

CITY OF KETTERING, OHIO

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

For the Year Ended December 31, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the City of Kettering, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2005 through December 31, 2005. 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 15, 2006

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CITY OF KETTERING, OHIO

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Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS

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Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 17, 2006. 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 opinion 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 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*.

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 17, 2006



Clark, Schaefer, Hackett & Co.

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

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

Compliance

We have audited the compliance of the City of Kettering (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, 2005. 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, 2005.

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, 2005, and have issued our report thereon dated March 17, 2006. 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 17, 2006

CITY OF KETTERING, OHIO
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Grant Award Date</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grant	B-03-MC-39-0011	14.218	1/16/2003	120,481
Community Development Block Grant	B-04-MC-39-0011	14.218	1/1/2004	191,062
Community Development Block Grant	B-05-MC-39-0011	14.218	1/5/2004	493,873
				<u>805,416</u>
Passed through the Board of County Commissioners of Montgomery County:				
HOME Investment Partnerships Program	A-C-03-281-2	14.239	9/1/2003	267,644
Lead-Based Paint Hazard Control in Privately-Owned Housing	OHLHB01223-02	14.900	1/30/2003	29,819
Total Passed through the Board of Commissioners of Montgomery County				<u>297,463</u>
Total U.S. Department of Housing and Urban Development				<u>1,102,879</u>
<u>U.S. Department of Justice</u>				
Bulletproof Vest Partnership Program	none	16.607	6/20/2003	795
Edward Byrne Memorial Justice Assistance Grant Program	2005-DJ-BX-0973	16.738	8/19/2005	13,227
Local Law Enforcement Block Grant Program	2003-LB-BX-1263	16.592	8/29/2003	242
				<u>14,264</u>
Passed through the Ohio Office of Criminal Justice:				
Byrne Formula Grant Program	2004-DG-E01-9167	16.579	12/4/2004	58,371
Total U.S. Department of Justice				<u>72,635</u>
<u>U.S. Department of Transportation</u>				
Passed through the State of Ohio Governor's Highway Safety Office:				
State & Community Highway Safety	04-GR1-5092	20.600	9/15/2004	15,070
Passed the AAA Miami Valley:				
Highway Planning and Construction	04-GR1-5088	20.205	12/15/2004	8,572
Highway Planning and Construction	05-GR1-5088	20.205	10/1/2005	1,575
Total Passed through the AAA Miami Valley Board				<u>10,147</u>
Total U.S. Department of Transportation				<u>25,217</u>
<u>U.S. Department of Homeland Security</u>				
Passed through the Ohio Emergency Management Agency:				
Hazard Mitigation Grant	FEMA-DR-1484.17R-OH	97.039	2/25/2005	394,699
Total Expenditures of Federal Awards				<u>\$ 1,595,430</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, 2005

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 \$22,000.

CITY OF KETTERING, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2005

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):	Federal Emergency Management Agency, Disaster Assistance, CFDA #97.039; Byrne Formula Grant Program, CFDA# 16.579
(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, 2005

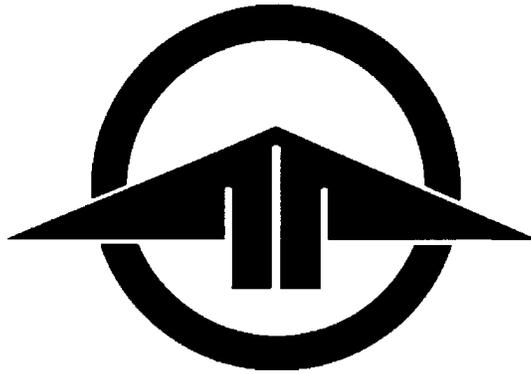
Prior Audit Findings:

None

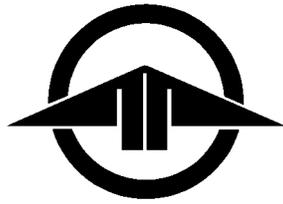
CITY OF KETTERING, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2005



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, 2005

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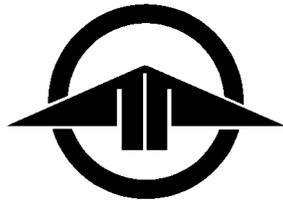
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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2005**

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INTRODUCTORY SECTION



CITY OF KETTERING



March 31, 2006

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, 2005, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of the presentation including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, a list of principal officials and the City's organizational chart. The Financial Section includes the independent auditors' report, management's discussion and analysis, the basic financial statements, the budget to actual comparison schedules and the combining and individual fund financial statements and schedules. The Statistical Section includes selected financial, economic and demographic information, generally presented for a period of ten years. The Comprehensive Annual Financial Report reflects our continuing efforts to disseminate clear and useful financial information to our users. In particular, 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."

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

ECONOMIC CONDITION AND OUTLOOK

The economic environment for Kettering's business community continued to be one of relative stability during 2005.

One significant contributing factor to this stability is the diversity of the employment base in Kettering. 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 1,600. The City continues to wait for news from Delphi while the company works to turn the business around after declaring bankruptcy under Chapter 11 in October. Reynolds and Reynolds, a fortune 1000 company based in Dayton since 1866 completed its Phase III at the Miami Valley Research Park located in Kettering. The expansion added 130,000 square feet to the facility. The company now employs 1,200 people at the Research Park campus. GE Consumer Finance, a credit card processing center, recently announced plans to expand their Kettering operation. The company anticipates increasing their work force from 1,200 to more than 1,800 at their Kettering site by the end of 2006. Other major employers in the city include Intimate Brands Inc., a catalogue order center for Victoria's Secret, Kettering City Schools, Kodak Versamark a manufacturer of digital printers, and a number of engineering firms and computer hardware and software related businesses.

Despite being practically landlocked, Kettering continued to 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 fact, Kettering entered into an unprecedented tax sharing agreement with three other local cities that may also be affected by the Delphi bankruptcy. This agreement allows the four communities to pool either tax revenue gains or losses for the term of the 10 year agreement by sharing all future Delphi income tax revenue based on the percentages of total Delphi revenue each community received in the measurement year 2004. This is yet another example of the commitment to regional cooperation and a strong statement to Delphi, its employees and the thousands of businesses that rely on Delphi that the Dayton region wants to be part of a long term solution.

During 2005 the City of Kettering continued with the redevelopment of two highly visible retail sites – the H & H property on Wilmington Pike and the Van Buren Shopping Center at the corner of Forrer Blvd. and Wilmington Pike. The H & H property was sold 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 been demolished and the plan is to develop a new site with a mix of residential and retail uses.

Unified Developers will also be responsible for the redevelopment of the Van Buren Shopping Center. The City recently closed on the sale of this property to the developer. The site will be called Kettering Pointe and will include a mix of retail shops and 35 single-family patio homes resulting in a significant revitalization to the area. 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 2005, the City was awarded \$400,000 to make improvements to utilities, infrastructure and the roadway on Founder's Drive, a main roadway at Research Park.

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

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

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

Cash Management. Cash, temporarily idle during the year was invested in various instruments detailed below. As of December 31, 2005, the City's cash resources were divided between cash and investments as follows:

Cash and certificates of deposit	\$12,532,417
Overnight repurchase agreement	5,162,335
Corporate bonds	13,231,593
Pension plan pooled investment fund	<u>1,717,925</u>
TOTAL	<u>\$32,644,270</u>

Interest earned on investments for the year was \$1,030,958.

