	2,442,338	2,272,048	2,100,914
Total Gross Incurredness	11,253,846	10,522,967	8,581,118	6,827,996	9,455,481	8,142,095	7,475,078	6,832,338	18,357,048	17,335,914
Percentage of personal income	0.70%	0.65%	0.50%	0.40%	0.53%	0.44%	0.39%	0.35%	1.02%	0.96%
Per capita	196	183	149	119	164	142	130	119	319	309
Less debt outside limitations:										
Special Assessment Debt	1,193,560	1,094,375	990,233	905,798	816,127	720,807	619,149	510,730	395,101	271,783
Promissory Notes	2,545,494	3,461,615	3,241,766	3,278,644	3,075,818	2,856,949	2,637,298	2,442,338	2,272,048	2,100,914
Less debt service fund balance	38,533	46,554	34,549	15,178	15,638	16,476	16,697	12,367	715,127	797,685
Net debt within limitations for both Voted and Unvoted debt	7,476,259	5,920,423	4,314,570	2,628,376	5,547,898	4,547,863	4,201,934	3,866,903	14,974,772	14,165,532
Debt limitation for both Voted and Unvoted debt										
10.5% of assessed valuation	115,633,711	114,650,117	124,670,352	122,665,459	122,629,124	134,354,645	132,966,025	131,355,181	129,749,975	131,262,545
Legal debt margin for Voted and Unvoted debt	\$108,157,452	\$108,729,694	\$120,355,782	\$120,037,083	\$117,081,226	\$129,806,782	\$128,764,091	\$127,488,278	\$114,775,203	\$117,097,013
Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit	6.47%	5.16%	3.46%	2.14%	4.52%	3.38%	3.16%	2.94%	11.54%	10.79%
Net debt within limitations for both Voted and Unvoted debt	\$7,476,259	\$5,920,423	\$4,314,570	\$2,628,376	\$5,547,898	\$4,547,863	\$4,201,934	\$3,866,903	\$14,974,772	\$14,165,532
Less voted debt	3,114,352	2,284,352	1,369,352	429,352	294,663	180,147	82,780	0	12,075,000	11,625,000
Net debt within limitations for Unvoted debt	4,361,907	3,656,071	2,945,218	2,199,024	5,253,235	4,367,716	4,119,154	3,866,903	2,899,772	2,540,532
Debt limitation for Unvoted debt										
5.5% of assessed valuation	60,570,039	60,054,823	65,303,518	64,253,336	64,234,303	70,376,243	69,648,870	68,805,095	67,964,273	68,756,571
Legal debt margin for Unvoted debt	\$56,208,132	\$56,398,752	\$62,358,300	\$62,054,312	\$58,981,068	\$66,008,527	\$65,529,716	\$64,938,192	\$65,064,501	\$66,216,039
Net debt within limitations for Unvoted debt as a percentage of debt limit	7.20%	6.09%	4.51%	3.42%	8.18%	6.21%	5.91%	5.62%	4.27%	3.69%

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT  
DECEMBER 31, 2010

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Kettering <sup>1</sup>	Amount Applicable to City of Kettering
State of Ohio			
City of Kettering	\$16,266,446	100.0%	\$16,266,446
Overlapping debt:			
Kettering City School District	90,975,597	92.0%	83,706,647
Montgomery County	38,125,456	12.3%	4,689,431
Beavercreek Local School District	107,154,199	0.9%	964,388
Total overlapping debt	<u>236,255,252</u>		<u>89,360,466</u>
Total direct and overlapping debt	<u>\$252,521,698</u>		<u>\$105,626,912</u>

Source: Individual jurisdictions.

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

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

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS

Year	Population <sup>1</sup>	Personal Income <sup>2</sup>	Per capita Personal Income <sup>1,2</sup>	Unemployment Rate <sup>3</sup>	Avg Sale Price for a Single Family Home <sup>4</sup>	Total Assessed Property Value <sup>5</sup>	Estimated Actual Property Value <sup>5</sup>
2001	57,502	1,604,823,318	27,909	2.7%	123,524	1,101,273,442	3,174,922,055
2002	57,502	1,614,541,156	28,078	3.5%	132,529	1,091,905,872	3,167,681,964
2003	57,502	1,711,087,014	29,757	5.1%	138,690	1,187,336,684	3,433,251,092
2004	57,502	1,719,884,820	29,910	5.4%	135,081	1,168,242,464	3,453,224,812
2005	57,502	1,787,162,160	31,080	5.3%	141,345	1,167,896,415	3,423,470,549
2006	57,502	1,840,777,025	32,012	4.7%	137,664	1,279,568,048	3,789,173,634
2007	57,502	1,895,821,619	32,970	5.1%	136,445	1,266,343,094	3,826,742,530
2008	57,502	1,952,885,850	33,962	6.2%	124,105	1,251,001,727	3,906,048,887
2009	57,502	1,803,685,371	31,367	10%	121,340	1,235,714,050	3,567,340,682
2010	56,163	1,859,630,280	33,111	10%	125,734	1,250,119,480	3,583,279,738

