

**CITY OF KETTERING, OHIO**

**Reports on Compliance and Internal Controls  
and Pursuant to OMB Circular A-133**

**For the Year Ended December 31, 2004**





**Auditor of State  
Betty Montgomery**

City Council  
City of Kettering  
3600 Shroyer Rd.  
Kettering, OH 45429

We have reviewed the *Independent Auditor's Report* of the City of Kettering, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 26, 2005

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# CITY OF KETTERING, OHIO

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CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS  
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Independent Auditors' 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, as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 23, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over financial reporting and its operation that we consider to be material weaknesses.

**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 a certain matter that we reported to management of the City of Kettering, Ohio in a separate letter dated March 23, 2005.

This report is intended solely for the information and use of the City's 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 23, 2005



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BUSINESS CONSULTANTS  
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Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Schedule of Expenditures of Federal Awards

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

**Compliance**

We have audited the compliance of City of Kettering (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

**Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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 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.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### **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, 2004, and have issued our report thereon dated March 23, 2005. 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's 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 23, 2005

**CITY OF KETTERING, OHIO**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2004

Federal Grantor/Pass Through Grantor/Program Title	Grant Number	Federal CFDA Number	Grant Award Date	Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grant	B-02-MC-39-0011	14.218	1/18/2002	179,229
Community Development Block Grant	B-03-MC-39-0011	14.218	1/16/2003	286,447
Community Development Block Grant	B-04-MC-39-0011	14.218	1/1/2004	418,338
				<u>884,014</u>
Passed through the Board of County Commissioners of Montgomery County:				
HOME Investment Partnerships Program	M-99-DC-39-0208	14.239	7/23/2002	117,712
HOME Investment Partnerships Program	A-C-03-281-2	14.239	9/1/2003	210,422
				328,134
Lead-Based Paint Hazard Control in Privately-Owned Housing	OHLHB01223-02	14.900	1/30/2003	67,673
Total Passed through the Board of Commissioners of Montgomery County				<u>395,807</u>
				328,134
				<u>67,673</u>
				<u>395,807</u>
Total U.S. Department of Housing and Urban Development				<u>1,279,821</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through the Ohio Department of Alcohol and Drug Addiction Services:				
Block Grants for Prevention and Treatment of Substance Abuse	COMEDAWP02YX	93.959	7/22/2003	14,201
<u>U.S. Department of Defense</u>				
Air Force Base Conversion Agency Caregiver Agreement	Cooperative Agreement	12.unknown	5/24/1996	12,237
<u>U.S. Department of Justice</u>				
Bulletproof Vest Partnership Program	none	16.607	6/20/2003	9,575
Local Law Enforcement Block Grant Program	2003-LB-BX-1263	16.592	8/29/2003	16,363
Total U.S. Department of Justice				<u>25,938</u>
<u>U.S. Department of Transportation</u>				
Passed through the State of Ohio Governor's Highway Safety Office:				
State & Community Highway Safety	03-GR1-3175	20.600	10/1/2002	15,990
State & Community Highway Safety	03-GR1-4087	20.600	9/22/2003	20,471
Passed through the Ohio Department of Transportation:				
Highway Planning and Construction	E035782	20.205	8/13/2003	26,874
Passed the AAA Miami Valley:				
Highway Planning and Construction	04-GR1-5088	20.205	12/15/2004	3,678
Total U.S. Department of Transportation				<u>67,013</u>
<u>Federal Emergency Management Agency</u>				
Passed through the Ohio Emergency Management Agency:				
Disaster Assistance	FEMA-DR-3198-OH	97.036	2/11/2005	102,970
Total Expenditures of Federal Awards				<u>\$ 1,502,180</u>

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

**CITY OF KETTERING, OHIO**  
Notes to the Schedule of Expenditures of Federal Awards  
December 31, 2004

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**NOTE 1 – GENERAL**

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

**NOTE 2 – BASIS OF ACCOUNTING**

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

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

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

**NOTE 4 – SUBRECIPIENTS**

The City was a pass-through entity of CDBG funds to one subrecipient, Miami Valley Fair Housing Board for \$21,500.

**CITY OF KETTERING, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

December 31, 2004

**1. SUMMARY OF AUDITORS' RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	U.S. Department of Housing and Urban Development, CDBG, CFDA #14.218; HOME Investment Partnerships Program, CFDA# 14.239; Federal Emergency Management Agency, Disaster Assistance, CFDA #97.036
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Findings: None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Findings: None

**CITY OF KETTERING, OHIO**

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

December 31, 2004

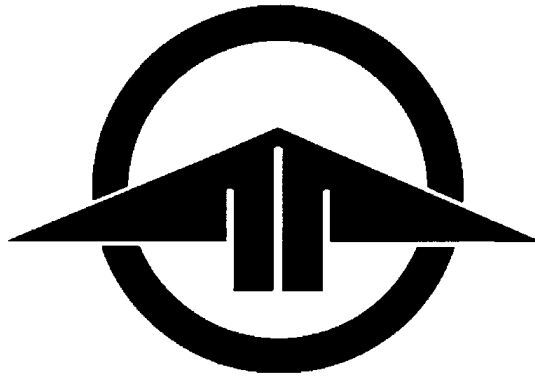
Prior Audit Findings:

None

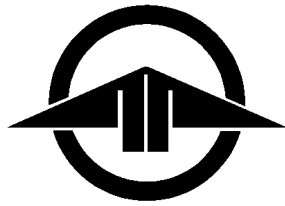
**CITY OF KETTERING, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2004**



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



CITY OF KETTERING



# CITY OF KETTERING, OHIO

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2004

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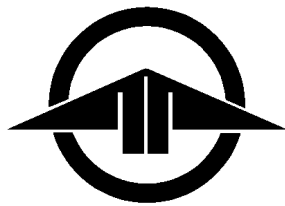
**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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## **INTRODUCTORY SECTION**



CITY OF KETTERING



March 31, 2005

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, 2004, 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.

This Comprehensive Annual Financial Report continues to incorporate Government Accounting Standards Board Statement (GASB) No. 34 — Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments. Statement No. 34 was developed to make annual financial reports of state and local governments easier to understand and more useful to those who make decisions using governmental financial information. We first implemented Statement No. 34 in 1999, four years earlier than the required date of implementation. We were proud to be the first city in the State of Ohio to do so. This year's report reflects our continuing efforts to disseminate clear and useful financial information to our users. In this spirit, the City was proud to be the first entity in the nation to implement GASB Statement No. 44 "Economic Condition Reporting: The Statistical Section" in our 2003 report. We believe the new requirements of this statement provide the reader with much more beneficial and relevant information than in previous years.

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."

## ECONOMIC CONDITION AND OUTLOOK

The economic environment for Kettering's business community continued to be one of relative stability during 2004. Kettering's unemployment rate has consistently run well below the averages for the local area, the State of Ohio and the United States. This trend continued in 2004. Kettering's unemployment rate for 2004 was 3.2% compared to rates of 6.5% for Montgomery County, 6.1% for the State of Ohio and 6.0% for the United States.

The diversity of the employment base in Kettering has contributed favorably to the relative stability of the economic environment. Kettering's broad range of businesses includes several major employers with headquarters or divisions located within the city's boundaries. These employers include Kettering Medical Center employing 3,100 and Delphi Automotive Systems a manufacturer of automobile brake and suspension systems employing over 1,700. Reynolds and Reynolds, a fortune 1000 company based in Dayton since 1866 has completed its Phase II at the Miami Valley Research Park located in Kettering. The company moved more than 700 new employees into the site in 2002 and now employs more than 1,300 people at the Research Park campus. The company is continuing work on Phase III to be completed in 2005. Phase III will add 130,000 square feet to the facility and an additional 300 employees. Monogram Services Co. a credit card processing center, employees 1,200 and Intimate Brands Inc., a catalogue order center for Victoria's Secret has over 900 employees. Other major employers in the city include Kettering City Schools, Kodak Versamark a manufacturer of digital printers, Defense Finance and Accounting Services a federal government accounting services center, a number of engineering firms and computer hardware and software related businesses.

Despite being practically landlocked, Kettering continued to thrive in terms of new economic development. A strong emphasis through a variety of efforts is placed on economic development both within Kettering and regionally.

In 2004 the City of Kettering purchased two vacant properties – the H & H building on Wilmington Pike and the Van Buren Shopping Center at the corner of Forrer Blvd. and Wilmington Pike. The City recently sold the H & H property to a local developer called Unified Developers – a group responsible for the re-birth of Brown Street across from the University of Dayton. The group also purchased the vacant Pay Days car lot adjacent to H & H. The buildings have already been demolished and the plan is to develop a new site with a mix of residential and retail uses.

City staff is also working on the reuse of the Van Buren Shopping Center. The City has already begun the request for proposal process, and there are a number of interested developers. After the success the City experienced with the redevelopment of the former Hills and Dales Shopping Center, we are confident that the Van Buren redevelopment will be equally exciting.

Kettering participates in ED/GE, a revenue sharing program that occurs among a number of communities in Montgomery County. Money from the program is distributed to the communities for economic development projects after an application for funds is filed and a board of local officials for the communities reviews and approves the projects. In 2003, the City was awarded a total of \$600,000 for improvements to be made in the Research Park Area. \$200,000 was received for infrastructure improvements related to the move of the Defense Acquisition University from Wright Patterson A.F.B. to Research Park. The other \$400,000 will be used to make improvements to utilities, infrastructure and the roadway on Founder's Drive, a main roadway at Research Park. These expansion projects are still in process.

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 3 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 39 of this report.

**Cash Management.** Cash, temporarily idle during the year was invested in various instruments detailed below. As of December 31, 2004, the City's cash resources were divided between cash and investments as follows:

Cash and certificates of deposit	\$12,577,985
Overnight repurchase agreement	3,991,993
Corporate bonds	11,513,984
Pension plan pooled investment fund	<u>1,714,100</u>
TOTAL	<u>\$29,798,062</u>

Interest earned on investments for the year was \$592,996.

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

#### OTHER INFORMATION

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

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kettering, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2003. 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 22 consecutive years (fiscal years ended 1982-2003). 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, 2004. 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,



Steven C. Husemann  
City Manager



Nancy H. Gregory, CPA  
Director of Finance

## **CITY OF KETTERING, OHIO**

### CITY OFFICIALS

Marilou W. Smith, Mayor  
Peggy B. Lehner, Vice Mayor  
Bruce E. Duke  
Donald E. Patterson  
Keith Thompson  
Joseph D. Wanamaker  
Raymond P. Wasky

### CITY MANAGER

Steven C. Husemann

### INDEPENDENT AUDITORS

Clark, Schaefer, Hackett & Co.  
Certified Public Accountants



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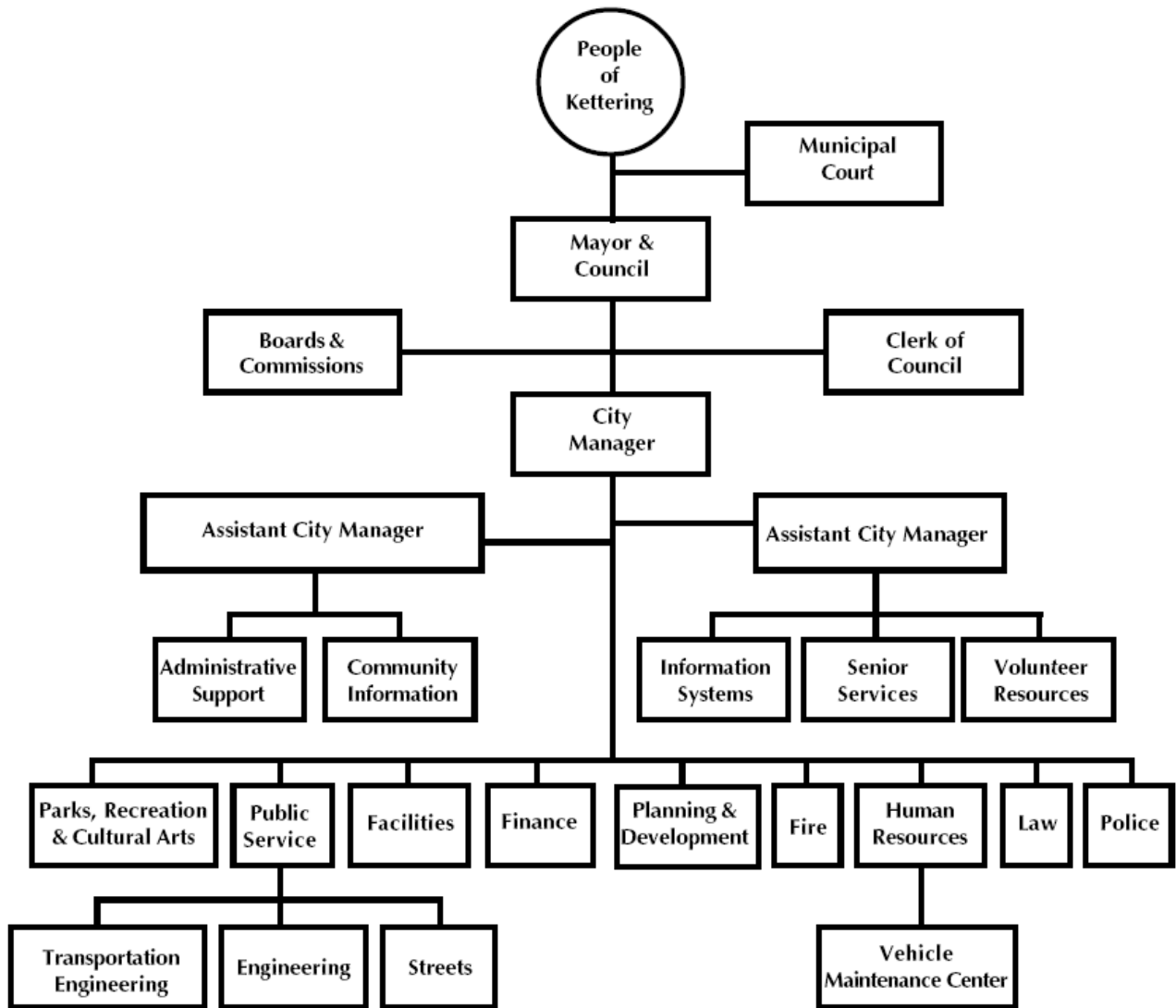
## CITY OF KETTERING, OHIO

### DEPARTMENT OF FINANCE

#### STAFF

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

# City of Kettering 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, 2003

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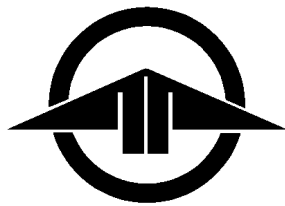


*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director



CITY OF KETTERING

**FINANCIAL SECTION**



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

**Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kettering's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of December 31, 2004, 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 23, 2005 on our consideration of the City of Kettering's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 7 and 32 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
March 23, 2005

2525 N. Limestone Street, Suite 103, Springfield, OH 45503, 937/399-2000, FAX 937/399-5433

CINCINNATI COLUMBUS DAYTON MIDDLETOWN SPRINGFIELD

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2004.