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, 2004. 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 23 consecutive years (fiscal years ended 1982-2004). 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, 2005. 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

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

CITY MANAGER

Steven C. Husemann

INDEPENDENT AUDITORS

Clark, Schaefer, Hackett & Co.
Certified Public Accountants

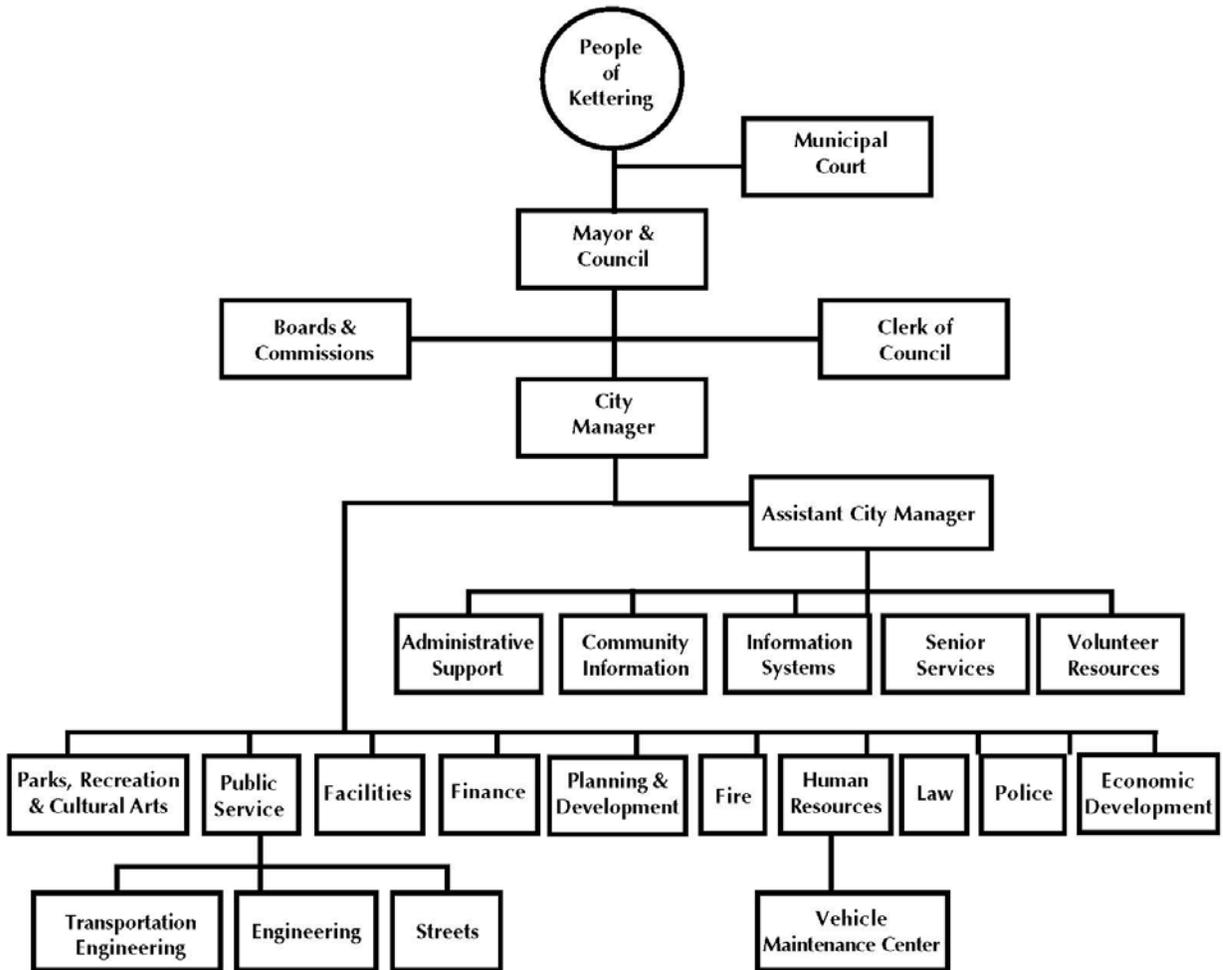
CITY OF KETTERING, OHIO

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, 2004

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

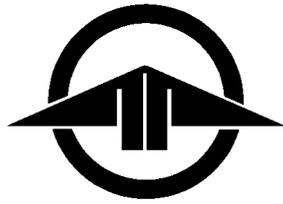


Carla E. Perry

President

Jeffrey R. Emer

Executive Director



CITY OF KETTERING

FINANCIAL SECTION



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
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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, 2005, 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, 2005, 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.

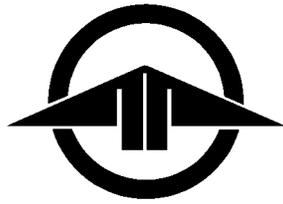
In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2006 on our consideration of the City of Kettering's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kettering's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, 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 17, 2006



CITY OF KETTERING

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Our discussion and analysis of the City of Kettering's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2005.

FINANCIAL HIGHLIGHTS

1. The City's net assets increased by \$1,392,000 or 1% while unrestricted net assets increased \$1,434,000 or 5.4%.
2. The General Fund reported a surplus of over \$840,000, reversing a 4-year trend of declining fund balances.
3. The Frazee Pavilion reported a surplus for the first time in its 15-year history.
4. Total costs of services decreased by more than \$1 million, while net costs of services decreased by over \$1.5 million.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Development). The City's two kinds of funds — governmental and proprietary — use different accounting approaches.

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

THE CITY AS A WHOLE

For 2005 the City produced a 1% increase in Total net assets. This compares with a .4% decrease in 2004. Revenues generated were \$58.5 million and expenses from all programs were \$57.1 million resulting in a surplus for the year of \$1,392,000. The unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — increased \$1,434,000.

Explanations for the larger fluctuations between years are as follows:

- Federal grant revenue was lower in 2005 primarily because of high federal funding for roadway projects last year.
- State grant revenue was higher this year because of a new state roadway grant project.
- The Sponsorships and contributions decrease was primarily due to a street contribution in 2004.
- Investment earnings were higher in 2005 because of higher portfolio yields.
- Other general revenues were higher in 2005 primarily because of reimbursements for various CIP projects.
- Interest on long-term debt increased because in 2005 the vast majority of the debt service on the Recreation Center Refunding issue switched from principal to interest due to its structure.