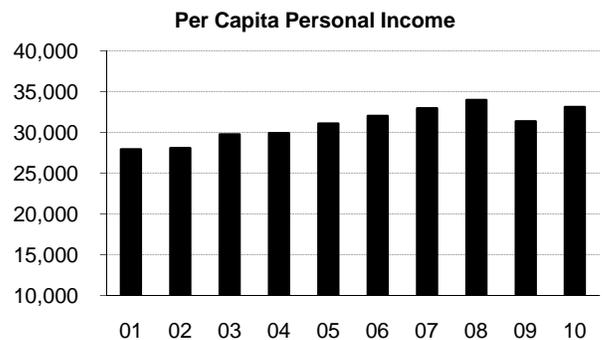
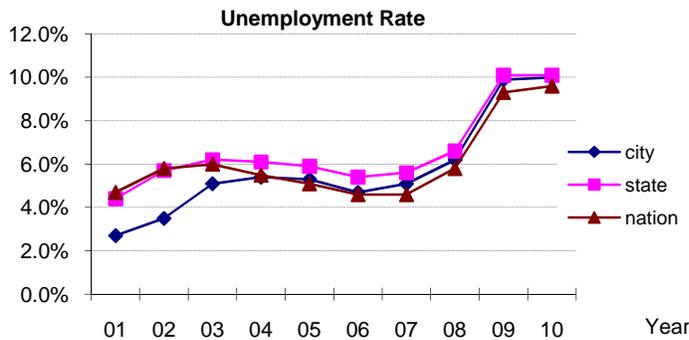
(1) 2000 & 2010 United States Census Bureau.

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

(3) Ohio Bureau of Employment Services.

(4) Dayton Area Board of Realtors, Dayton, Ohio (2010 price range: \$15,110 - \$1,100,000).

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



PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

Employer	2010		2001	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Kettering Medical Center	3,300	13.04%	Kettering Medical Center	3,200 10.63%
GE Money	1,400	5.53%	Delphi Automotive Systems	2,800 9.30%
Reynolds & Reynolds Company	1,300	5.14%	Victoria's Secret Catalog <sup>1</sup>	1,200 3.99%
Kettering City Schools	1,032	4.08%	GE Card Services <sup>2</sup>	1,200 3.99%
Limited Brands Inc.	1,000	3.95%	Kettering City Schools	900 2.99%
City of Kettering	900	3.56%	City of Kettering	900 2.99%
Eastman Kodak Company	703	2.78%	Reynolds & Reynolds Company	700 2.33%
Kroger	630	2.49%	Scitex Digital Printing <sup>3</sup>	650 2.16%
Meijer Inc.	300	1.19%	Defense Finance and Accounting Services	500 1.66%
<b>Total</b>	<b>10,565</b>	<b>41.76%</b>	<b>Total</b>	<b>12,050 40.03%</b>