**FINANCIAL HIGHLIGHTS**

1. The City's net assets decreased by \$566,000 or .4%, while unrestricted net assets decreased \$3.3 million or 11%.
2. The General Fund reported a deficit of over \$3.9 million, its fourth straight year of decline.
3. The first full year of charging for Emergency Medical Services resulted in revenues of over \$1.1 million.
4. Total costs of services increased by more than \$3.5 million, while net costs of services increased by over \$6.7 million.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 8 and 9) 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 10. 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 5. 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 7. The fund financial statements begin on page 10 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 17. 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 2004 the City produced a .4% decrease in Total net assets. This compares with a 4.9% increase in 2003. Revenues generated were \$56.7 million and expenses from all programs were \$57.3 million resulting in a deficit for the year of \$566,000. The unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — decreased \$3.3 million.

Explanations for the larger fluctuations between years are as follows:

- Charges for services increased primarily because of increases in Leisure services charges.
- Federal grant revenue was lower in 2004 primarily because of unusually high federal funding for roadway projects last year.
- State grant revenue was lower this year because a 2003 state roadway grant project ended.
- The Sponsorships and contributions increase was primarily due to a street contribution.
- The decrease in Other taxes is due to an abnormally high amount of estate taxes in 2003. This years total was below normal at \$1.8 million while last year's level was nearly \$4.2 million.
- Income taxes continued to increase this year due to the health of Kettering's economic climate.
- Investment earnings were significantly lower in 2004 because of lower portfolio yields and a lower invested balance.
- Other general revenues were lower in 2004 primarily because of some land sales, which took place last year.
- Most of the expense increase in General government can be attributed to a one time write-off of Community Development Block Grant (CDBG) loans which were transferred to Montgomery County, per Federal regulations, when a CDBG consortium ended.
- Fire expenses were up because of the purchase of SCBA rescue equipment.

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

### NET ASSETS

	<u>2004</u>	<u>2003</u>
Current and other assets	\$49,421,236	\$53,626,327
Capital assets	<u>119,240,576</u>	<u>117,848,195</u>
Total assets	<u>168,661,812</u>	<u>171,474,522</u>
Long-term debt outstanding	(10,225,294)	(11,721,133)
Other liabilities	<u>(15,566,559)</u>	<u>(16,317,898)</u>
Total liabilities	<u>(25,791,853)</u>	<u>(28,039,031)</u>
Net assets:		
Invested in capital assets, net of debt	112,412,581	109,267,077
Restricted	3,837,601	4,263,067
Unrestricted	<u>26,619,777</u>	<u>29,905,347</u>
Total net assets	<u><u>\$142,869,959</u></u>	<u><u>\$143,435,491</u></u>

### CHANGES IN NET ASSETS

	2004	2003
Revenues		
Program revenues:		
Charges for services	\$8,571,476	\$7,954,670
Federal grants	2,094,933	5,176,127
State and local grants	420,029	1,354,869
Special assessments	1,203,717	1,024,871
Sponsorships and contributions	517,350	452,428
General revenues:		
Income taxes	27,526,627	25,607,227
Property taxes	8,339,805	8,208,754
Other taxes	6,259,591	8,302,792
Investment earnings	513,456	780,231
Other general revenue	1,302,505	1,720,950
Total revenues	56,749,489	60,582,919
Program expenses		
General government	13,210,288	12,142,127
Police	11,282,263	10,840,287
Fire	8,768,088	7,768,263
Public works	11,926,820	11,236,775
Leisure services	11,834,644	11,479,183
Interest on long-term debt	292,918	386,200
Total expenses	57,315,021	53,852,835
Increase (decrease) in net assets	(\$565,532)	\$6,730,084

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	
	2004	2003	2004	2003
Police	\$11,282,263	\$10,840,287	\$11,201,292	\$10,692,821
Fire	8,768,088	7,768,263	7,763,976	6,568,248
Public works	11,926,820	11,236,775	9,261,925	4,519,146
Leisure services	11,834,644	11,479,183	6,497,796	6,802,874
All others	13,210,288	12,142,127	9,489,609	8,920,581

Total costs of services for 2004 increased by over \$3.5 million while net costs of services increased by over \$6.7 million. Public works net costs increased substantially because of large decreases in grant revenues. Police, Fire and General government all increased their net cost of services. Only Leisure services decreased its net cost of services.

The capital asset activity for the year was more normal in 2004 as compared to 2003, which was very aggressive. 2004 saw asset additions of \$8.3 million and ended with total net capital assets of \$119,240,577. Of this total, \$11,164,105 was not being depreciated and the capital assets being depreciated totaled \$182,421,428 with accumulated depreciation of \$74,344,956.

The City issued new debt in the current year in the form of Ohio Public Works Commission (OPWC) promissory notes. These notes were for roadway improvements. \$303,995 was issued for 20 years at 1% interest. At December 31, 2004, the City had various debt issues outstanding, which included \$2,643,554 of general obligation bonds, \$905,798 of special assessment debt with City commitment and \$3,278,644 of promissory notes. As of December 31, 2004, the City's net general obligation bonded debt of \$2,628,376 was well below the legal limit of \$122,665,459 and debt per capita equaled \$45.71.

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 10 and 11) reported a combined fund balance of \$28.4 million, which is 13.5% lower than last year's total of \$32.9 million.

The City's General Fund experienced a \$662,000, or 1.7% overall increase in revenues for 2004. However, expenditures increased by nearly \$1.2 million, or 3.9%, offsetting the increase in revenues. Investment earnings were a major disappointment this year due to lower portfolio yields and a smaller portfolio. Total revenues were \$39.6 million while total expenditures were \$31.1 million. Transfers to other funds totaled \$12.5 million resulting in the \$3.9 million, or 15.9% reduction to the General Fund balance. This marks the fourth straight year the General Fund experienced a decrease in fund balance.

The City added a new major special revenue fund in 2003 to account for revenues received for emergency medical services. The revenues can be expended for fire fighting related equipment or structures. In 2004, the first full year of operations for the fund, revenues exceeded \$1.1 million, and the City spent over \$500,000 on new SCBA rescue gear. The Community Development Fund experienced a one-time \$961,000 increase in expenditures. The City ended a consortium with Montgomery County in 2004. Per HUD regulations, when a consortium ends, all assets go back to the lead member of the consortium, which in this case is Montgomery County. The one-time expenditure is to convey the loans receivable related to the consortium. The Capital Projects Fund saw a decrease in both revenues and expenditures of nearly \$4 million from 2003. The revenues decreased because federal grants for roadway projects ended in 2003. There were no other material changes to the major funds in 2004.

There were no significant variations in the City's original General Fund budget and the final General Fund budget. In contrast to this, there was a significant variance between actual expenditures and final budgeted expenditures for "Transfers to other funds". Higher than expected revenues in the Parks, Recreation & Cultural Arts Fund and the Frazee Pavilion fund, caused transfers to be less than expected. Also, the City planned many new capital projects. In hindsight, the number of projects anticipated to be completed during the year was overly optimistic.

As mentioned above and in the financial highlights, 2004 marks the fourth straight year of General Fund balance decline. The City is concerned with this trend and has taken the following steps: For the 2005 budget, all departments were instructed to keep operating costs at 2004 levels in spite of 3.5% across the board pay increases; the 2005 capital improvement program was taken to a maintenance level; and the City is evaluating vacant positions and has left several unfilled. In addition to these measures City Council is exploring all its options. The City's income tax rate has been constant at 1.75% since 1981. Per State law it can be raised to 2.5% with a vote of the citizenry.

## 8 CITY OF KETTERING, OHIO

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### STATEMENT OF NET ASSETS DECEMBER 31, 2004

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ASSETS	
Pooled cash and investments (note 2)	\$27,295,612
Receivables:	
Income taxes (net of allowance for \$445,866)	5,512,200
Property taxes	9,126,734
Interest	199,623
Accounts	374,756
Special assessments	1,904,798
Loans (net of allowance for \$53,826)	910,659
Notes	500,965
Due from other governments	1,989,821
Prepaid expenses	187,429
Inventory	374,728
Asset held for resale	1,043,910
Capital assets not being depreciated (note 6)	11,164,105
Capital assets being depreciated, net (note 6)	108,076,472
Total assets	<u>168,661,812</u>
LIABILITIES	
Accounts payable	2,244,149
Salary and benefits payable	1,797,584
Accrued interest payable	23,206
Deferred revenue	11,501,620
Long-term liabilities (note 12)	
Due within one year	3,437,679
Due in more than one year	<u>6,787,615</u>
Total liabilities	<u>25,791,853</u>
NET ASSETS	
Invested in capital assets, net of related debt	112,412,581
Restricted for:	
Debt service	15,178
Community development block grant	1,043,771
Emergency medical	1,194,939
Other purposes	1,583,713
Unrestricted	<u>26,619,777</u>
Total net assets	<u>\$142,869,959</u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$13,210,288	\$2,436,404	\$1,255,059	\$29,216	(\$9,489,609)
Police	11,282,263	52,034	28,937		(11,201,292)
Fire	8,768,088	986,737	17,375		(7,763,976)
Public works	11,926,820	10,605	71,082	2,583,208	(9,261,925)
Leisure services	11,834,644	5,085,696	251,152		(6,497,796)
Interest on long-term debt	292,918				(292,918)
Total	<u>\$57,315,021</u>	<u>\$8,571,476</u>	<u>\$1,623,605</u>	<u>\$2,612,424</u>	<u>(44,507,516)</u>
General revenues:					
Taxes:					
Income taxes					27,526,627
Property taxes, levied for general purposes					7,134,615
Property taxes, levied for debt service					1,205,190
Other taxes (note 5)					6,259,591
Investment earnings					513,456
Refunds and reimbursements					1,182,084
Miscellaneous					120,421
Total general revenues					<u>43,941,984</u>
Change in net assets					(565,532)
Net assets--beginning					<u>143,435,491</u>
Net assets--ending					<u>\$142,869,959</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS  
DECEMBER 31, 2004

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
<b>ASSETS</b>				
Pooled cash and investments	\$18,990,561	\$148,060	\$439,750	\$79,675
Receivables:				
Income taxes (net of allowance for \$445,866)	5,512,200			
Property taxes	7,462,134			
Interest	199,623			
Accounts	13,839	12,846	42,222	23
Special assessments	300,000			
Loans (net of allowance for \$53,826)				
Notes	500,965			
Due from other governments	477,885	942,419	10,120	
Prepaid expenditures	123,167	6,241	27,641	9,429
Inventory		70,280		
Asset held for resale	1,043,910			
Total assets	<u>\$34,624,284</u>	<u>\$1,179,846</u>	<u>\$519,733</u>	<u>\$89,127</u>
<b>LIABILITIES</b>				
Accounts payable	\$1,537,041	\$23,324	\$135,587	\$10,602
Accrued payroll	977,002	152,564	195,506	20,807
Deferred revenue	11,350,898	777,910	17,687	2,520
Total liabilities	<u>13,864,941</u>	<u>953,798</u>	<u>348,780</u>	<u>33,929</u>
<b>FUND BALANCES</b>				
Reserved for:				
Loans receivable				
Notes receivable	500,965			
Encumbrances	642,479	139,474	132,821	20,911
Prepaid expenditures	123,167	6,241	27,641	9,429
Inventory		70,280		
Asset held for resale	1,043,910			
Unreserved:				
Designated for subsequent years' expenditures	2,000,000			
Undesignated	16,448,822	10,053	10,491	24,858
Total fund balances	<u>20,759,343</u>	<u>226,048</u>	<u>170,953</u>	<u>55,198</u>
Total liabilities and fund balances	<u>\$34,624,284</u>	<u>\$1,179,846</u>	<u>\$519,733</u>	<u>\$89,127</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
\$11,046	\$1,032,343	\$15,178	\$3,530,631	\$2,310,489	\$26,557,733
		1,281,900		382,700	5,512,200
	169,000		133,995	249	9,126,734
910,659		1,054,798	550,000		199,623
					372,174
145,863			266,600	146,786	1,904,798
				12,064	910,659
					500,965
					1,989,673
					178,542
					70,280
					1,043,910
<u>\$1,067,568</u>	<u>\$1,201,343</u>	<u>\$2,351,876</u>	<u>\$4,481,226</u>	<u>\$2,852,288</u>	<u>\$48,367,291</u>
\$23,797	\$6,404		\$344,795	\$49,549	\$2,131,099
				335,725	1,681,604
91,906	110,639	\$2,336,698	909,876	513,275	16,111,409
<u>115,703</u>	<u>117,043</u>	<u>2,336,698</u>	<u>1,254,671</u>	<u>898,549</u>	<u>19,924,112</u>
910,659					910,659
					500,965
64,646	517,206		3,216,092	48,754	4,782,383
				12,064	178,542
					70,280
					1,043,910
					2,000,000
(23,440)	567,094	15,178	10,463	1,892,921	18,956,440
<u>951,865</u>	<u>1,084,300</u>	<u>15,178</u>	<u>3,226,555</u>	<u>1,953,739</u>	<u>28,443,179</u>
<u>\$1,067,568</u>	<u>\$1,201,343</u>	<u>\$2,351,876</u>	<u>\$4,481,226</u>	<u>\$2,852,288</u>	