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

NET ASSETS

	<u>2005</u>	<u>2004</u>
Current and other assets	\$52,347,850	\$49,421,236
Capital assets	<u>121,467,028</u>	<u>119,240,576</u>
Total assets	<u>173,814,878</u>	<u>168,661,812</u>
Long-term debt outstanding	(12,998,780)	(10,225,294)
Other liabilities	<u>(16,553,899)</u>	<u>(15,566,559)</u>
Total liabilities	<u>(29,552,679)</u>	<u>(25,791,853)</u>
Net assets:		
Invested in capital assets, net of debt	112,076,412	112,412,581
Restricted	4,131,731	3,837,601
Unrestricted	<u>28,054,056</u>	<u>26,619,777</u>
Total net assets	<u><u>\$144,262,199</u></u>	<u><u>\$142,869,959</u></u>

CHANGES IN NET ASSETS

	<u>2005</u>	<u>2004</u>
Revenues		
Program revenues:		
Charges for services	\$9,296,184	\$8,571,476
Federal grants	1,229,134	2,094,933
State and local grants	1,064,641	420,029
Special assessments	1,402,805	1,203,717
Sponsorships and contributions	256,746	517,350
General revenues:		
Income taxes	26,832,269	27,526,627
Property taxes	8,813,135	8,339,805
Other taxes	6,829,478	6,259,591
Investment earnings	983,308	513,456
Other general revenue	<u>1,790,492</u>	<u>1,302,505</u>
Total revenues	<u>58,498,192</u>	<u>56,749,489</u>
Program expenses		
General government	12,339,967	13,210,288
Police	11,530,015	11,282,263
Fire	8,380,554	8,768,088
Public works	11,813,178	11,926,820
Leisure services	11,873,881	11,834,644
Interest on long-term debt	<u>1,168,357</u>	<u>292,918</u>
Total expenses	<u>57,105,952</u>	<u>57,315,021</u>
Increase (decrease) in net assets	1,392,240	(565,532)
Net assets -- beginning	<u>142,869,959</u>	<u>143,435,491</u>
Net assets -- ending	<u><u>\$144,262,199</u></u>	<u><u>\$142,869,959</u></u>

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

	GOVERNMENTAL ACTIVITIES			
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Police	\$11,530,015	\$11,282,263	\$11,402,343	\$11,201,292
Fire	8,380,554	8,768,088	7,217,962	7,763,976
Public works	11,813,178	11,926,820	9,459,374	9,261,925
Leisure services	11,873,881	11,834,644	6,207,966	6,497,796
All others	12,339,967	13,210,288	8,400,440	9,489,609
	<u>\$55,937,595</u>	<u>\$57,022,103</u>	<u>\$42,688,085</u>	<u>\$44,214,598</u>

Total costs of services for 2005 decreased by over \$1million while net costs of services decreased by over \$1.5 million. Police and Public works net costs increased slightly while Fire, Leisure services and All others decreased.

The capital asset activity for the year was unusual in that it saw the addition of two large new facilities; a recreation center and a new courts facility. 2005 included asset additions of \$9.2 million and ended with total net capital assets of \$121,467,028. Of this total, \$11,417,054 was not being depreciated and the capital assets being depreciated totaled \$190,807,725 with accumulated depreciation of \$80,757,751.

The City issued new debt in the current year in the form of general obligation bonds and Ohio Public Works Commission (OPWC) promissory notes. The bonds were for construction of the new court facility. \$3,950,000 was issued for 20 years at interest rates ranging from 3% to 4.5%. The notes were for roadway improvements. \$64,865 was issued for 20 years at 1% interest. At December 31, 2005, the City had various debt issues outstanding, which included \$5,563,536 of general obligation bonds, \$816,127 of special assessment debt with City commitment and \$3,075,818 of promissory notes. As of December 31, 2005, the City's net general obligation bonded debt of \$5,547,898 was well below the legal limit of \$122,629,124 and debt per capita equaled \$96.48.

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

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 12 and 13) reported a combined fund balance of \$30.6 million, which is 7.4% higher than last year's total of \$28.4 million.

The City's General Fund experienced a \$1,062,000, or 2.7% overall increase in revenues for 2005. At the same time expenditures decreased by \$212,000 or .7%, and transfers out decreased by over \$3.4 million because of a reduced capital improvement program. This resulted in an increase in the General Fund balance for the first time in 5 years. Investment earnings increased substantially in 2005 due to higher interest rates and Fines and forfeits were up over 15% due to an increase in the number of court cases. Total revenues were \$40.7 million while total expenditures were \$30.9 million. Transfers to other funds totaled \$9 million resulting in the \$847,000, or 3.9% increase to the General Fund balance.

The Frazee Pavilion, an outdoor amphitheater accounted for in a major special revenue fund produced a surplus for the first time since it began operations in 1991. Increased concession sales and increased sponsorships contributed to the surplus. The Capital Projects Fund included construction of a new courts facility in 2005. The project was financed with the issuance of 3.9 million of general obligation bonds. Except for this project, the capital improvement program was greatly reduced in 2005 in order to reduce transfers out of the General Fund. There were no other material changes to the major funds in 2005.

There were no significant variations in the City's original General Fund budget and the final General Fund budget. In contrast, there was a significant variance between actual expenditures and final budgeted expenditures for "Transfers to other funds". Higher than expected revenues in the Parks, Recreation & Cultural Arts Fund and the Frazee Pavilion Fund, caused transfers to be less than expected.

As mentioned above and in the financial highlights, 2005 marked the end of four straight years of General Fund balance decline. The City stopped this trend in 2005 by taking the following steps: 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 reduced to a maintenance level; and the City evaluated vacant positions and left several unfilled. For 2006, operating budgets were kept at a 0% increase over 2005 levels and pay increases were budgeted at 0%. Further positions were eliminated due to attrition; subsidy levels for leisure functions were capped at 2005 budgeted levels; and the capital improvement program was again kept at a reduced maintenance level, except for outside funded projects. In addition to these measures City Council has placed on the May 2006 ballot a charter amendment that would allow it to increase the City's income tax rate from 1.75% up to 2.25%. If the citizens approve this amendment and Council chooses to raise the rate, it will be the first increase since 1981.