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

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

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

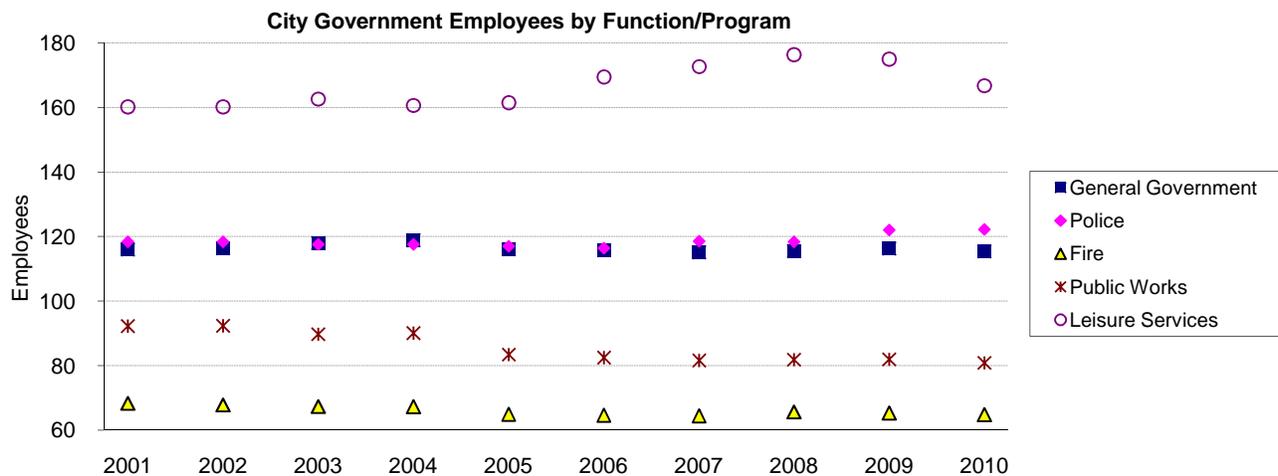
(2) GE Card Services is now GE Money

SCHEDULE 11

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

Function/program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government	116.0	116.4	117.9	118.9	116.1	115.9	115.1	115.5	116.3	115.4
Police	118.4	118.4	117.6	117.6	117.0	116.4	118.5	118.4	122.0	122.2
Fire	68.3	67.8	67.3	67.3	64.9	64.6	64.4	65.6	65.3	64.8
Public Works	92.2	92.3	89.8	90.1	83.5	82.5	81.6	81.9	82.0	80.9
Leisure Services	160.2	160.2	162.7	160.7	161.5	169.4	172.8	176.4	175.0	166.8
<b>Total</b>	<b>555.1</b>	<b>555.1</b>	<b>555.3</b>	<b>554.5</b>	<b>543.0</b>	<b>548.8</b>	<b>552.4</b>	<b>557.8</b>	<b>560.6</b>	<b>550.3</b>

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN YEARS

<u>Function/program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government										
Positions filled <sup>1</sup>	19	17	17	5	5	7	14	26	10	7
Permits issued <sup>2</sup>	3,861	3,705	3,824	3,217	3,301	3,053	2,884	2,779	2,467	2,857
Inspections performed <sup>2</sup>	6,828	7,144	7,435	6,974	6,684	6,352	7,639	6,871	6,254	7,101
CDBG loan applications <sup>3</sup>	14	5	10	18	24	25	96	86	53	60
Payroll checks processed <sup>4</sup>	20,852	20,898	20,648	21,710	20,569	20,003	20,093	20,819	20,955	20,873
Purchase orders issued <sup>5</sup>	2,068	1,816	2,002	2,120	2,063	2,069	2,054	2,281	2,166	1,978
Ordinances & resolutions <sup>6</sup>	230	234	243	206	227	220	182	211	236	198
Court cases <sup>7</sup>	19,979	19,865	18,742	18,358	22,593	21,727	22,962	22,051	20,657	19,903
Police										
Criminal arrests <sup>8</sup>	3,263	3,112	2,854	2,813	3,085	3,030	2,812	2,762	2,710	2,813
Calls for service <sup>9</sup>	65,130	67,320	71,524	69,621	72,643	67,394	67,287	65,131	62,172	61,684
Fire										
Fire alarms <sup>10</sup>	1,397	1,421	2,393	1,604	1,324	1,337	1,197	1,544	1,599	1,603
Medic alarms <sup>10</sup>	4,551	4,601	5,120	4,881	5,214	5,445	5,815	5,896	5,485	5,600
Public Works										
Asphalt resurfacing (miles) <sup>11</sup>	13	14	16	10	4	6	4	7	10	11
Truckloads of leaves picked-up <sup>12</sup>	1,740	2,206	2,062	1,988	1,895	2,050	1,837	1,655	1,858	1,623
Tons of snow melting salt used <sup>12</sup>	2,147	3,000	5,452	4,654	6,465	1,560	4,544	6,341	3,368	5,917
Leisure Services										
Recreation complex attendance <sup>13</sup>	992,825	1,019,547	1,081,740	1,145,268	1,141,493	1,243,657	1,199,370	1,175,368	1,110,815	1,168,708
Fraze Pavilion tickets sold <sup>13</sup>	71,018	75,942	77,727	80,480	78,540	72,383	90,232	90,825	87,969	82,511

- (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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government										
Square footage occupied <sup>1</sup>	25,582	25,582	25,582	25,582	43,108	43,108	43,108	54,933	54,933	54,933
Police										
Stations <sup>1</sup>	1	1	1	1	1	1	1	1	1	1
Square footage of building <sup>1</sup>	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515
Fire										
Stations <sup>1</sup>	7	7	7	7	7	7	7	7	7	7
Public Works										
Miles of roads <sup>2</sup>	246	246	246	246	246	246	246	246	246	246
Miles of storm sewer/channel <sup>2</sup>	173	174	174	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>	408	419	419	419	419	419	419	419	419	419
Recreation complexes square ft <sup>1</sup>	145,000	145,000	145,000	145,000	153,512	153,512	153,512	153,512	153,512	161,119

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



# Dave Yost • Auditor of State

**CITY OF KETTERING**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 10, 2011**