Amounts reported for governmental activities in the Statement of Net Assets (page 8) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	118,361,102
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	2,539,910
Grants and other taxes receivable	2,069,878
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.	1,441,941
The following long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(6,827,996)
Vacation and sick leave benefits	(3,134,849)
Accrued interest on bonds payable	(23,206)
Net Assets of Governmental Activities	<u>\$142,869,959</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2004

	General Fund	Major		Special
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
<b>REVENUES</b>				
Income taxes	\$26,783,319			
Property taxes	6,749,816			
Licenses and permits	596,012	\$10,605		
Intergovernmental revenue	1,943,882	2,134,700	\$16,270	
Charges for services	179,860		2,925,588	\$2,160,107
Fines and forfeits	1,305,676			
Investment earnings	455,509			
Special assessments	329,560			
Refunds and reimbursements	1,280,883	268,000	85,727	3,732
Miscellaneous	18,003	50,324	37,758	223,561
Total revenues	<u>39,642,520</u>	<u>2,463,629</u>	<u>3,065,343</u>	<u>2,387,400</u>
<b>EXPENDITURES</b>				
Current:				
General government	10,438,136			
Police	9,943,261			
Fire	7,947,281			
Public works	2,809,849	5,513,141		
Leisure services			7,866,123	2,467,290
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	<u>31,138,527</u>	<u>5,513,141</u>	<u>7,866,123</u>	<u>2,467,290</u>
Excess (deficiency) of revenues over expenditures	8,503,993	(3,049,512)	(4,800,780)	(79,890)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		2,557,000	4,851,000	70,000
Transfers out	(12,455,731)			
General obligation note issuance				
Sale of city assets	40,102			
Net change in fund balance	<u>(3,911,636)</u>	<u>(492,512)</u>	<u>50,220</u>	<u>(9,890)</u>
Fund balances--beginning	24,670,979	718,560	120,733	65,088
Fund balances--ending	<u>\$20,759,343</u>	<u>\$226,048</u>	<u>\$170,953</u>	<u>\$55,198</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
		\$1,205,190	\$28,613	\$355,685	\$26,783,319
\$1,073,072			2,930,785	498,762	8,339,304
	\$1,140,026			30,831	606,617
	14,963	28,177		376,059	8,597,471
		149,593	724,564	14,807	6,436,412
519			81,513	23,454	1,681,735
27,142			109,986	85,123	513,456
<u>1,100,733</u>	<u>1,154,989</u>	<u>1,382,960</u>	<u>3,875,461</u>	<u>1,384,721</u>	<u>56,457,756</u>
1,610,049				616,437	12,664,622
	620,918			1,287,364	11,230,625
				17,730	8,585,929
				206,625	8,529,615
330,068	98,093		7,309,963	19,515	10,352,928
				40,580	7,778,704
		2,057,118			2,057,118
		301,213			301,213
<u>1,940,117</u>	<u>719,011</u>	<u>2,358,331</u>	<u>7,309,963</u>	<u>2,188,251</u>	<u>61,500,754</u>
(839,384)	435,978	(975,371)	(3,434,502)	(803,530)	(5,042,998)
		956,000	3,027,000	994,731	12,455,731
			303,995		(12,455,731)
5,318			254,882		303,995
(834,066)	435,978	(19,371)	151,375	191,201	300,302
<u>1,785,931</u>	<u>648,322</u>	<u>34,549</u>	<u>3,075,180</u>	<u>1,762,538</u>	<u>4,438,701</u>
<u>\$951,865</u>	<u>\$1,084,300</u>	<u>\$15,178</u>	<u>\$3,226,555</u>	<u>\$1,953,739</u>	<u>\$28,443,179</u>

Net change in Fund Balance - Governmental Funds (\$4,438,701)

Amounts reported for governmental activities in the Statement of Activities (page 9) are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	}	Capital outlays	8,422,389
		Depreciation expense	(6,777,922)
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.			(448,718)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
		Income taxes receivable	743,308
		Grants receivable	52,883
		Property taxes receivable	500
		Contribution of capital asset	170,650

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. (303,995)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 2,057,118

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	(210,566)
		Interest payable	8,296

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 15.) 159,226

Change in Net Assets on the Statement of Activities (\$565,532)

BALANCE SHEET  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2004

	Governmental Activities- Internal Service Funds
<b>ASSETS</b>	
Current assets:	
Pooled cash and investments	\$737,879
Accounts receivable	2,582
Due from other governments	146
Prepaid expenses	8,887
Inventory	304,448
Total current assets	<u>1,053,942</u>
Noncurrent assets:	
Buildings and improvements	790,687
Machinery and equipment	2,140,045
Less: Accumulated depreciation	<u>(2,051,257)</u>
Total noncurrent assets	<u>879,475</u>
Total assets	<u><u>\$1,933,417</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$113,047
Accrued payroll	115,980
Total current liabilities	<u>229,027</u>
Noncurrent liabilities:	
Accrued vacation and sick leave benefits	<u>262,449</u>
Total liabilities	<u>491,476</u>
<b>NET ASSETS</b>	
Invested in capital assets	879,475
Unrestricted	562,466
Total net assets	<u>1,441,941</u>
Total liabilities and net assets	<u><u>\$1,933,417</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, 2004

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	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$8,305,765
Total operating revenues	<u>8,305,765</u>
OPERATING EXPENSES	
Personal services	2,592,149
Repairs and maintenance	1,046,478
Contractual services	3,792,514
Other materials and expenses	559,422
Depreciation	178,358
Total operating expenses	<u>8,168,921</u>
Operating income (loss)	<u>136,844</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	22,382
Change in net assets	159,226
Total net assets--beginning	1,282,715
Total net assets--ending	<u><u>\$1,441,941</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2004  
 Increase (Decrease) in cash

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received for services	\$8,306,722
Cash paid to suppliers for goods or services	(5,436,452)
Cash paid to employees for services	(2,580,636)
Net cash provided (used) by operating activities	<u>289,634</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(218,792)
Sale of capital assets	11,253
Net cash used by capital and related financing activities	<u>(207,539)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	22,382
Net cash provided by investing activities	<u>22,382</u>
Net increase (decrease) in cash	104,477
Cash at beginning of year	633,402
Cash at end of year	<u><u>\$737,879</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$136,844
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	178,358
(Increase) decrease in receivables	4,556
(Increase) decrease in inventories	(26,037)
Increase (decrease) in accounts payable	(12,499)
Net (increase) decrease in other operating net assets	8,412
Net cash provided (used) by operating activities	<u><u>\$289,634</u></u>

See accompanying notes to the basic financial statements.

## FIDUCIARY FUNDS

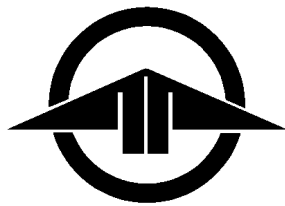
STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2004

	Volunteer Firefighter Pension	Deceased Police Dependents Private Purpose Trust	Agency Funds
<b>ASSETS</b>			
Pooled cash and investments		\$67,661	\$582,347
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$1,714,100		
Other investments			138,342
Total assets	<u>1,714,100</u>	<u>67,661</u>	<u>\$720,689</u>
<b>LIABILITIES</b>			
Accounts payable			\$10,421
Withholdings payable			414,704
Undistributed moneys			138,342
Unclaimed moneys			157,222
Total liabilities			<u>\$720,689</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u>\$1,714,100</u>	<u>\$67,661</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004

<b>ADDITIONS</b>		
Investment earnings (loss)	55,530	\$1,628
Total additions	<u>55,530</u>	<u>1,628</u>
<b>DEDUCTIONS</b>		
Pension payments	84,451	
Total deductions	<u>84,451</u>	
Net increase (decrease)	(28,921)	1,628
Net assets--beginning of year	1,743,021	66,033
Net assets--end of year	<u>\$1,714,100</u>	<u>\$67,661</u>

See accompanying notes to the basic financial statements.



CITY OF KETTERING

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2004

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

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

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

#### B. Basis of Presentation

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

### C. Basis of Accounting

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

Government-wide, proprietary and fiduciary fund financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds do not involve the measurement of results of operations.

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



revenue until the next calendar year. The fiscal period for which property taxes are levied at year-end in the State of Ohio is the succeeding calendar year.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on unmatured general long-term debt, and on special assessment indebtedness collateralized by special assessment levies, which are recognized when due. Inventory and prepaid expenditures are recorded in the governmental fund types and charged as expenditures when used. A portion of the fund balance is reserved in governmental funds for the amount of inventory and prepaid expenditures.

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

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

#### E. Inventory

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

#### F. Capital Assets

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

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

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

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

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

#### G. Interfund Transactions and Transfers

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

#### H. Reserves and Designations

Reserves indicate portions of fund equity not appropriable for expenditures and/or legally segregated for a specific future use.

Designations indicate tentative plans for financial resource utilization in a future period. Such plans are subject to change; they may never be legally authorized or result in expenditures/expenses.

#### I. Grants and Other Intergovernmental Revenues

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

#### J. Use of Estimates

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

## 2. POOLED CASH AND INVESTMENTS

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

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

Deposits: At year-end, the carrying amount of the City's deposits was \$12,577,985. Of this amount, \$12,577,985 was insured.

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

The City's overnight repurchase agreement and corporate bonds, both amounts 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 15%, or \$3,991,993 of its pooled cash and investments with Fifth Third Bank of Western Ohio in the form of an overnight repurchase agreement, 6%, or \$1,627,659 was in CIT Group corporate bonds, 6%, or \$1,712,604 was in GE Capital corporate bonds, and 6%, or \$1,522,551 was in Merrill Lynch corporate bonds. At year-end, all of the securities in the corporate bond category below are rated "A" or better and all other investment types listed are unrated.

As of December 31, 2004 the City had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-2</u>	<u>3-9</u>	<u>9-10</u>
Overnight Repurchase Agreement	\$ 3,991,993	\$ 3,991,993			
Corporate Bonds	11,513,984	7,889,895	\$3,624,089		
Pension Plan Pooled Invest Fund	1,714,100				\$1,714,100
Total	<u>\$17,220,077</u>	<u>\$11,881,888</u>	<u>\$3,624,089</u>		<u>\$1,714,100</u>

### 3. INCOME TAXES

The City levies a 1.75% 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. Corporations and other individual taxpayers pay estimated taxes quarterly and file an annual declaration.

### 4. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City. Property taxes are levied each December 31 on the assessed value listed as of the prior December 31. Assessed values are established for real property at 35% of true value, for tangible property used in business at 25% of true value, and for tangible property constituting "inventory" at 24% of true value. The first \$10,000 of taxable value of tangible property is exempt from taxation. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2002.

The property tax calendar is as follows:

Levy date	December 31, 2003
Lien date	December 31, 2003
Tax bill mailed	January 20, 2004
First installment payment due	February 15, 2004
Second installment payment due	July 15, 2004

The assessed values for the City at December 31, 2003 were as follows:

	<u>Assessed Value Category</u>
Real Estate	\$1,073,995,980
Public Utility Real Property	11,970
Tangible Personal Property	64,206,284
Public Utility Personal Property	30,028,230
Total	<u>\$1,168,242,464</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	\$1,813,602
Sales taxes	1,776,493
Gasoline taxes	1,575,775
Vehicle license taxes	800,072
Miscellaneous other taxes	293,649
	<u>\$6,259,591</u>

## 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$11,046,802	\$511,138	(\$393,835)	\$11,164,105
Subtotal	<u>11,046,802</u>	<u>511,138</u>	<u>(393,835)</u>	<u>11,164,105</u>
Capital assets being depreciated:				
Buildings and improvements	36,078,487	765,165	(18,672)	36,824,980
Machinery and equipment	16,491,963	1,573,627	(966,618)	17,098,972
Infrastructure	122,561,026	5,968,881	(32,431)	128,497,476
Subtotal	<u>175,131,476</u>	<u>8,307,673</u>	<u>(1,017,721)</u>	<u>182,421,428</u>
Accumulated depreciation:				
Buildings and improvements	(20,730,349)	(1,561,827)	9,294	(22,282,882)
Machinery and equipment	(11,003,282)	(1,269,485)	899,682	(11,373,085)
Infrastructure	(36,596,452)	(4,124,968)	32,431	(40,688,989)
Subtotal	<u>(68,330,083)</u>	<u>(6,956,280)*</u>	<u>941,407</u>	<u>(74,344,956)</u>
Net capital assets being depreciated	<u>106,801,393</u>	<u>1,351,393</u>	<u>(76,314)</u>	<u>108,076,472</u>
Net capital assets	<u>\$117,848,195</u>	<u>\$1,862,531</u>	<u>(\$470,149)</u>	<u>\$119,240,577</u>

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

General government	\$315,918
Police	223,339
Fire	458,970
Public works	4,271,665
Leisure services	1,508,030
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.	178,358
Total depreciation expense	<u>\$6,956,280</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 2029. Fund balance has been reserved for the loans receivable at December 31, 2004, as it

does not represent currently available spendable resources. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures. The City ended a consortium with Montgomery County in 2004. Per HUD regulations, when a consortium ends, all assets go back to the lead member of the consortium, which in this case is Montgomery County. The City recorded a one-time expenditure in the CDBG fund of \$961,074 to convey the loans receivable related to the consortium.