STATEMENT OF NET ASSETS
DECEMBER 31, 2005

ASSETS	
Pooled cash and investments (note 2)	\$30,136,065
Receivables:	
Income taxes (net of allowance for \$449,082)	5,048,500
Property taxes	9,384,932
Interest	232,523
Accounts	314,415
Special assessments	1,840,127
Loans (net of allowance for \$30,315)	1,238,590
Notes	250,463
Due from other governments	2,152,504
Prepaid expenses	252,065
Inventory	453,756
Asset held for resale	1,043,910
Capital assets not being depreciated (note 6)	11,417,054
Capital assets being depreciated, net (note 6)	110,049,974
Total assets	<u>173,814,878</u>
LIABILITIES	
Accounts payable	2,679,822
Salary and benefits payable	1,819,031
Accrued interest payable	33,173
Deferred revenue	12,021,873
Long-term liabilities (note 12)	
Due within one year	3,368,499
Due in more than one year	<u>9,630,281</u>
Total liabilities	<u>29,552,679</u>
NET ASSETS	
Invested in capital assets, net of related debt	112,076,412
Restricted for:	
Debt service	15,638
Community development block grant	1,255,296
Emergency medical	1,654,299
Other purposes	1,206,498
Unrestricted	28,054,056
Total net assets	<u><u>\$144,262,199</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$12,339,967	\$2,704,373	\$1,032,087	\$203,067	(\$8,400,440)
Police	11,530,015	42,125	85,547		(11,402,343)
Fire	8,380,554	1,156,577	6,015		(7,217,962)
Public works	11,813,178	13,140	153,589	2,187,075	(9,459,374)
Leisure services	11,873,881	5,379,969	285,946		(6,207,966)
Interest on long-term debt	1,168,357				(1,168,357)
Total	<u>\$57,105,952</u>	<u>\$9,296,184</u>	<u>\$1,563,184</u>	<u>\$2,390,142</u>	<u>(43,856,442)</u>
General revenues:					
Taxes:					
Income taxes					26,832,269
Property taxes, levied for general purposes					7,533,530
Property taxes, levied for debt service					1,279,605
Other taxes (note 5)					6,829,478
Investment earnings					983,308
Refunds and reimbursements					1,547,397
Miscellaneous					243,095
Total general revenues					<u>45,248,682</u>
Change in net assets					1,392,240
Net assets--beginning					142,869,959
Net assets--ending					<u>\$144,262,199</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
ASSETS				
Pooled cash and investments	\$20,465,426	\$39,616	\$431,989	\$123,576
Receivables:				
Income taxes (net of allowance for \$449,082)	5,048,500			
Property taxes	7,601,032			
Interest	232,523			
Accounts	52,934	175	34,936	43
Special assessments	300,000			
Loans (net of allowance for \$30,315)				
Notes	250,463			
Due from community development fund	192,150			
Due from other governments	494,939	1,003,136	141	
Prepaid expenditures	95,617	3,732	14,498	6,785
Inventory		123,833		
Asset held for resale	1,043,910			
Total assets	<u>\$35,777,494</u>	<u>\$1,170,492</u>	<u>\$481,564</u>	<u>\$130,404</u>
LIABILITIES				
Due to general fund				
Accounts payable	\$1,655,352	\$11,177	\$140,431	\$23,338
Accrued payroll	993,590	154,505	199,441	7,168
Deferred revenue	11,521,830	809,295	14,368	5,715
Total liabilities	<u>14,170,772</u>	<u>974,977</u>	<u>354,240</u>	<u>36,221</u>
FUND BALANCES				
Reserved for:				
Loans receivable				
Notes receivable	250,463			
Encumbrances	611,812	57,669	102,713	72,191
Prepaid expenditures	95,617	3,732	14,498	6,785
Inventory		123,833		
Asset held for resale	1,043,910			
Unreserved:				
Designated for subsequent years' expenditures	2,000,000			
Undesignated	17,604,920	10,281	10,113	15,207
Total fund balances	<u>21,606,722</u>	<u>195,515</u>	<u>127,324</u>	<u>94,183</u>
Total liabilities and fund balances	<u>\$35,777,494</u>	<u>\$1,170,492</u>	<u>\$481,564</u>	<u>\$130,404</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
\$30	\$1,446,939	\$15,638	\$4,670,686	\$2,049,802	\$29,243,702
		1,282,100	116,000	385,800	5,048,500
	209,000		16,912	470	232,523
		965,127	575,000		314,470
1,238,590					1,840,127
					1,238,590
					250,463
					192,150
242,147			114,941	256,462	2,111,766
				7,118	127,750
					123,833
					1,043,910
<u>\$1,480,767</u>	<u>\$1,655,939</u>	<u>\$2,262,865</u>	<u>\$5,493,539</u>	<u>\$2,699,652</u>	<u>\$51,152,716</u>
\$192,150					\$192,150
33,321	\$1,640		\$585,524	\$116,059	2,566,842
				345,124	1,699,828
38,960	78,006	\$2,247,227	805,941	610,454	16,131,796
<u>264,431</u>	<u>79,646</u>	<u>2,247,227</u>	<u>1,391,465</u>	<u>1,071,637</u>	<u>20,590,616</u>
1,238,590					1,238,590
					250,463
239,865	48,234		3,874,233	155,034	5,161,751
				7,118	127,750
					123,833
					1,043,910
					2,000,000
(262,119)	1,528,059	15,638	227,841	1,465,863	20,615,803
<u>1,216,336</u>	<u>1,576,293</u>	<u>15,638</u>	<u>4,102,074</u>	<u>1,628,015</u>	<u>30,562,100</u>
<u>\$1,480,767</u>	<u>\$1,655,939</u>	<u>\$2,262,865</u>	<u>\$5,493,539</u>	<u>\$2,699,652</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	120,751,384
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	2,150,658
Grants and other taxes receivable	1,959,268
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.	1,459,286
Debt issuance costs and issuance discounts are amortized over the life of the debt, the unamortized portion remains on the Statement of Net Assets.	118,079
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	(9,455,483)
Vacation and sick leave benefits	(3,249,920)
Accrued interest on bonds payable	(33,173)
Net Assets of Governmental Activities	<u>\$144,262,199</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2005

	General Fund	Major		Special
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
REVENUES				
Income taxes	\$27,221,521			
Property taxes	7,075,935			
Licenses and permits	475,458	\$13,140		
Intergovernmental revenue	1,837,777	2,409,181	\$23,421	
Charges for services	302,660		3,059,815	\$2,320,154
Fines and forfeits	1,511,925			
Investment earnings	836,306			
Special assessments	329,823			
Refunds and reimbursements	1,092,662	278,727	97,036	4,401
Miscellaneous	20,333	66,051	17,035	247,477
Total revenues	<u>40,704,400</u>	<u>2,767,099</u>	<u>3,197,307</u>	<u>2,572,032</u>
EXPENDITURES				
Current:				
General government	10,559,418			
Police	10,023,708			
Fire	7,745,775			
Public works	2,597,502	4,920,132		
Leisure services			8,057,936	2,533,047
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	<u>30,926,403</u>	<u>4,920,132</u>	<u>8,057,936</u>	<u>2,533,047</u>
Excess (deficiency) of revenues over expenditures	9,777,997	(2,153,033)	(4,860,629)	38,985
OTHER FINANCING SOURCES (USES)				
Transfers in		2,122,500	4,817,000	
Transfers out	(8,980,139)			
General obligation debt issuance				
Discount on general obligation debt issuance				
Sale of city assets	49,521			
Net change in fund balance	<u>847,379</u>	<u>(30,533)</u>	<u>(43,629)</u>	<u>38,985</u>
Fund balances--beginning	<u>20,759,343</u>	<u>226,048</u>	<u>170,953</u>	<u>55,198</u>
Fund balances--ending	<u>\$21,606,722</u>	<u>\$195,515</u>	<u>\$127,324</u>	<u>\$94,183</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
					\$27,221,521
		\$1,279,605	\$82,841	\$372,854	8,811,235
\$1,098,080			3,363,634	423,908	488,598
	\$1,189,210			53,390	9,156,001
	49,084	56,415		403,064	6,925,229
		149,593	923,389	41,503	1,914,989
185,012			1,401,537	18,876	983,308
31,256			4,990	116,341	1,402,805
<u>1,314,348</u>	<u>1,238,294</u>	<u>1,485,613</u>	<u>5,776,391</u>	<u>1,429,936</u>	<u>60,485,420</u>
496,576				631,509	11,687,503
	582,451			1,285,178	11,308,886
				157,297	8,328,226
				11,515	7,674,931
587,511	163,850		8,888,638	654,800	10,602,498
		1,387,380			10,294,799
		1,153,773			1,387,380
<u>1,084,087</u>	<u>746,301</u>	<u>2,541,153</u>	<u>8,888,638</u>	<u>2,740,299</u>	<u>1,153,773</u>
230,261	491,993	(1,055,540)	(3,112,247)	(1,310,363)	<u>62,437,996</u>
		1,056,000			(1,952,576)
			4,014,865		8,980,139
			(27,099)		(8,980,139)
34,210					4,014,865
<u>264,471</u>	<u>491,993</u>	<u>460</u>	<u>875,519</u>	<u>(325,724)</u>	(27,099)
951,865	1,084,300	15,178	3,226,555	1,953,739	83,731
<u>\$1,216,336</u>	<u>\$1,576,293</u>	<u>\$15,638</u>	<u>\$4,102,074</u>	<u>\$1,628,015</u>	<u>2,118,921</u>