The City has sold property to several companies and taken a note receivable in exchange. These note receivables are payable in installments to 2006. Fund balance has been reserved for the notes receivable at December 31, 2004, as it does not represent currently available spendable resources.

## 8. RISK MANAGEMENT

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

Insurance coverage is as follows:

**Property** – \$100,000,000 per occurrence  
**Crime** - \$1,000,000 per occurrence  
**Liability** - \$6,000,000 per occurrence  
**Boiler & Machinery** - \$100,000,000 per occurrence  
**Public Official Liability** - \$1,000,000 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 - \$1,000,000 for liability. Excess insurance coverage, provided by commercial companies, is the amount in excess of pool coverage to the limits stated above. The City pays an annual premium to MVRMA that is intended to cover administrative expenses and any claims covered by the pool. MVRMA has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. An actuarial opinion issued as of December 31, 2003, 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, or by calling (614)228-2975.

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, 2002, 2003 and 2004, were \$1,832,207, \$1,919,561 and \$2,089,820 respectively, equal to the required contributions for the year.

#### OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP and CO. Members of the MD do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614)222-6705.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 8.5% of their annual covered salary and the City is required to contribute 13.55%. The City's contributions to the plan for the years ending December 31, 2002, 2003 and 2004, were \$2,217,038, \$2,277,370 and \$2,417,472 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 2004, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	71
Terminated employees entitled to benefits but not yet receiving them	33
Active members	<u>63</u>
Total	<u><u>167</u></u>

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

Financial Statements of the Volunteer Firefighter Pension are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide

the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. The Pension plan does not issue a stand-alone financial report.

Plan investments are reported at fair value. No investment, in any one organization, exceeded five percent of net assets available for benefits.

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

The annual required contribution for the current year was determined as part of the January 1, 2004, actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included a 6.5% investment rate of return and that benefits will not increase after retirement. The actuarial value of assets was determined using the contract basis. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

#### SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
1999	40,684	40,684	100%
2000	35,644	35,644	100%
2001	36,628	36,628	100%
2002	0	0	100%
2003	17,333	17,333	100%
2004	34,397	34,397	100%

For the fiscal years ended December 31, 2002, 2003 and 2004, the Annual Pension cost (APC) was \$0, \$17,333 and \$34,397 respectively; the Percentage of APC contributed was 100% and the net pension obligation was \$0.

The first year the City has 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 POSTEMPLOYMENT 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 postretirement health care coverage, commonly referred to OPEB (other postemployment benefits). For both systems, the Ohio Revised Code provides the authority for public employers to fund postretirement health care through their contributions.

#### OHIO POLICE AND FIRE PENSION FUND OPEB

OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22, if attending school full-time or on a 2/3 basis.

Health care funding and accounting is on a pay-as-you-go basis. The Ohio Revised Code provides that health care costs paid shall be included in the employer's contribution rate. In addition, all retirees and survivors are required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The 2004 employer contribution rate was 19.5% of covered payroll for Police and 24% for Fire of which 7.75% was used to fund health care. The City's contribution for the year ended December 31, 2004 was \$460,072 for Police and \$300,696 for Fire to pay postemployment benefits.

The number of participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for Police and 10,474 for Fire. OP&F's total health care expense for the year ended December 31, 2003 was \$150,853,148, which was net of member contributions of \$17,207,506.

#### 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 provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit for members of both the TP and CO plans. Members of the MD plan do not qualify for post-employment health care coverage. Health care coverage for disability recipients and primary survivor recipients is available.

The 2004 employer contribution rate was 13.55%, of which 4.0% was used to fund health care. The City's contribution for the year ended December 31, 2004, was \$713,154 to fund post-employment benefits.

OPEB are advanced-funded on an actuarially determined basis. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation. The investment assumption rate for 2003 was 8.00%. Individual base pay was assumed to increase 4.00% compounded annually with no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase 4.00% annually.

The number of active contributing participants to the TP and CO plans was 369,885 as of December 31, 2003; the date the latest actuarial review was performed. OPERS actuarially determined accrued liability for OPEB's at December 31, 2003, are \$26.9 billion with net assets available for OPEB of \$10.5 billion, leaving an unfunded actuarial liability of \$16.4 billion.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

#### 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 2004 were \$203,370.

Construction and other commitments at December 31, 2004, were approximately \$3,235,000.



## 12. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2004, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>General obligation bonds:</b>					
Fire station, 9.00%	\$95,000		\$45,000	\$50,000	\$50,000
Service center, 9.00%	110,000		55,000	55,000	55,000
Improvement bonds-					
Series 1991, 4.5%-6.65%	309,767		25,565	284,202	30,329
Improvement bonds-					
Series 1992, 3.25%-6.45%	615,000		55,000	560,000	55,000
Improvement Refunding, 2.65%-5.25%	1,850,000		585,000	1,265,000	615,000
Recreation Center Refunding, 2.65%-16.9%	<u>1,369,352</u>		<u>940,000</u>	<u>429,352</u>	<u>134,689</u>
Total general obligation bonds	<u>4,349,119</u>		<u>1,705,565</u>	<u>2,643,554</u>	<u>940,018</u>
<b>Special assessment bonds:</b>					
Series 1991, 4.5%-6.65%	<u>990,233</u>		<u>84,435</u>	<u>905,798</u>	<u>89,671</u>
Total special assessment bonds	<u>990,233</u>		<u>84,435</u>	<u>905,798</u>	<u>89,671</u>
<b>Other:</b>					
Accrued vacation and sick leave benefits	3,140,015	1,968,671	1,711,388	3,397,298	2,140,298
Ohio Public Works Commission Long-Term Promissory Notes, 0-3%	3,108,433	303,995	200,451	3,211,977	201,025
Montgomery County 800 Mhz, 0% Promissory Notes	<u>133,333</u>		<u>66,666</u>	<u>66,667</u>	<u>66,667</u>
Total other	<u>6,381,781</u>	<u>2,272,666</u>	<u>1,978,505</u>	<u>6,675,942</u>	<u>2,407,990</u>
Total long-term liabilities	<u>\$11,721,133</u>	<u>\$2,272,666</u>	<u>\$3,768,505</u>	<u>\$10,225,294</u>	<u>\$3,437,679</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 74% 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.

The annual requirements to pay principal and interest on long-term obligations at December 31, 2004, are as follows:

	<b>General Obligation Bonds</b>		<b>Promissory Notes</b>		<b>Special Assessment Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2005	940,018	980,279	267,692	14,617	89,671	59,922
2006	854,195	954,064	215,924	17,142	95,319	54,272
2007	195,709	931,244	216,676	16,390	101,659	47,934
2008	184,361	939,422	191,955	15,618	108,419	41,173
2009	104,371	30,586	167,255	14,825	115,629	33,964
2010-2014	364,900	48,752	848,920	61,484	395,101	53,675
2015-2019			792,936	38,252		
2020-2024			559,992	11,972		
2025			17,294	130		
	<u>\$2,643,554</u>	<u>\$3,884,347</u>	<u>3,278,644</u>	<u>\$190,430</u>	<u>\$905,798</u>	<u>\$290,940</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, 2004, the City had a legal debt margin for total debt of \$120,037,083 and a legal debt margin for unvoted debt of \$62,054,312.

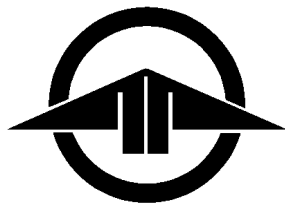
### 13. CONTINGENT LIABILITIES

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. SUBSEQUENT EVENTS

In March of 2005, the City issued approximately \$3.8 million in 20-year general obligation bonds for the construction of a new court facility.



CITY OF KETTERING

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$24,670,979	\$24,670,979	\$24,670,979	
Resources (inflows)				
Income taxes	25,700,000	26,500,000	26,783,319	\$283,319
Property taxes	6,805,000	6,740,000	6,749,816	9,816
Licenses and permits	450,000	533,000	596,012	63,012
Intergovernmental revenue	1,888,000	1,894,000	1,943,882	49,882
Charges for services	108,000	134,000	179,860	45,860
Fines and forfeits	1,415,000	1,315,000	1,305,676	(9,324)
Investment earnings	1,000,000	700,000	455,509	(244,491)
Special assessments	300,000	319,000	329,560	10,560
Refunds and reimbursements	1,100,000	1,100,000	1,280,883	180,883
Miscellaneous	50,000	12,000	18,003	6,003
Sale of city assets	100,000	40,000	40,102	102
Amounts available for appropriation	<u>63,586,979</u>	<u>63,957,979</u>	<u>64,353,601</u>	<u>395,622</u>
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	221,100	226,100	225,599	501
Operating expenditures	98,426	93,414	73,638	19,776
Capital outlay				
Total mayor and council	<u>319,526</u>	<u>319,514</u>	<u>299,237</u>	<u>20,277</u>
Municipal court:				
Personal services	803,700	803,700	734,266	69,434
Operating expenditures	312,450	312,296	255,672	56,624
Capital outlay				
Total municipal court	<u>1,116,150</u>	<u>1,115,996</u>	<u>989,938</u>	<u>126,058</u>
Clerk of courts:				
Personal services	672,200	672,200	665,927	6,273
Operating expenditures	147,960	147,857	107,024	40,833
Capital outlay				
Total clerk of courts	<u>820,160</u>	<u>820,057</u>	<u>772,951</u>	<u>47,106</u>
Office of City Manager:				
Personal services	470,900	470,900	459,209	11,691
Operating expenditures	70,428	70,014	60,176	9,838
Capital outlay				
Total office of city manager	<u>541,328</u>	<u>540,914</u>	<u>519,385</u>	<u>21,529</u>
Law department:				
Personal services	624,500	624,500	604,234	20,266
Operating expenditures	166,614	209,894	172,833	37,061
Capital outlay				
Total law department	<u>791,114</u>	<u>834,394</u>	<u>777,067</u>	<u>57,327</u>
Finance department:				
Personal services	1,320,300	1,320,300	1,237,942	82,358
Operating expenditures	511,027	509,647	404,482	105,165
Capital outlay				
Total finance department	<u>1,831,327</u>	<u>1,829,947</u>	<u>1,642,424</u>	<u>187,523</u>
Administrative support:				
Personal services:	397,700	392,700	383,979	8,721
Operating expenditures	90,206	95,139	85,755	9,384
Capital outlay				
Total administrative support	<u>487,906</u>	<u>487,839</u>	<u>469,734</u>	<u>18,105</u>

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$551,500	\$551,500	\$524,344	\$27,156
Operating expenditures	293,217	290,842	159,824	131,018
Capital outlay				
Total human resources department	844,717	842,342	684,168	158,174
Planning and development:				
Personal services	1,784,100	1,784,100	1,732,649	51,451
Operating expenditures	511,051	558,861	380,703	178,158
Capital outlay	13,303	13,303	13,303	
Total planning and development	2,308,454	2,356,264	2,126,655	229,609
Economic development:				
Personal services	128,900	128,900	103,158	25,742
Operating expenditures	1,315,547	1,320,549	1,114,223	206,326
Capital outlay				
Total economic development	1,444,447	1,449,449	1,217,381	232,068
Miscellaneous:				
Operating expenditures	1,096,624	1,137,425	939,196	198,229
Total miscellaneous	1,096,624	1,137,425	939,196	198,229
Total general government	11,601,753	11,734,141	10,438,136	1,296,005
Police:				
Personal services	8,372,300	8,372,300	8,150,598	221,702
Operating expenditures	2,197,169	2,212,628	1,584,606	628,022
Capital outlay	568,269	544,269	208,057	336,212
Total police	11,137,738	11,129,197	9,943,261	1,185,936
Fire:				
Personal services	5,771,592	5,760,308	5,687,370	72,938
Operating expenditures	2,159,329	2,155,537	2,007,935	147,602
Capital outlay	1,143,710	1,142,210	251,976	890,234
Total fire	9,074,631	9,058,055	7,947,281	1,110,774
Public works:				
Transportation department:				
Personal services	688,300	721,300	706,044	15,256
Operating expenditures	279,875	314,753	229,759	84,994
Capital outlay				
Total transportation department	968,175	1,036,053	935,803	100,250
Engineering department:				
Personal services	1,177,500	1,155,500	1,136,518	18,982
Operating expenditures	228,209	254,601	230,998	23,603
Capital outlay	65,000	60,500		60,500
Total engineering department	1,470,709	1,470,601	1,367,516	103,085
Street lighting:				
Operating expenditures	552,500	552,500	506,530	45,970
Total street lighting	552,500	552,500	506,530	45,970
Total public works	2,991,384	3,059,154	2,809,849	249,305
Transfers to other funds	13,835,481	16,204,573	12,455,731	3,748,842
Total charges to appropriations	48,640,987	51,185,120	43,594,258	7,590,862
Fund balance, December 31	\$14,945,992	\$12,772,859	\$20,759,343	\$7,986,484

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - STREET MAINTENANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$718,560	\$718,560	\$718,560	
Resources (inflows)				
Licenses and permits		10,000	10,605	\$605
Intergovernmental revenue	2,140,000	2,090,000	2,134,700	44,700
Refunds and reimbursements	200,000	200,000	268,000	68,000
Miscellaneous	5,000	50,000	50,324	324
Transfer from the general fund	2,800,000	2,925,000	2,557,000	(368,000)
Amounts available for appropriation	<u>5,863,560</u>	<u>5,993,560</u>	<u>5,739,189</u>	<u>(254,371)</u>
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	3,291,374	3,357,300	3,260,383	96,917
Operating expenditures	1,538,008	1,583,025	1,435,586	147,439
Capital outlay	962,148	962,148	817,172	144,976
Total charges to appropriations	<u>5,791,530</u>	<u>5,902,473</u>	<u>5,513,141</u>	<u>389,332</u>
Fund balance, December 31	<u>\$72,030</u>	<u>\$91,087</u>	<u>\$226,048</u>	<u>\$134,961</u>