Net change in Fund Balance - Governmental Funds	\$2,118,921
Amounts reported for governmental activities in the Statement of Activities (page 11) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	Capital outlays 9,578,611 Depreciation expense (6,993,863)
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.	(196,762)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Income taxes receivable	(389,252)
Grants receivable	(111,866)
Property taxes receivable	1,900
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	(4,014,865)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,387,380
Governmental funds report debt issue costs as expenditures while governmental activities amortize the expenses over the debt term	124,345
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	(115,071)
Interest payable	(14,583)
Internal service funds are used by management to charge the costs of certain activities, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (See page 17.)	17,345
Change in Net Assets on the Statement of Activities	<u>\$1,392,240</u>

BALANCE SHEET
 PROPRIETARY FUNDS
 DECEMBER 31, 2005

	Governmental Activities- Internal Service Funds
ASSETS	
Current assets:	
Pooled cash and investments	\$892,363
Accounts receivable	416
Due from other governments	40,268
Prepaid expenses	6,235
Inventory	329,922
Total current assets	<u>1,269,204</u>
Noncurrent assets:	
Buildings and improvements	790,687
Machinery and equipment	2,163,593
Less: Accumulated depreciation	<u>(2,238,636)</u>
Total noncurrent assets	<u>715,644</u>
Total assets	<u><u>\$1,984,848</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$112,980
Accrued payroll	119,203
Total current liabilities	<u>232,183</u>
Noncurrent liabilities:	
Accrued vacation and sick leave benefits	<u>293,379</u>
Total liabilities	<u>525,562</u>
NET ASSETS	
Invested in capital assets	715,644
Unrestricted	743,642
Total net assets	<u>1,459,286</u>
Total liabilities and net assets	<u><u>\$1,984,848</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$8,512,596
Total operating revenues	<u>8,512,596</u>
OPERATING EXPENSES	
Personal services	2,639,220
Repairs and maintenance	1,144,358
Contractual services	4,055,521
Other materials and expenses	488,755
Depreciation	209,513
Total operating expenses	<u>8,537,367</u>
Operating income (loss)	<u>(24,771)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	42,116
Change in net assets	17,345
Total net assets--beginning	1,441,941
Total net assets--ending	<u><u>\$1,459,286</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005
 Increase (Decrease) in cash

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for services	\$8,474,139
Cash paid to suppliers for goods or services	(5,711,524)
Cash paid to employees for services	(2,605,067)
Net cash provided (used) by operating activities	<u>157,548</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(45,733)
Sale of capital assets	553
Net cash used by capital and related financing activities	<u>(45,180)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	42,116
Net cash provided by investing activities	<u>42,116</u>
Net increase (decrease) in cash	154,484
Cash at beginning of year	737,879
Cash at end of year	<u><u>\$892,363</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	(\$24,771)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	209,513
(Increase) decrease in receivables	(37,954)
(Increase) decrease in inventories	(25,475)
Increase (decrease) in accounts payable	(67)
Net (increase) decrease in other operating net assets	36,302
Net cash provided (used) by operating activities	<u><u>\$157,548</u></u>

See accompanying notes to the basic financial statements.

FIDUCIARY FUNDS

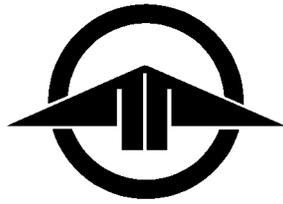
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2005

	Volunteer Firefighter Pension	Deceased Police Dependents Private Purpose Trust	Agency Funds
ASSETS			
Pooled cash and investments		\$70,595	\$401,987
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$1,717,925		
Other investments			317,698
Total assets	<u>1,717,925</u>	<u>70,595</u>	<u>\$719,685</u>
LIABILITIES			
Accounts payable			\$8,717
Withholdings payable			389,090
Undistributed moneys			317,698
Unclaimed moneys			4,180
Total liabilities			<u>\$719,685</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$1,717,925</u>	<u>\$70,595</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

ADDITIONS			
Employer contributions	\$74,796		
Investment earnings (loss)	2,600	\$2,934	
Total additions	<u>77,396</u>	<u>2,934</u>	
DEDUCTIONS			
Pension payments	73,571		
Total deductions	<u>73,571</u>		
Net increase (decrease)	3,825	2,934	
Net assets--beginning of year	1,714,100	67,661	
Net assets--end of year	<u>\$1,717,925</u>	<u>\$70,595</u>	

See accompanying notes to the basic financial statements.



CITY OF KETTERING

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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 \$12,532,417. Of this amount, \$12,528,688 was insured, the remaining \$3,729 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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 17% of its pooled cash and investments with Fifth Third Bank of Western Ohio. This 17% consisted of the \$5,162,335 overnight repurchase agreement and the \$3,729 of deposits listed above. 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, 2005 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	\$5,162,335	\$5,162,335			
Corporate Bonds	13,231,593	12,727,628	\$503,965		
Pension Plan Pooled Invest Fund	1,717,925				\$1,717,925
Total	<u>\$20,111,853</u>	<u>\$17,889,963</u>	<u>\$503,965</u>		<u>\$1,717,925</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 23% of true value, and for tangible property constituting "inventory" at 23% of true value. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2002.

The property tax calendar is as follows:

Levy date	December 31, 2004
Lien date	December 31, 2004
Tax bill mailed	January 20, 2005
First installment payment due	February 15, 2005
Second installment payment due	July 15, 2005

The assessed values for the City at December 31, 2004 were as follows:

	<u>Assessed Value Category</u>
Real Estate	\$1,075,812,710
Public Utility Real Property	11,920
Tangible Personal Property	63,624,405
Public Utility Personal Property	28,447,380
Total	<u>\$1,167,896,415</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	\$2,333,115
Sales taxes	1,668,360
Gasoline taxes	1,789,195
Vehicle license taxes	745,014
Miscellaneous other taxes	293,794
	<u>\$6,829,478</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$11,164,105	\$396,252	(\$143,303)	\$11,417,054
Subtotal	<u>11,164,105</u>	<u>396,252</u>	<u>(143,303)</u>	<u>11,417,054</u>
Capital assets being depreciated:				
Buildings and improvements	36,824,980	5,200,442	(23,585)	42,001,837
Machinery and equipment	17,098,972	1,052,911	(781,631)	17,370,252
Infrastructure	128,497,476	2,980,477	(42,317)	131,435,636
Subtotal	<u>182,421,428</u>	<u>9,233,830</u>	<u>(847,533)</u>	<u>190,807,725</u>
Accumulated depreciation:				
Buildings and improvements	(22,282,882)	(1,589,947)	23,585	(23,849,244)
Machinery and equipment	(11,373,085)	(1,287,324)	724,680	(11,935,729)
Infrastructure	(40,688,989)	(4,326,105)	42,316	(44,972,778)
Subtotal	<u>(74,344,956)</u>	<u>(7,203,376) *</u>	<u>790,581</u>	<u>(80,757,751)</u>
Net capital assets being depreciated	<u>108,076,472</u>	<u>2,030,454</u>	<u>(56,952)</u>	<u>110,049,974</u>
Net capital assets	<u>\$119,240,577</u>	<u>\$2,426,706</u>	<u>(\$200,255)</u>	<u>\$121,467,028</u>

*Depreciation expense was charged to governmental functions as follows:

General government	\$339,914
Police	171,961
Fire	489,781
Public works	4,464,185
Leisure services	1,528,022
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.	209,513
Total depreciation expense	<u>\$7,203,376</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 2030. Fund balance has been reserved for the loans receivable at December 31, 2005, as it

does not represent currently available spendable resources. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures.

The City has sold property to several companies and taken a note receivable in exchange. These note receivables are payable in installments to 2006. Fund balance has been reserved for the notes receivable at December 31, 2005, as it does not represent currently available spendable resources.

8. RISK MANAGEMENT

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

Insurance coverage is as follows:

Property – \$1,000,000,000 per occurrence

Crime - \$1,000,000 per occurrence

Liability - \$7,000,000 per occurrence

Boiler & Machinery - \$100,000,000 per occurrence

Public Official Liability - \$7,000,000 per occurrence

The deductible per occurrence for all types is \$2,500. Pool coverage is \$2,500 - \$5,000 for boiler and machinery, \$2,501 - \$25,000 for crime, \$2,501 - \$200,000 for property, and \$2,501 - \$1,000,000 for liability. Excess insurance coverage, provided by commercial companies, is the amount in excess of pool coverage to the limits stated above. The City pays an annual premium to MVRMA that is intended to cover administrative expenses and any claims covered by the pool. MVRMA has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. An actuarial opinion issued as of December 31, 2004, 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, 2003, 2004 and 2005, were \$1,919,561, \$2,089,820 and \$2,068,573 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)222-6701.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, 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, 2003, 2004 and 2005, were \$2,277,370, \$2,417,472 and \$2,359,517 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 2005, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	74
Terminated employees entitled to benefits but not yet receiving them	27
Active members	<u>66</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, 2005, 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</u> <u>December 31</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
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%
2005	40,399	40,399	100%

For the fiscal years ended December 31, 2003, 2004 and 2005, the Annual Pension cost (APC) was \$17,333, \$34,397 and \$40,399 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 2005 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, 2005 was \$462,257 for Police and \$292,056 for Fire to pay postemployment benefits.

The number of participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for Police and 10,528 for Fire. OP&F's total health care expense for the year ended December 31, 2004 was \$102,173,796, which was net of member contributions of \$55,665,341.

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 retirants 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 2005 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, 2005, was \$696,529 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 2004 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 at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

The number of active contributing participants to the TP and CO plans was 355,287 as of December 31, 2004; the date the latest actuarial review was performed. OPERS actuarially determined accrued liability for OPEB's at December 31, 2004, are \$29.5 billion with net assets available for OPEB of \$10.8 billion, leaving an unfunded actuarial liability of \$18.7 billion.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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 2005 were \$201,019.

Construction and other commitments at December 31, 2005, were approximately \$4,170,000.

12. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2005, was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Amounts</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
					<u>One Year</u>
General obligation bonds:					
Fire station, 9.00%	\$50,000		\$50,000	\$0	\$0
Service center, 9.00%	55,000		55,000	0	0
Improvement bonds-					
Series 1991, 4.5%-6.65%	284,202		30,329	253,873	29,680
Improvement bonds-					
Series 1992, 3.25%-6.45%	560,000		55,000	505,000	60,000
Improvement Refunding, 2.65%-5.25%	1,265,000		615,000	650,000	650,000
Recreation Center Refunding,					
2.65%-16.9%	429,352		134,689	294,663	114,516
Court Facility, 3.0%-4.5%	0	\$3,950,000	90,000	3,860,000	145,000
	<u>2,643,554</u>	<u>3,950,000</u>	<u>1,030,018</u>	<u>5,563,536</u>	<u>999,196</u>
Total general obligation bonds					
Special assessment bonds:					
Series 1991, 4.5%-6.65%	905,798		89,671	816,127	95,320
	<u>905,798</u>		<u>89,671</u>	<u>816,127</u>	<u>95,320</u>
Total special assessment bonds					
Other:					
Accrued vacation and					
sick leave benefits	3,397,298	1,967,669	1,821,668	3,543,299	2,055,113
Ohio Public Works Commission					
Long-Term Promissory Notes, 0-3%	3,211,977	64,865	201,024	3,075,818	218,870
Montgomery County 800 Mhz, 0%					
Promissory Notes	66,667		66,667	0	0
	<u>6,675,942</u>	<u>2,032,534</u>	<u>2,089,359</u>	<u>6,619,117</u>	<u>2,273,983</u>
Total other					
Total long-term liabilities	<u>\$10,225,294</u>	<u>\$5,982,534</u>	<u>\$3,209,048</u>	<u>\$12,998,780</u>	<u>\$3,368,499</u>

The accrued vacation and sick leave benefits liability will be liquidated by several of the City's governmental and internal service funds. In the past, approximately 73% has been paid by the General Fund, 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, 2005, are as follows:

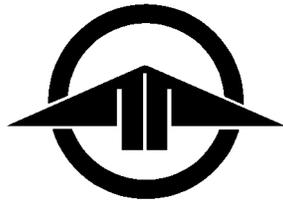
	General Obligation Bonds		Promissory Notes		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	999,196	1,106,430	218,870	17,783	95,320	54,272
2007	345,709	1,079,259	219,650	17,002	101,658	47,934
2008	339,361	1,082,937	194,960	16,200	108,419	41,173
2009	264,371	169,296	170,290	15,377	115,629	33,964
2010	276,682	157,296	171,134	14,533	123,318	26,274
2011-2015	1,163,217	599,071	864,366	59,221	271,783	27,401
2016-2020	1,110,000	369,188	799,165	34,558		
2021-2025	1,065,000	117,022	437,383	8,006		
	<u>\$5,563,536</u>	<u>\$4,680,499</u>	<u>\$3,075,818</u>	<u>\$182,680</u>	<u>\$816,127</u>	<u>\$231,018</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, 2005, the City had a legal debt margin for total debt of \$117,081,226 and a legal debt margin for unvoted debt of \$58,981,068.