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -  
 PARKS, RECREATION AND CULTURAL ARTS FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$120,733	\$120,733	\$120,733	
Resources (inflows)				
Intergovernmental revenue	21,000	16,000	16,270	\$270
Charges for services	2,997,000	2,855,000	2,925,588	70,588
Refunds and reimbursements	64,000	152,000	85,727	(66,273)
Miscellaneous	42,000	32,000	37,758	5,758
Transfer from the general fund	6,000,000	6,000,000	4,851,000	(1,149,000)
Amounts available for appropriation	<u>9,244,733</u>	<u>9,175,733</u>	<u>8,037,076</u>	<u>(1,138,657)</u>
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	4,792,064	4,742,000	4,483,513	258,487
Operating expenditures	4,274,851	3,722,899	3,325,264	397,635
Capital outlay	183,500	183,500	57,346	126,154
Total charges to appropriations	<u>9,250,415</u>	<u>8,648,399</u>	<u>7,866,123</u>	<u>782,276</u>
Fund balance, December 31	<u>(\$5,682)</u>	<u>\$527,334</u>	<u>\$170,953</u>	<u>(\$356,381)</u>

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$65,088	\$65,088	\$65,088	
Resources (inflows)				
Charges for services	1,830,000	2,099,000	2,160,107	\$61,107
Refunds and reimbursements	5,000	2,000	3,732	1,732
Miscellaneous	225,000	224,000	223,561	(439)
Transfer from the general fund	525,000	525,000	70,000	(455,000)
Amounts available for appropriation	<u>2,650,088</u>	<u>2,915,088</u>	<u>2,522,488</u>	<u>(392,600)</u>
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	500,300	558,300	552,624	5,676
Operating expenditures	2,119,206	2,061,085	1,914,666	146,419
Capital outlay				
Total charges to appropriations	<u>2,619,506</u>	<u>2,619,385</u>	<u>2,467,290</u>	<u>152,095</u>
Fund balance, December 31	<u>\$30,582</u>	<u>\$295,703</u>	<u>\$55,198</u>	<u>(\$240,505)</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, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,785,931	\$1,785,931	\$1,785,931	
Resources (inflows)				
Intergovernmental revenue	1,510,296	1,510,296	1,073,072	(\$437,224)
Refunds and reimbursements			519	519
Miscellaneous	29,000	29,000	27,142	(1,858)
Sale of city assets	100,000	100,000	5,318	(94,682)
Amounts available for appropriation	<u>3,425,227</u>	<u>3,425,227</u>	<u>2,891,982</u>	<u>(533,245)</u>
Charges to appropriations (outflows)				
General government	1,665,878	1,730,578	1,610,049	120,529
Capital improvements	419,829	407,129	330,068	77,061
Total charges to appropriations	<u>2,085,707</u>	<u>2,137,707</u>	<u>1,940,117</u>	<u>197,590</u>
Fund balance, December 31	<u>\$1,339,520</u>	<u>\$1,287,520</u>	<u>\$951,865</u>	<u>(\$335,655)</u>

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - EMERGENCY MEDICAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$648,322	\$648,322	\$648,322	
Resources (inflows)				
Charges for services	400,000	1,200,000	1,140,026	(\$59,974)
Investment earnings		20,000	14,963	(5,037)
Amounts available for appropriation	1,048,322	1,868,322	1,803,311	(65,011)
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	35,000	315,000	620,918	(305,918)
Capital outlay	458,500	978,500		978,500
Total fire	493,500	1,293,500	620,918	672,582
Capital Improvements			98,093	(98,093)
Total charges to appropriations	493,500	1,293,500	719,011	574,489
Fund balance, December 31	\$554,822	\$574,822	\$1,084,300	\$509,478

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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## 1. BUDGETS AND BUDGETARY ACCOUNTING

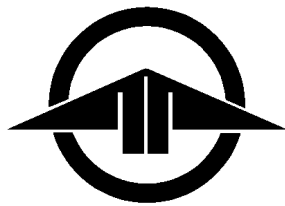
An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings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

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

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

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

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



CITY OF KETTERING

**FINANCIAL STATEMENTS  
OF  
INDIVIDUAL FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET DECEMBER 31, 2004

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
<b>ASSETS</b>						
Pooled cash and investments	\$179,784	\$285,647	\$340,559	\$53,121	\$1,451,378	\$2,310,489
Receivables:						
Property taxes			382,700			382,700
Accounts					249	249
Due from other governments	78,383		590	6	67,807	146,786
Prepaid expenditures					12,064	12,064
Total assets	<u>\$258,167</u>	<u>\$285,647</u>	<u>\$723,849</u>	<u>\$53,127</u>	<u>\$1,531,498</u>	<u>\$2,852,288</u>
<b>LIABILITIES</b>						
Accounts payable	\$877			\$9,944	\$38,728	\$49,549
Accrued payroll			\$330,872		4,853	335,725
Deferred revenue	58,600		382,700		71,975	513,275
Total liabilities	<u>59,477</u>		<u>713,572</u>	<u>9,944</u>	<u>115,556</u>	<u>898,549</u>
<b>FUND BALANCES</b>						
Reserved for:						
Encumbrances				29,697	19,057	48,754
Prepaid expenditures					12,064	12,064
Unreserved	198,690	\$285,647	10,277	13,486	1,384,821	1,892,921
Total fund balances	<u>198,690</u>	<u>285,647</u>	<u>10,277</u>	<u>43,183</u>	<u>1,415,942</u>	<u>1,953,739</u>
Total liabilities and fund balances	<u>\$258,167</u>	<u>\$285,647</u>	<u>\$723,849</u>	<u>\$53,127</u>	<u>\$1,531,498</u>	<u>\$2,852,288</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, 2004

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES</b>						
Property taxes						
Intergovernmental revenue	\$132,000	\$140,447	\$8,447			
Charges for services				\$9,000	\$10,251	\$1,251
Fines and forfeits						
Investment earnings	3,000	5,919	2,919	7,000	6,769	(231)
Refunds and reimbursements		8,024	8,024			
Miscellaneous				4,000	7,000	3,000
Total revenues	<u>135,000</u>	<u>154,390</u>	<u>19,390</u>	<u>20,000</u>	<u>24,020</u>	<u>4,020</u>
<b>EXPENDITURES</b>						
Current:						
General government				18,300	9,347	8,953
Police						
Fire						
Public works	132,200	120,315	11,885			
Leisure services						
Capital improvements						
Total expenditures	<u>132,200</u>	<u>120,315</u>	<u>11,885</u>	<u>18,300</u>	<u>9,347</u>	<u>8,953</u>
Excess (deficiency) of revenues over expenditures	2,800	34,075	31,275	1,700	14,673	12,973
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers out						
Net change in fund balance	<u>2,800</u>	<u>34,075</u>	<u>31,275</u>	<u>1,700</u>	<u>14,673</u>	<u>12,973</u>
Fund balances--beginning	164,615	164,615		270,974	270,974	
Fund balances--ending	<u>\$167,415</u>	<u>\$198,690</u>	<u>\$31,275</u>	<u>\$272,674</u>	<u>\$285,647</u>	<u>\$12,973</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, 2004

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$360,000	\$355,685	(\$4,315)			
Intergovernmental revenue						
Charges for services				\$16,000	\$20,580	\$4,580
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				4,000	4,106	106
Miscellaneous						
Total revenues	<u>360,000</u>	<u>355,685</u>	<u>(4,315)</u>	<u>20,000</u>	<u>24,686</u>	<u>4,686</u>
EXPENDITURES						
Current:						
General government				252,583	200,195	52,388
Police	1,186,000	1,145,421	40,579			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,186,000</u>	<u>1,145,421</u>	<u>40,579</u>	<u>252,583</u>	<u>200,195</u>	<u>52,388</u>
Excess (deficiency) of revenues over expenditures	(826,000)	(789,736)	36,264	(232,583)	(175,509)	57,074
OTHER FINANCING SOURCES (USES)						
Transfers in	827,000	790,000	(37,000)	210,000	165,000	(45,000)
Transfers out						
Net change in fund balance	<u>1,000</u>	<u>264</u>	<u>(736)</u>	<u>(22,583)</u>	<u>(10,509)</u>	<u>12,074</u>
Fund balances--beginning	<u>10,013</u>	<u>10,013</u>		<u>53,692</u>	<u>53,692</u>	
Fund balances--ending	<u>\$11,013</u>	<u>\$10,277</u>	<u>(\$736)</u>	<u>\$31,109</u>	<u>\$43,183</u>	<u>\$12,074</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, 2004

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES</b>						
Property taxes				\$360,000	\$355,685	(\$4,315)
Intergovernmental revenue	\$420,536	\$358,315	(\$62,221)	552,536	498,762	(53,774)
Charges for services				25,000	30,831	5,831
Fines and forfeits	343,000	376,059	33,059	343,000	376,059	33,059
Investment earnings	9,500	2,119	(7,381)	19,500	14,807	(4,693)
Refunds and reimbursements	20,744	11,324	(9,420)	24,744	23,454	(1,290)
Miscellaneous	42,180	78,123	35,943	46,180	85,123	38,943
Total revenues	<u>835,960</u>	<u>825,940</u>	<u>(10,020)</u>	<u>1,370,960</u>	<u>1,384,721</u>	<u>13,761</u>
<b>EXPENDITURES</b>						
Current:						
General government	724,808	406,895	317,913	995,691	616,437	379,254
Police	162,074	141,943	20,131	1,348,074	1,287,364	60,710
Fire	19,675	17,730	1,945	19,675	17,730	1,945
Public works	107,774	86,310	21,464	239,974	206,625	33,349
Leisure services	27,402	19,515	7,887	27,402	19,515	7,887
Capital improvements	50,000	40,580	9,420	50,000	40,580	9,420
Total expenditures	<u>1,091,733</u>	<u>712,973</u>	<u>378,760</u>	<u>2,680,816</u>	<u>2,188,251</u>	<u>492,565</u>
Excess (deficiency) of revenues over expenditures	(255,773)	112,967	368,740	(1,309,856)	(803,530)	506,326
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	74,573	39,731	(34,842)	1,111,573	994,731	(116,842)
Transfers out						
Net change in fund balance	(181,200)	152,698	333,898	(198,283)	191,201	389,484
Fund balances--beginning	1,263,244	1,263,244		1,762,538	1,762,538	
Fund balances--ending	<u>\$1,082,044</u>	<u>\$1,415,942</u>	<u>\$333,898</u>	<u>\$1,564,255</u>	<u>\$1,953,739</u>	<u>\$389,484</u>

DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$1,229,000	\$1,205,190	(\$23,810)
Investment earnings	25,000	28,177	3,177
Special assessments	149,000	149,593	593
Total revenues	<u>1,403,000</u>	<u>1,382,960</u>	<u>(20,040)</u>
EXPENDITURES			
Current:			
General government	5,000		5,000
Debt service:			
Principal	2,057,118	2,057,118	0
Interest	301,214	301,213	1
Total expenditures	<u>2,363,332</u>	<u>2,358,331</u>	<u>5,001</u>
Deficiency of revenues over expenditures	(960,332)	(975,371)	(15,039)
OTHER FINANCING SOURCES (USES)			
Transfers in	990,000	956,000	(34,000)
Net change in fund balance	29,668	(19,371)	(49,039)
Fund balances--beginning	34,549	34,549	
Fund balances--ending	<u>\$64,217</u>	<u>\$15,178</u>	<u>(\$49,039)</u>

CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$21,000	\$28,613	\$7,613
Intergovernmental	3,394,000	2,930,785	(463,215)
Special assessments	724,000	724,564	564
Refunds and reimbursements	130,000	81,513	(48,487)
Miscellaneous	130,000	109,986	(20,014)
Total revenues	<u>4,399,000</u>	<u>3,875,461</u>	<u>(523,539)</u>
EXPENDITURES			
Capital improvements	12,453,380	7,309,963	5,143,417
Total expenditures	<u>12,453,380</u>	<u>7,309,963</u>	<u>5,143,417</u>
Deficiency of revenues over expenditures	(8,054,380)	(3,434,502)	4,619,878
OTHER FINANCING SOURCES (USES)			
Transfers in	4,653,000	3,027,000	(1,626,000)
General obligation note issuance	369,000	303,995	(65,005)
Sale of city assets		254,882	254,882
Net change in fund balance	<u>(3,032,380)</u>	<u>151,375</u>	<u>3,183,755</u>
Fund balances--beginning	<u>3,075,180</u>	<u>3,075,180</u>	
Fund balances--ending	<u>\$42,800</u>	<u>\$3,226,555</u>	<u>\$3,183,755</u>

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CAPITAL PROJECTS FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2004

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$300,729	\$149,443	\$151,286
Street construction	8,089,383	5,103,200	2,986,183
Drainage	213,519	87,005	126,514
Parks and recreation	2,109,445	868,242	1,241,203
Tree planting and landscaping	82,000	39,445	42,555
Other	1,658,304	1,062,628	595,676
Total capital projects fund	<u>\$12,453,380</u>	<u>\$7,309,963</u>	<u>\$5,143,417</u>

INTERNAL SERVICE FUNDS  
 COMBINING BALANCE SHEET  
 DECEMBER 31, 2004

	Administrative Operations	Health Insurance	Totals
<b>ASSETS</b>			
Current assets:			
Pooled cash and investments	\$698,791	\$39,088	\$737,879
Accounts receivable	2,582		2,582
Due from other governments	146		146
Prepaid expenses	8,887		8,887
Inventory	304,448		304,448
Total current assets	<u>1,014,854</u>	<u>39,088</u>	<u>1,053,942</u>
Noncurrent assets:			
Buildings and improvements	790,687		790,687
Machinery and equipment	2,140,045		2,140,045
Less: Accumulated depreciation	<u>(2,051,257)</u>		<u>(2,051,257)</u>
Total noncurrent assets	<u>879,475</u>		<u>879,475</u>
Total assets	<u><u>\$1,894,329</u></u>	<u><u>\$39,088</u></u>	<u><u>\$1,933,417</u></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$113,047		\$113,047
Accrued payroll	115,980		115,980
Total current liabilities	<u>229,027</u>		<u>229,027</u>
Noncurrent liabilities:			
Accrued vacation and sick leave benefits	<u>262,449</u>		<u>262,449</u>
Total liabilities	<u>491,476</u>		<u>491,476</u>
<b>NET ASSETS</b>			
Invested in capital assets	879,475		879,475
Unrestricted	<u>523,378</u>	<u>\$39,088</u>	<u>562,466</u>
Total net assets	<u>1,402,853</u>	<u>39,088</u>	<u>1,441,941</u>
Total liabilities and net assets	<u><u>\$1,894,329</u></u>	<u><u>\$39,088</u></u>	<u><u>\$1,933,417</u></u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Administrative Operations	Health Insurance	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$5,288,832	\$3,016,933	\$8,305,765
Total operating revenues	<u>5,288,832</u>	<u>3,016,933</u>	<u>8,305,765</u>
<b>OPERATING EXPENSES</b>			
Personal services	2,592,149		2,592,149
Repairs and maintenance	1,046,478		1,046,478
Contractual services	763,469	3,029,045	3,792,514
Other materials and expenses	559,422		559,422
Depreciation	178,358		178,358
Total operating expenses	<u>5,139,876</u>	<u>3,029,045</u>	<u>8,168,921</u>
Operating income (loss)	<u>148,956</u>	<u>(12,112)</u>	<u>136,844</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	21,949	433	22,382
Change in net assets	170,905	(11,679)	159,226
Total net assets--beginning	<u>1,231,948</u>	<u>50,767</u>	<u>1,282,715</u>
Total net assets--ending	<u>\$1,402,853</u>	<u>\$39,088</u>	<u>\$1,441,941</u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2004  
 Increase (Decrease) in cash

	Administrative Operations	Health Insurance	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received for services	\$5,289,789	\$3,016,933	\$8,306,722
Cash paid to suppliers for goods or services	(2,407,407)	(3,029,045)	(5,436,452)
Cash paid to employees for services	(2,580,636)		(2,580,636)
Net cash provided (used) by operating activities	<u>301,746</u>	<u>(12,112)</u>	<u>289,634</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(218,792)		(218,792)
Sale of capital assets	11,253		11,253
Net cash used by capital and related financing activities	<u>(207,539)</u>		<u>(207,539)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	21,949	433	22,382
Net cash provided by investing activities	<u>21,949</u>	<u>433</u>	<u>22,382</u>
Net increase (decrease) in cash	116,156	(11,679)	104,477
Cash at beginning of year	582,635	50,767	633,402
Cash at end of year	<u>\$698,791</u>	<u>\$39,088</u>	<u>\$737,879</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$148,956	(\$12,112)	\$136,844
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	178,358		178,358
(Increase) decrease in receivables	4,556		4,556
(Increase) decrease in inventories	(26,037)		(26,037)
Increase (decrease) in accounts payable	(12,499)		(12,499)
Net (increase) decrease in other operating net assets	8,412		8,412
Net cash provided (used) by operating activities	<u>\$301,746</u>	<u>(\$12,112)</u>	<u>\$289,634</u>

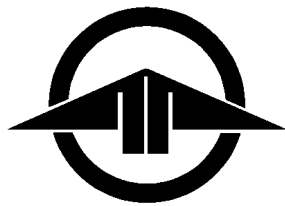
AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Balance December 31 2003	Additions	Deductions	Balance December 31 2004
<u>PAYROLL WITHHOLDING FUND</u>				
ASSETS - Cash	\$471,345	\$8,566,478	\$8,623,119	\$414,704
LIABILITIES - Withholdings payable	\$471,345	\$8,566,478	\$8,623,119	\$414,704
<u>MUNICIPAL COURT FUND</u>				
ASSETS - Investments with fiscal agent	\$278,657	\$3,695,456	\$3,835,771	\$138,342
LIABILITIES - Undistributed moneys	\$278,657	\$3,695,456	\$3,835,771	\$138,342
<u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u>				
ASSETS - Cash	\$10,364	\$440,227	\$282,948	\$167,643
LIABILITIES				
Accounts payable	\$5,633	\$282,930	\$278,142	\$10,421
Unclaimed moneys	4,731	157,297	4,806	157,222
Total liabilities	\$10,364	\$440,227	\$282,948	\$167,643
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$481,709	\$9,006,705	\$8,906,067	\$582,347
Investments with fiscal agent	278,657	3,695,456	3,835,771	138,342
Total assets	\$760,366	\$12,702,161	\$12,741,838	\$720,689
LIABILITIES				
Accounts payable	\$5,633	\$282,930	\$278,142	\$10,421
Withholdings payable	471,345	8,566,478	8,623,119	414,704
Undistributed moneys	278,657	3,695,456	3,835,771	138,342
Unclaimed moneys	4,731	157,297	4,806	157,222
Total liabilities	\$760,366	\$12,702,161	\$12,741,838	\$720,689



DEBT SCHEDULE  
DECEMBER 31, 2004

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2005	
						Principal	Interest
General Obligation Bonds:							
Fire station	9/1/1985	9.00%	12/1/2005	\$855,000	\$50,000	\$50,000	\$4,500
Service center	9/1/1985	9.00	12/1/2005	1,050,000	55,000	55,000	4,950
Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	524,921	284,202	30,329	18,793
Improvement bonds-series 1992	11/1/1992	3.25-6.45	12/1/2012	994,303	560,000	55,000	35,927
Improvement refunding	8/1/1993	2.65-5.25	12/1/2006	6,845,000	1,265,000	615,000	65,798
Recreation center refunding	8/1/1993	2.65-16.9	12/1/2008	9,289,352	429,352	134,689	850,311
Total general obligation bonds					2,643,554	940,018	980,279
Special Assessment Bonds:							
Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	1,665,079	905,798	89,671	59,922
Total special assessment bonds					905,798	89,671	59,922
Promissory Notes:							
Montgomery County 800 Mhz	10/30/2002	0.00	5/1/2005	200,000	66,667	66,667	0
Ohio public works commission:							
Bridge replacements	12/1/1994	0.00	7/1/2015	280,393	149,466	14,020	0
Rushland drive improvement	7/1/1996	0.00	7/1/2016	122,577	73,546	6,129	0
Dorothy lane resurfacing	1/1/1998	0.00	1/1/2008	509,850	178,448	50,985	0
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	1,368,647	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	492,094	19,550	14,617
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	634,641	34,305	0
Ridgeway Bridge Rehab	12/31/2004	1.00	1/1/2026	315,135	315,135	0	0
Total promissory notes					3,278,644	267,692	14,617
Total					\$6,827,996	\$1,297,381	\$1,054,818



CITY OF KETTERING

## STATISTICAL SECTION

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

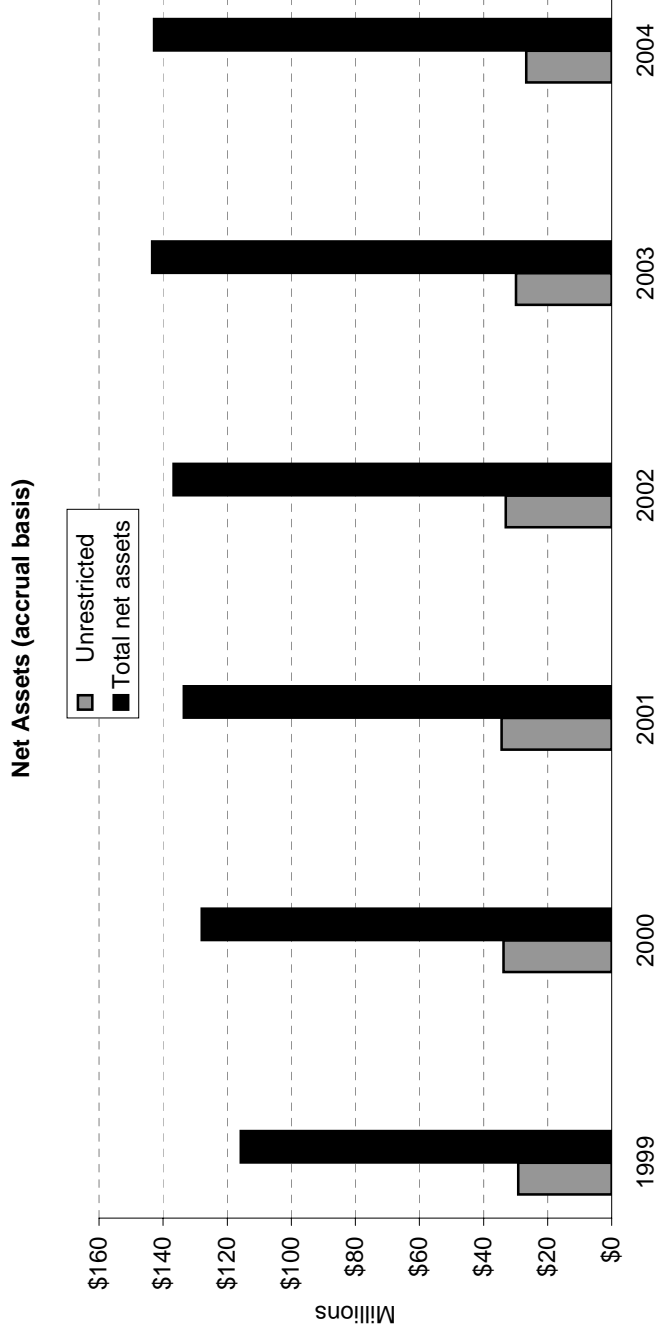
<b><u>Category</u></b>	<b><u>Schedule #s</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>1, 2, 3 &amp; 4</b>
<b>Revenue Capacity</b> These schedules contain information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

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

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

	Year					
	1999	2000	2001	2002	2003	2004
Governmental activities						
Invested in capital assets, net of related debt	\$83,168,667	\$91,355,281	\$95,986,319	\$100,065,903	\$109,267,077	\$112,412,581
Restricted for:						
Debt service	153,118	172,832	38,533	46,554	34,549	15,178
Community development block grant	2,285,033	2,168,695	2,035,858	2,080,807	1,863,768	1,043,771
Emergency medical					912,249	1,194,939
Other purposes	1,002,951	494,374	1,157,239	1,475,106	1,452,501	1,583,713
Unrestricted	29,181,595	33,743,585	34,320,366	33,037,037	29,905,347	26,619,777
<b>Total net assets</b>	<b>\$115,791,364</b>	<b>\$127,934,767</b>	<b>\$133,538,315</b>	<b>\$136,705,407</b>	<b>\$143,435,491</b>	<b>\$142,869,959</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.



# CITY OF KETTERING, OHIO

## SCHEDULE 2

### CHANGES IN NET ASSETS

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

	1999	2000	2001	2002	2003	2004
<b>Expenses</b>						
General government	\$8,882,212	\$10,324,836	\$10,716,604	\$11,179,273	\$12,142,127	\$13,210,288
Police	9,163,871	9,413,721	10,270,530	10,626,973	10,840,287	11,282,263
Fire	6,374,476	6,356,550	7,349,117	7,569,675	7,768,263	8,768,088
Public works	9,366,194	9,791,899	9,812,828	10,803,744	11,236,775	11,926,820
Leisure services	10,427,534	10,231,388	10,832,180	11,665,610	11,479,183	11,834,644
Interest on long term debt	749,636	619,018	541,085	458,517	386,200	292,918
Total expenses	<u>44,963,923</u>	<u>46,737,412</u>	<u>49,522,344</u>	<u>52,303,792</u>	<u>53,852,835</u>	<u>57,315,021</u>
<b>Program Revenues</b>						
Charges for services:						
General government	1,678,418	1,686,309	2,015,725	2,353,231	2,344,241	2,436,404
Fire	3,823,331	3,907,797	4,098,781	4,508,945	1,144,791	986,737
Leisure services	1,959,598	1,860,874	1,216,785	1,743,952	4,398,036	5,085,696
Other activities		2,660	880	205	67,602	62,639
Operating grants and contributions					1,388,760	1,623,605
Capital grants and contributions:						
Public works	1,229,161	4,449,371	4,284,996	3,779,248	6,560,882	2,583,208
Other activities	27,225	25,000	367,750		58,653	29,216
Total program revenues	<u>8,717,733</u>	<u>11,932,011</u>	<u>11,984,917</u>	<u>12,385,581</u>	<u>15,962,965</u>	<u>12,807,505</u>
<b>Net (Expense)/Revenue<sup>1</sup></b>						
General government	(6,233,861)	(7,896,810)	(7,591,743)	(7,615,770)	(8,920,581)	(9,489,609)
Police	(9,121,479)	(9,349,083)	(10,198,837)	(10,534,263)	(10,692,821)	(11,201,292)
Fire	(6,372,176)	(6,355,945)	(7,319,277)	(7,569,335)	(6,568,248)	(7,763,976)
Public works	(7,381,653)	(4,422,113)	(5,477,029)	(6,971,161)	(4,519,146)	(9,261,925)
Leisure services	(6,387,385)	(6,162,432)	(6,409,456)	(6,769,165)	(6,802,874)	(6,497,796)
Interest on long term debt	(749,636)	(619,018)	(541,085)	(458,517)	(386,200)	(292,918)
Total net expense	<u>(36,246,190)</u>	<u>(34,805,401)</u>	<u>(37,537,427)</u>	<u>(39,918,211)</u>	<u>(37,889,870)</u>	<u>(44,507,516)</u>
<b>General Revenues</b>						
Taxes						
Income taxes	22,512,947	23,379,834	23,660,299	25,341,919	25,607,227	27,526,627
Property taxes, levied for general purposes	6,164,671	6,533,352	6,618,088	6,706,279	7,025,307	7,134,615
Property taxes, levied for debt service	1,198,897	1,206,793	1,169,189	1,192,441	1,183,447	1,205,190
Other taxes	6,181,380	8,184,945	6,992,076	6,432,237	8,302,792	6,259,591
Investment earnings	2,256,674	2,400,657	2,071,226	1,381,779	780,231	513,456
Refunds & reimbursements	1,061,974	1,161,602	2,212,010	1,306,890	1,284,483	1,182,084
Miscellaneous	4,576,102 <sup>2</sup>	330,138	418,087	723,758	436,467	120,421
Total general revenues	<u>43,952,645</u>	<u>43,197,321</u>	<u>43,140,975</u>	<u>43,085,303</u>	<u>44,619,954</u>	<u>43,941,984</u>
<b>Change in Net Assets</b>	<u>\$7,706,455</u>	<u>\$8,391,920</u>	<u>\$5,603,548</u>	<u>\$3,167,092</u>	<u>\$6,730,084</u>	<u>(\$565,532)</u>