13. CONTINGENT LIABILITIES

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

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



CITY OF KETTERING

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$20,759,343	\$20,759,343	\$20,759,343	
Resources (inflows)				
Income taxes	27,500,000	27,500,000	27,221,521	(\$278,479)
Property taxes	6,804,000	6,804,000	7,075,935	271,935
Licenses and permits	496,000	484,000	475,458	(8,542)
Intergovernmental revenue	1,889,000	1,899,000	1,837,777	(61,223)
Charges for services	224,000	311,000	302,660	(8,340)
Fines and forfeits	1,415,000	1,611,000	1,511,925	(99,075)
Investment earnings	700,000	700,000	836,306	136,306
Special assessments	300,000	318,000	329,823	11,823
Refunds and reimbursements	1,193,000	1,193,000	1,092,662	(100,338)
Miscellaneous	25,000	25,000	20,333	(4,667)
Sale of city assets	100,000	25,000	49,521	24,521
Amounts available for appropriation	<u>61,405,343</u>	<u>61,629,343</u>	<u>61,513,264</u>	<u>(116,079)</u>
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	233,400	239,400	237,756	1,644
Operating expenditures	84,162	84,130	73,792	10,338
Capital outlay				
Total mayor and council	<u>317,562</u>	<u>323,530</u>	<u>311,548</u>	<u>11,982</u>
Municipal court:				
Personal services	815,500	815,500	782,370	33,130
Operating expenditures	325,500	150,500	120,948	29,552
Capital outlay				
Total municipal court	<u>1,141,000</u>	<u>966,000</u>	<u>903,318</u>	<u>62,682</u>
Clerk of courts:				
Personal services	717,200	717,200	706,282	10,918
Operating expenditures	200,693	151,693	108,578	43,115
Capital outlay				
Total clerk of courts	<u>917,893</u>	<u>868,893</u>	<u>814,860</u>	<u>54,033</u>
Office of City Manager:				
Personal services	493,300	493,300	485,029	8,271
Operating expenditures	50,351	50,288	45,353	4,935
Capital outlay				
Total office of city manager	<u>543,651</u>	<u>543,588</u>	<u>530,382</u>	<u>13,206</u>
Law department:				
Personal services	641,900	641,900	616,905	24,995
Operating expenditures	149,432	264,338	228,219	36,119
Capital outlay				
Total law department	<u>791,332</u>	<u>906,238</u>	<u>845,124</u>	<u>61,114</u>
Finance department:				
Personal services	1,329,300	1,329,300	1,273,015	56,285
Operating expenditures	504,549	504,039	405,269	98,770
Capital outlay				
Total finance department	<u>1,833,849</u>	<u>1,833,339</u>	<u>1,678,284</u>	<u>155,055</u>
Administrative support:				
Personal services:	404,900	401,900	395,360	6,540
Operating expenditures	74,570	77,466	72,035	5,431
Capital outlay				
Total administrative support	<u>479,470</u>	<u>479,366</u>	<u>467,395</u>	<u>11,971</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, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$563,400	\$563,400	\$538,950	\$24,450
Operating expenditures	278,303	276,722	172,985	103,737
Capital outlay				
Total human resources department	841,703	840,122	711,935	128,187
Planning and development:				
Personal services	1,840,400	1,840,400	1,755,837	84,563
Operating expenditures	440,754	464,420	317,301	147,119
Capital outlay				
Total planning and development	2,281,154	2,304,820	2,073,138	231,682
Economic development:				
Personal services	139,600	31,600	24,346	7,254
Operating expenditures	1,517,245	1,604,559	1,583,259	21,300
Capital outlay				
Total economic development	1,656,845	1,636,159	1,607,605	28,554
Miscellaneous:				
Operating expenditures	822,082	849,610	615,829	233,781
Total miscellaneous	822,082	849,610	615,829	233,781
Total general government	11,626,541	11,551,665	10,559,418	992,247
Police:				
Personal services	8,730,500	8,658,850	8,638,101	20,749
Operating expenditures	2,207,063	2,203,343	1,385,607	817,736
Capital outlay	391,800	391,800		391,800
Total police	11,329,363	11,253,993	10,023,708	1,230,285
Fire:				
Personal services	5,893,700	5,893,700	5,801,307	92,393
Operating expenditures	1,927,854	2,013,898	1,810,939	202,959
Capital outlay	927,419	800,919	133,529	667,390
Total fire	8,748,973	8,708,517	7,745,775	962,742
Public works:				
Transportation department:				
Personal services	708,600	604,540	579,309	25,231
Operating expenditures	254,526	254,421	198,360	56,061
Capital outlay				
Total transportation department	963,126	858,961	777,669	81,292
Engineering department:				
Personal services	1,189,200	1,149,150	1,149,139	11
Operating expenditures	258,846	255,284	185,011	70,273
Capital outlay	55,000	55,000		55,000
Total engineering department	1,503,046	1,459,434	1,334,150	125,284
Street lighting:				
Operating expenditures	561,000	561,000	485,683	75,317
Total street lighting	561,000	561,000	485,683	75,317
Total public works	3,027,172	2,879,395	2,597,502	281,893
Transfers to other funds	10,815,427	12,376,156	8,980,139	3,396,017
Total charges to appropriations	45,547,476	46,769,726	39,906,542	6,863,184
Fund balance, December 31	\$15,857,867	\$14,859,617	\$21,606,722	\$6,747,105

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, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$226,048	\$226,048	\$226,048	
Resources (inflows)				
Licenses and permits	10,000	11,000	13,140	\$2,140
Intergovernmental revenue	2,270,000	2,418,000	2,409,181	(8,819)
Refunds and reimbursements	200,000	200,000	278,727	78,727
Miscellaneous	5,000	5,000	66,051	61,051
Transfer from the general fund	2,450,000	2,660,420	2,122,500	(537,920)
Amounts available for appropriation	<u>5,161,048</u>	<u>5,520,468</u>	<u>5,115,647</u>	<u>(404,821)</u>
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	3,363,500	3,443,500	3,346,237	97,263
Operating expenditures	1,458,706	1,591,770	1,354,700	237,070
Capital outlay	268,528	276,428	219,195	57,233
Total charges to appropriations	<u>5,090,734</u>	<u>5,311,698</u>	<u>4,920,132</u>	<u>391,566</u>
Fund balance, December 31	<u>\$70,314</u>	<u>\$208,770</u>	<u>\$195,515</u>	<u>(\$13,255)</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, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$170,953	\$170,953	\$170,953	
Resources (inflows)				
Intergovernmental revenue	21,000	23,500	23,421	(\$79)
Charges for services	3,229,000	3,015,000	3,059,815	44,815
Refunds and reimbursements	104,000	124,000	97,036	(26,964)
Miscellaneous	24,000	25,000	17,035	(7,965)
Transfer from the general fund	5,530,000	5,430,050	4,817,000	(613,050)
Amounts available for appropriation	<u>9,078,953</u>	<u>8,788,503</u>	<u>8,185,260</u>	<u>(603,243)</u>
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	5,004,200	4,735,150	4,485,213	249,937
Operating expenditures	3,860,892	3,895,692	3,485,432	410,260
Capital outlay	208,829	148,529	87,291	61,238
Total charges to appropriations	<u>9,073,921</u>	<u>8,779,371</u>	<u>8,057,936</u>	<u>721,435</u>
Fund balance, December 31	<u>\$5,032</u>	<u>\$9,132</u>	<u>\$127,324</u>	<u>\$118,192</u>

See accompanying notes to the required supplementary information.

38 CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$55,198	\$55,198	\$55,198	
Resources (inflows)				
Charges for services	1,840,000	2,288,000	2,320,154	\$32,154
Refunds and reimbursements	5,000	4,000	4,401	401
Miscellaneous	225,000	231,000	247,477	16,477
Transfer from the general fund	515,000	580,000		(580,000)
Amounts available for appropriation	<u>2,640,198</u>	<u>3,158,198</u>	<u>2,627,230</u>	<u>(530,968)</u>
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	566,700	566,700	510,577	56,123
Operating expenditures	2,049,311	2,114,196	2,022,470	91,726
Capital outlay				
Total charges to appropriations	<u>2,616,011</u>	<u>2,680,896</u>	<u>2,533,047</u>	<u>147,849</u>
Fund balance, December 31	<u>\$24,187</u>	<u>\$477,302</u>	<u>\$94,183</u>	<u>(\$383,119)</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, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$951,865	\$951,865	\$951,865	
Resources (inflows)				
Intergovernmental revenue	1,251,411	2,843,051	1,098,080	(\$1,744,971)
Refunds and reimbursements	1,000	244,000	185,012	(58,988)
Miscellaneous	32,100	32,100	31,256	(844)
Sale of city assets	100,000	100,000	34,210	(65,790)
Amounts available for appropriation	<u>2,336,376</u>	<u>4,171,016</u>	<u>2,300,423</u>	<u>(1,870,593)</u>
Charges to appropriations (outflows)				
General government	518,642	570,717	496,576	74,141
Capital improvements	295,661	1,888,261	587,511	1,300,750
Total charges to appropriations	<u>814,303</u>	<u>2,458,978</u>	<u>1,084,087</u>	<u>1,374,891</u>
Fund balance, December 31	<u>\$1,522,073</u>	<u>\$1,712,038</u>	<u>\$1,216,336</u>	<u>(\$495,702)</u>

See accompanying notes to the required supplementary information.