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

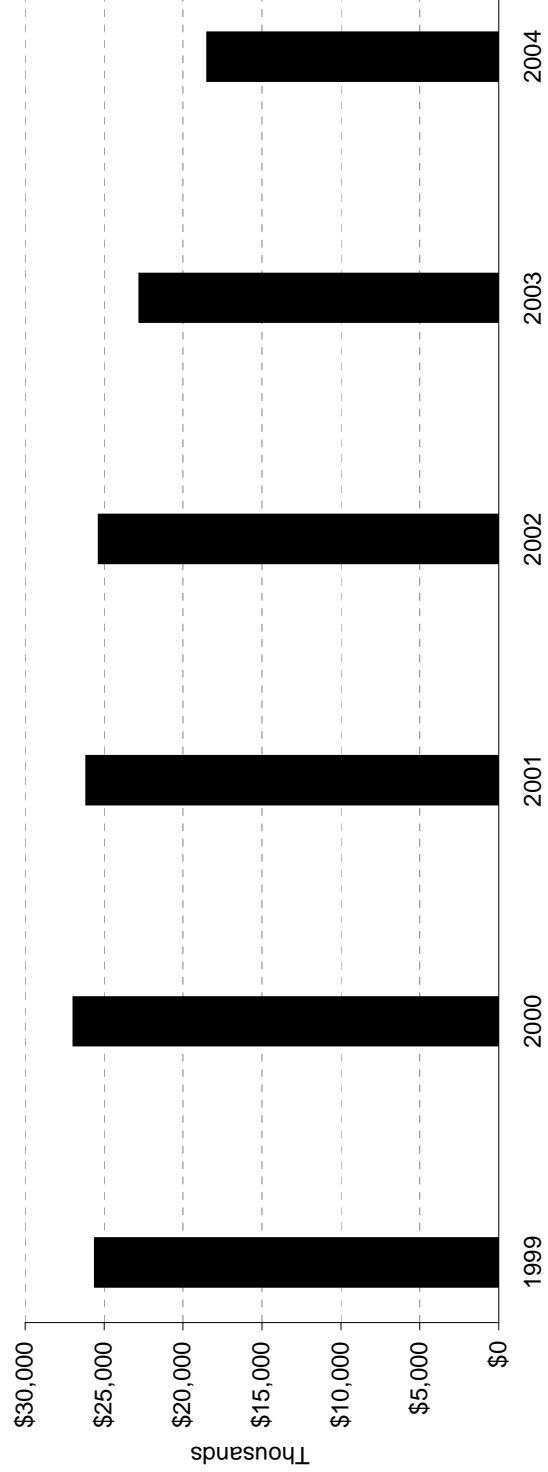
(2) In 1999 the City was in the final stages of converting a closed Air Force base to private use. The U.S. Government deeded over to the City a building located on the former base. The fair market value at the time of donation was \$4.2 million.

**SCHEDULE 3**

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

	Year					
	1999	2000	2001	2002	2003	2004
General Fund						
Reserved	\$2,190,996	\$2,405,099	\$2,004,958	\$1,658,540	\$1,919,131	\$2,310,521
Unreserved	25,570,928	26,921,571	26,116,746	25,320,039	22,751,848	18,448,822
Total general fund	<u>\$27,761,924</u>	<u>\$29,326,670</u>	<u>\$28,121,704</u>	<u>\$26,978,579</u>	<u>\$24,670,979</u>	<u>\$20,759,343</u>
All Other Governmental Funds						
Reserved	\$7,112,526	\$4,353,076	\$6,995,171	\$6,723,658	\$5,796,672	\$5,176,218
Unreserved, reported in:						
Special revenue funds	355,843	68,155	1,140,426	1,662,040	2,360,777	2,481,977
Debt service fund	153,118	117,532	38,533	46,554	34,549	15,178
Capital project fund	210,977	1,076,034	10,445	10,305	18,903	10,463
Total all other governmental funds	<u>\$7,832,464</u>	<u>\$5,614,797</u>	<u>\$8,184,575</u>	<u>\$8,442,557</u>	<u>\$8,210,901</u>	<u>\$7,683,836</u>

**Unreserved General Fund Balance**

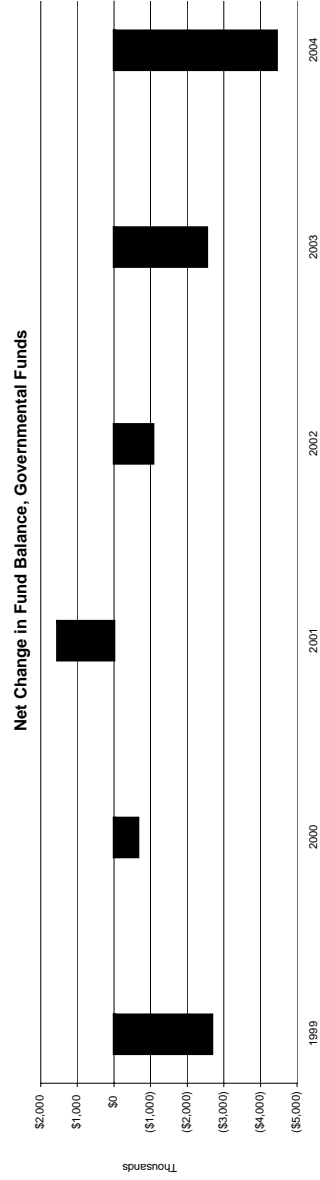


**CITY OF KETTERING, OHIO**

**SCHEDULE 4**

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

	1999	2000	2001	2002	2003	2004
<b>REVENUES</b>						
Income taxes	\$22,550,447	\$23,566,678	\$23,866,680	\$25,095,930	\$26,033,273	\$26,783,319
Property taxes	7,486,668	7,740,145	7,788,476	7,896,919	8,175,853	8,339,304
Licenses and permits	395,804	459,832	392,917	506,429	567,654	606,617
Intergovernmental revenue	7,800,085	10,035,712	10,276,158	10,043,805	14,669,208	8,597,471
Charges for services	4,021,532	4,001,529	4,223,430	4,615,432	5,448,625	6,436,412
Fines and forfeits	1,084,413	1,135,404	1,499,038	1,740,344	1,674,642	1,681,735
Investment earnings	2,011,338	2,645,992	2,071,226	1,381,779	780,228	513,456
Special assessments	1,168,726	1,418,452	1,251,362	1,308,754	1,024,871	1,203,717
Refunds and reimbursements	1,371,191	1,500,421	2,576,280	1,626,962	1,861,388	1,743,828
Miscellaneous	653,120	522,141	538,633	676,389	669,066	551,897
<b>Total revenues</b>	<b>48,543,324</b>	<b>53,026,306</b>	<b>54,484,200</b>	<b>54,892,743</b>	<b>60,904,908</b>	<b>56,457,756</b>
<b>EXPENDITURES</b>						
Current:						
General government	9,031,363	9,501,717	9,768,669	10,980,711	11,320,369	12,664,622
Police	9,315,128	9,353,231	10,064,525	10,429,392	10,786,712	11,230,625
Fire	6,099,968	7,125,540	7,224,511	7,275,877	7,831,880	8,585,929
Public works	6,701,394	7,053,955	6,897,648	7,952,650	8,173,691	8,529,615
Leisure services	8,876,221	8,774,617	9,335,122	10,283,469	10,438,031	10,352,928
Capital improvements	8,978,298	9,988,482	9,642,134	8,405,483	12,781,912	7,778,704
Debt service:						
Principal	1,523,134	1,583,134	1,648,134	1,718,134	1,952,988	2,057,118
Interest	697,513	625,480	547,930	465,787	386,244	301,213
<b>Total expenditures</b>	<b>51,223,019</b>	<b>54,006,156</b>	<b>55,128,673</b>	<b>57,511,503</b>	<b>63,671,827</b>	<b>61,500,754</b>
Excess (deficiency) of revenues over expenditures	(2,679,695)	(979,850)	(644,473)	(2,618,760)	(2,767,019)	(5,042,998)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	14,371,198	9,543,432	11,583,704	10,879,070	11,332,160	12,455,731
Transfers out	(14,371,198)	(9,543,432)	(11,583,704)	(10,879,070)	(11,332,160)	(12,455,731)
General obligation note issuance		326,929	1,930,633	987,255	11,140	303,995
Sale of city assets			258,652	566,362	216,623	300,302
<b>Net change in fund balance</b>	<b>(\$2,679,695)</b>	<b>(\$652,921)</b>	<b>\$1,544,812</b>	<b>(\$1,065,143)</b>	<b>(\$2,539,256)</b>	<b>(\$4,438,701)</b>
Debt service as a percentage of noncapital expenditures	5.38%	5.25%	4.91%	4.55%	4.72%	4.50%

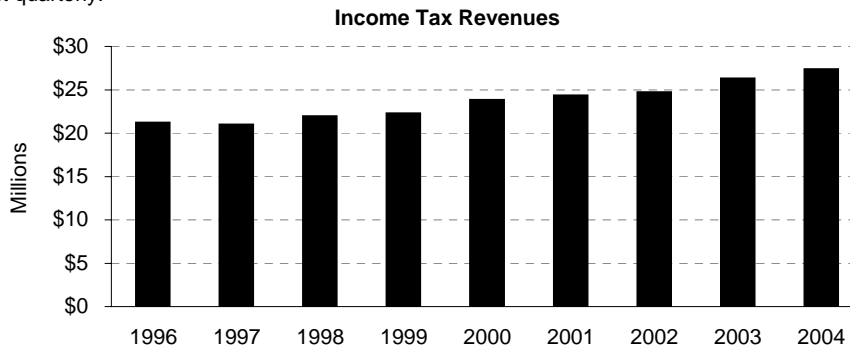


**INCOME TAX BY PAYER TYPE AND INCOME TAX RATE  
LAST NINE YEARS (cash basis of accounting)**

Year	Individual		Total			Total	Income Tax Rate
	Withholding	Non-withholding	Individual	Corporate	Partnership		
1996	\$17,619,814	\$2,416,449	\$20,036,263	\$953,110	\$193,532	\$21,182,905	1.75%
1997	17,543,850	2,326,899	19,870,749	841,651	247,524	20,959,924	1.75%
1998	18,205,947	2,612,716	20,818,663	827,096	283,688	21,929,447	1.75%
1999	18,718,313	2,465,811	21,184,124	777,641	305,342	22,267,107	1.75%
2000	19,796,097	2,589,602	22,385,699	892,553	514,878	23,793,130	1.75%
2001	20,598,600	2,533,287	23,131,887	773,634	411,093	24,316,614	1.75%
2002	20,777,431	2,494,477	23,271,908	973,956	437,015	24,682,879	1.75%
2003	21,881,920	2,781,028	24,662,948	854,079	754,846	26,271,873	1.75%
2004	22,432,749	2,756,819	25,189,568	1,371,878	780,238	27,341,684	1.75%

Source: City of Kettering, Ohio, Finance Department

The City levies a 1.75% 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 EIGHT YEARS AGO (cash basis of accounting)**

2004		2004 Rank		1996			
Rank	Name			Rank	Name		
1	Delphi Automotive Systems Services LLC	1 <sup>1</sup>		1	General Motors Corporation		
2	Kettering Medical Center	5		2	Federal Government		
3	Reynolds & Reynolds Company	2		3	Kettering Medical Center		
4	Monogram Services Co. LLC	6 <sup>1</sup>		4	Scitex Digital Printing Inc.		
5	Federal Government	7		5	Kettering Board of Education		
6	Kodak Versamark Inc.	9		6	City of Kettering		
7	Kettering Board of Education	-		7	Valeo Electrical Systems Inc.		
8	Intimate Brands Inc.	-		8	Reed Elsevier Inc.		
9	City of Kettering	8 <sup>1</sup>		9	Victoria's Secret Catalogue Inc.		
10	Time Warner Entertainment Inc.	-		10	Meijer Inc.		
Combined percentage of Total Income taxes			39.2%	Combined percentage of Total Income taxes			40.5%

Source: City of Kettering, Ohio, Finance Department

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

(1) Delphi Automotive Systems Services LLC is a spinoff of General Motors Corporation; Scitex Digital Printing Inc. was purchased by Kodak Versamark Inc.; Intimate Brands Inc. owns Victoria's Secret Catalogue.



# CITY OF KETTERING, OHIO

## SCHEDULE 7

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

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Obligation Bonds	\$15,576,504	\$14,355,963	\$13,098,471	\$11,784,316	\$10,418,777	\$8,997,168	\$7,514,792	\$5,966,977	\$4,349,119	\$2,643,554
Percent of estimated actual property value	0.59%	0.55%	0.45%	0.41%	0.35%	0.28%	0.24%	0.19%	0.13%	0.08%
Per capita	257	237	216	195	172	156	131	104	76	46
Special Assessment Bonds	1,703,848	1,627,389	1,547,881	1,465,036	1,378,574	1,288,184	1,193,560	1,094,375	990,233	905,798
Promissory Notes	275,643	384,201	364,052	828,261	757,129	685,994	2,545,494	3,461,615	3,241,766	3,278,644
Total Gross Indebtedness	17,555,995	16,367,553	15,010,404	14,077,613	12,554,480	10,971,346	11,253,846	10,522,967	8,581,118	6,827,996
Percentage of personal income	1.26%	1.13%	0.99%	0.91%	0.80%	0.71%	0.72%	0.64%	0.50%	0.39%
Per capita	290	270	248	232	207	191	196	183	149	119
Less debt outside limitations:										
Special Assessment Debt	1,703,848	1,627,389	1,547,881	1,465,036	1,378,574	1,288,184	1,193,560	1,094,375	990,233	905,798
Promissory Notes	275,643	384,201	364,052	828,261	757,129	685,994	2,545,494	3,461,615	3,241,766	3,278,644
Less debt service fund balance	339,289	251,309	129,069	161,955	153,118	117,532	38,533	46,554	34,549	15,178
Net debt within limitations for both Voted and Unvoted debt	15,237,215	14,104,654	12,969,402	11,622,361	10,265,659	8,879,636	7,476,259	5,920,423	4,314,570	2,628,376
Debt limitation for both Voted and Unvoted debt										
10.5% of assessed valuation	95,933,333	96,127,009	105,503,172	106,250,644	107,882,576	115,575,064	115,633,711	114,650,117	124,670,352	122,665,459
Legal debt margin for Voted and Unvoted debt	\$80,696,118	\$82,022,355	\$92,533,770	\$94,628,283	\$97,616,917	\$106,695,428	\$108,157,452	\$108,729,694	\$120,355,782	\$120,037,083
Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit	15.88%	14.67%	12.29%	10.94%	9.52%	7.68%	6.47%	5.16%	3.46%	2.14%
Net debt within limitations for both Voted and Unvoted debt	\$15,237,215	\$14,104,654	\$12,969,402	\$11,622,361	\$10,265,659	\$8,879,636	\$7,476,259	\$5,920,423	\$4,314,570	\$2,628,376
Less voted debt	7,504,352	6,844,352	6,159,352	5,444,352	4,699,352	3,924,352	3,114,352	2,264,352	1,369,352	429,352
Net debt within limitations for Unvoted debt	7,732,863	7,260,302	6,810,050	6,178,009	5,566,307	4,955,284	4,361,907	3,656,071	2,945,218	2,199,024
Debt limitation for Unvoted debt										
5.5% of assessed valuation	50,250,793	50,352,243	55,263,567	55,655,099	56,509,921	60,539,319	60,570,039	60,054,823	65,303,518	64,253,336
Legal debt margin for Unvoted debt	\$42,517,930	\$43,091,941	\$48,453,517	\$49,477,090	\$50,943,614	\$55,584,035	\$56,208,132	\$56,398,752	\$62,358,300	\$62,054,312
Net debt within limitations for Unvoted debt as a percentage of debt limit	15.39%	14.42%	12.32%	11.10%	9.85%	8.19%	7.20%	6.09%	4.51%	3.42%

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT  
DECEMBER 31, 2004

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	\$5,907,020	100.0%	\$5,907,020
Kettering City School District	103,887,587	91.7%	95,264,917
Montgomery County	32,892,639	11.7%	3,848,439
Beavercreek Local School District	40,752,334	1.0%	407,523
<b>Total</b>	<b>\$183,439,580</b>		<b>\$105,427,899</b>

Source: Individual jurisdictions.

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

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

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS

Year	Population <sup>1</sup>	Personal Income <sup>2</sup>	Per capita Personal Income <sup>1,2</sup>	Unemployment Rate <sup>3</sup>	Avg Sale Price for a Single Family Home <sup>4</sup>	Total Assessed Property Value <sup>5</sup>	Estimated Actual Property Value <sup>5</sup>
1995	60,569	\$1,397,084,554	\$23,066	2.0%	\$105,886	\$913,650,786	\$2,623,078,537
1996	60,569	1,452,929,172	23,988	2.2%	107,992	915,495,327	2,631,770,962
1997	60,569	1,511,075,412	24,948	2.0%	109,792	1,004,792,119	2,884,674,180
1998	60,569	1,541,299,343	25,447	2.0%	116,461	1,011,910,890	2,906,512,889
1999	60,569	1,572,128,964	25,956	1.9%	116,524	1,027,453,106	2,944,151,764
2000	57,502	1,553,071,518	27,009	1.9%	121,534	1,100,714,894	3,169,669,776
2001	57,502	1,572,794,704	27,352	2.2%	123,524	1,101,273,442	3,174,922,055
2002	57,502	1,653,815,022	28,761	2.8%	132,529	1,091,905,872	3,167,681,964
2003	57,502	1,715,572,170	29,835	3.2%	138,690	1,187,336,684	3,433,251,092
2004	57,502	1,765,023,890	30,695	3.2%	135,081	1,168,242,464	3,453,224,812

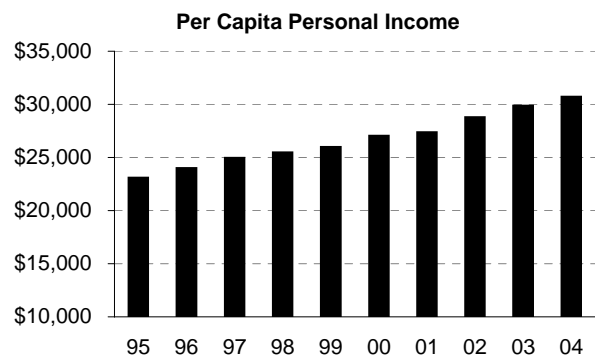
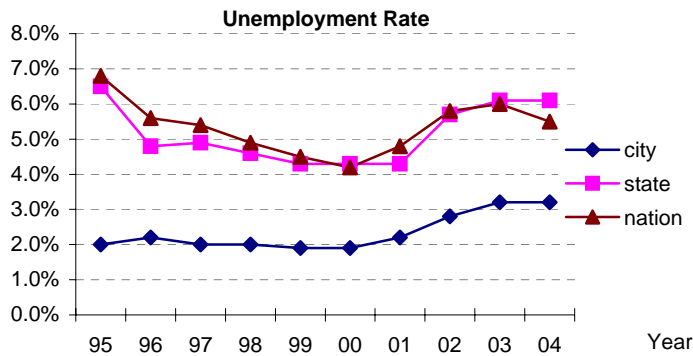
(1) 1990 & 2000 United States Census Bureau.

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

(3) Ohio Bureau of Employment Services.

(4) Dayton Area Board of Realtors, Dayton, Ohio (2004 price range: \$24,000 - \$668,000).

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



PRINCIPAL EMPLOYERS  
CURRENT YEAR AND FOURTEEN YEARS AGO

Employer	2004		1990 <sup>1</sup>	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Kettering Medical Center	3,100	10.00%	General Motors Corporation <sup>2</sup>	4,405 13.39%
Delphi Automotive Systems Services, LLC <sup>2</sup>	1,770	5.71%	Kettering Medical Center	2,975 9.04%
Reynolds & Reynolds Company	1,350	4.35%	Defense Electronics Supply Center	2,500 7.60%
Monogram Services Co. LLC	1,200	3.87%	Kroger Company	1,313 3.99%
Intimate Brands Inc.	900	2.90%	Kettering City Schools	1,033 3.14%
Kettering City Schools	900	2.90%	Meijer Inc	900 2.74%
City of Kettering	900	2.90%	City of Kettering	502 1.53%
Kodak Versamark	600	1.94%	Eastman Kodak Company <sup>2</sup>	350 1.06%
Meijer Inc.	550	1.77%	Ohio Bell Telephone Company	292 0.89%
<b>Total</b>	<b>11,270</b>	<b>36.35%</b>	<b>Total</b>	<b>14,270 43.37%</b>

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

(1) Past information is available every 10 years.

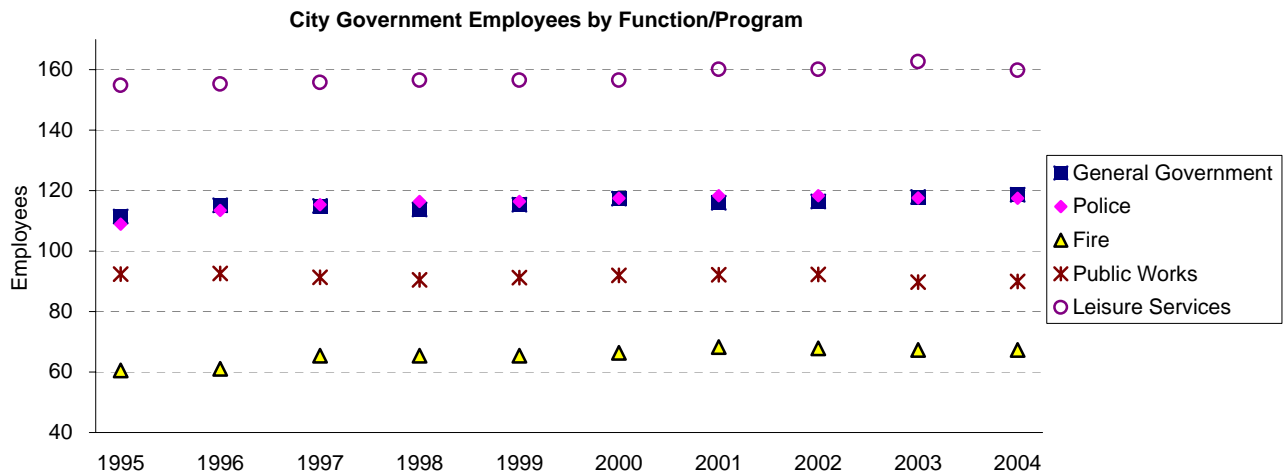
(2) Delphi Automotive Systems Services, LLC is a spinoff of General Motors Corp.; Kodak Versamark is a division of Eastman Kodak Co.

SCHEDULE 11

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

Function/program	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Government	111.5	115.1	115.0	113.8	115.4	117.4	116.0	116.4	117.9	118.7
Police	108.9	113.5	115.4	116.5	116.5	117.5	118.4	118.4	117.6	117.5
Fire	60.5	61.1	65.4	65.4	65.4	66.4	68.3	67.8	67.3	67.3
Public Works	92.4	92.7	91.3	90.4	91.2	91.9	92.2	92.3	89.8	90.0
Leisure Services	154.8	155.2	155.8	156.5	156.5	156.5	160.2	160.2	162.7	159.9
<b>Total</b>	<b>528.1</b>	<b>537.6</b>	<b>542.9</b>	<b>542.6</b>	<b>545.0</b>	<b>549.7</b>	<b>555.1</b>	<b>555.1</b>	<b>555.3</b>	<b>553.4</b>

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN YEARS

<u>Function/program</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Government										
Positions filled <sup>1</sup>	22	20	26	20	16	27	19	17	15	9
Permits issued <sup>2</sup>	4,306	4,420	4,657	4,483	4,248	4,295	3,861	3,705	3,824	3,217
Inspections performed <sup>2</sup>	9,053	9,894	9,862	11,520	7,071	8,971	6,828	7,144	7,435	6,974
CDBG loan applications <sup>3</sup>	22	24	23	23	24	21	14	5	10	18
Payroll checks processed <sup>4</sup>	20,215	20,540	19,986	20,332	20,387	20,375	20,852	20,898	20,648	21,710
Purchase orders issued <sup>5</sup>	1,666	1,834	1,614	1,431	1,474	1,557	2,068	1,816	2,002	2,120
Ordinances & resolutions <sup>6</sup>	201	171	178	181	214	238	230	234	243	206
Court cases <sup>7</sup>	18,383	22,073	21,800	25,333	21,839	20,913	19,979	19,865	18,742	18,358
Police										
Criminal arrests <sup>8</sup>	2,976	3,351	3,248	3,354	3,216	2,925	3,263	3,112	2,854	2,813
Calls for service <sup>9</sup>	33,833	37,338	37,281	38,966	37,462	34,881	40,115	40,218	37,162	37,402
Fire										
Fire alarms <sup>10</sup>	2,648	1,375	1,406	1,385	1,224	1,273	1,397	1,421	2,393	1,604
Medic alarms <sup>10</sup>	3,890	3,917	3,962	4,029	4,445	4,495	4,551	4,601	5,120	4,881
Public Works										
Asphalt resurfacing (miles) <sup>11</sup>	7	20	12	16	15	13	13	14	16	10
Truckloads of leaves picked-up <sup>12</sup>	1,953	2,054	2,222	2,038	2,100	1,735	1,740	2,206	2,062	1,988
Tons of snow melting salt used <sup>12</sup>	5,661	4,361	2,953	1,992	5,500	9,118	2,147	3,000	5,452	4,654
Leisure Services										
Recreation complex attendance <sup>13</sup>	1,018,770	981,000	949,000	933,000	920,270	900,910	879,000	918,560	931,040	1,016,576
Fraze Pavilion tickets sold <sup>13</sup>	27,775	57,064	69,225	72,886	72,167	74,153	71,018	75,942	77,727	80,480

(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>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Government										
Square footage occupied <sup>1</sup>	25,582	25,582	25,582	25,582	25,582	25,582	25,582	25,582	25,582	25,582
Police										
Stations <sup>1</sup>	1	1	1	1	1	1	1	1	1	1
Square footage of building <sup>1</sup>	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515
Fire										
Stations <sup>1</sup>	7	7	7	7	7	7	7	7	7	7
Public Works										
Miles of roads <sup>2</sup>	244	244	244	244	244	244	246	246	246	246
Miles of storm sewer/channel <sup>2</sup>	169	170	170	171	172	172	173	174	174	175
Leisure Services										
Number of parks <sup>3</sup>	21	21	21	21	21	21	21	21	21	21
Area of parks (acres) <sup>3</sup>	408	408	408	408	408	408	408	419	419	419
Recreation complex square ft. <sup>1</sup>	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000

(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



**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
JUNE 9, 2005**