40 CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - EMERGENCY MEDICAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,084,300	\$1,084,300	\$1,084,300	
Resources (inflows)				
Charges for services	1,200,000	1,200,000	1,189,210	(\$10,790)
Investment earnings	40,000	40,000	49,084	9,084
Amounts available for appropriation	2,324,300	2,324,300	2,322,594	(1,706)
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	90,000	90,000	65,245	24,755
Capital outlay	1,077,206	1,077,206	517,206	560,000
Total fire	1,167,206	1,167,206	582,451	584,755
Capital Improvements	575,000	575,000	163,850	411,150
Total charges to appropriations	1,742,206	1,742,206	746,301	995,905
Fund balance, December 31	\$582,094	\$582,094	\$1,576,293	\$994,199

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. BUDGETS AND BUDGETARY ACCOUNTING

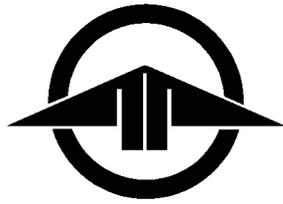
An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings 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, 2005

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
ASSETS						
Pooled cash and investments	\$254,328	\$309,235	\$349,664	\$41,163	\$1,095,412	\$2,049,802
Receivables:						
Property taxes			385,800			385,800
Accounts			470			470
Due from other governments	77,467			1,335	177,660	256,462
Prepaid expenditures					7,118	7,118
Total assets	<u>\$331,795</u>	<u>\$309,235</u>	<u>\$735,934</u>	<u>\$42,498</u>	<u>\$1,280,190</u>	<u>\$2,699,652</u>
LIABILITIES						
Accounts payable	\$19,059	\$250	\$32	\$25,054	\$71,664	\$116,059
Accrued payroll			339,676		5,448	345,124
Deferred revenue	64,600		385,800		160,054	610,454
Total liabilities	<u>83,659</u>	<u>250</u>	<u>725,508</u>	<u>25,054</u>	<u>237,166</u>	<u>1,071,637</u>
FUND BALANCES						
Reserved for:						
Encumbrances	95,731			7,270	52,033	155,034
Prepaid expenditures					7,118	7,118
Unreserved	152,405	\$308,985	10,426	10,174	983,873	1,465,863
Total fund balances	<u>248,136</u>	<u>308,985</u>	<u>10,426</u>	<u>17,444</u>	<u>1,043,024</u>	<u>1,628,015</u>
Total liabilities and fund balances	<u>\$331,795</u>	<u>\$309,235</u>	<u>\$735,934</u>	<u>\$42,498</u>	<u>\$1,280,190</u>	<u>\$2,699,652</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, 2005

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes						
Intergovernmental revenue	\$142,000	\$154,997	\$12,997			
Charges for services				\$12,000	\$18,015	\$6,015
Fines and forfeits						
Investment earnings	7,000	10,538	3,538	12,000	12,547	547
Refunds and reimbursements						
Miscellaneous				7,000	8,840	1,840
Total revenues	<u>149,000</u>	<u>165,535</u>	<u>16,535</u>	<u>31,000</u>	<u>39,402</u>	<u>8,402</u>
EXPENDITURES						
Current:						
General government				24,300	16,064	8,236
Police						
Fire						
Public works	134,500	97,584	36,916			
Leisure services						
Capital improvements	120,000	18,505	101,495			
Total expenditures	<u>254,500</u>	<u>116,089</u>	<u>138,411</u>	<u>24,300</u>	<u>16,064</u>	<u>8,236</u>
Excess (deficiency) of revenues over expenditures	(105,500)	49,446	154,946	6,700	23,338	16,638
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out						
Net change in fund balance	(105,500)	49,446	154,946	6,700	23,338	16,638
Fund balances--beginning	198,690	198,690		285,647	285,647	
Fund balances--ending	<u>\$93,190</u>	<u>\$248,136</u>	<u>\$154,946</u>	<u>\$292,347</u>	<u>\$308,985</u>	<u>\$16,638</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, 2005

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$363,000	\$372,854	\$9,854			
Intergovernmental revenue						
Charges for services				\$32,000	\$35,375	\$3,375
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				19,000	18,485	(515)
Miscellaneous						
Total revenues	<u>363,000</u>	<u>372,854</u>	<u>9,854</u>	<u>51,000</u>	<u>53,860</u>	<u>2,860</u>
EXPENDITURES						
Current:						
General government				281,983	239,599	42,384
Police	1,183,190	1,170,605	12,585			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,183,190</u>	<u>1,170,605</u>	<u>12,585</u>	<u>281,983</u>	<u>239,599</u>	<u>42,384</u>
Excess (deficiency) of revenues over expenditures	(820,190)	(797,751)	22,439	(230,983)	(185,739)	45,244
OTHER FINANCING SOURCES (USES)						
Transfers in	825,000	797,900	(27,100)	225,000	160,000	(65,000)
Transfers out						
Net change in fund balance	<u>4,810</u>	<u>149</u>	<u>(4,661)</u>	<u>(5,983)</u>	<u>(25,739)</u>	<u>(19,756)</u>
Fund balances--beginning	<u>10,277</u>	<u>10,277</u>		<u>43,183</u>	<u>43,183</u>	
Fund balances--ending	<u>\$15,087</u>	<u>\$10,426</u>	<u>(\$4,661)</u>	<u>\$37,200</u>	<u>\$17,444</u>	<u>(\$19,756)</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, 2005

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes				\$363,000	\$372,854	\$9,854
Intergovernmental revenue	\$630,190	\$268,911	(\$361,279)	772,190	423,908	(348,282)
Charges for services				44,000	53,390	9,390
Fines and forfeits	368,000	403,064	35,064	368,000	403,064	35,064
Investment earnings	9,000	18,418	9,418	28,000	41,503	13,503
Refunds and reimbursements	15,175	391	(14,784)	34,175	18,876	(15,299)
Miscellaneous	23,000	107,501	84,501	30,000	116,341	86,341
Total revenues	<u>1,045,365</u>	<u>798,285</u>	<u>(247,080)</u>	<u>1,639,365</u>	<u>1,429,936</u>	<u>(209,429)</u>
EXPENDITURES						
Current:						
General government	1,374,388	375,846	998,542	1,680,671	631,509	1,049,162
Police	217,555	114,573	102,982	1,400,745	1,285,178	115,567
Fire	3,000		3,000	3,000		3,000
Public works	78,920	59,713	19,207	213,420	157,297	56,123
Leisure services	16,084	11,515	4,569	16,084	11,515	4,569
Capital improvements		636,295	(636,295)	120,000	654,800	(534,800)
Total expenditures	<u>1,689,947</u>	<u>1,197,942</u>	<u>492,005</u>	<u>3,433,920</u>	<u>2,740,299</u>	<u>693,621</u>
Excess (deficiency) of revenues over expenditures	(644,582)	(399,657)	244,925	(1,794,555)	(1,310,363)	484,192
OTHER FINANCING SOURCES (USES)						
Transfers in	48,307	26,739	(21,568)	1,098,307	984,639	(113,668)
Transfers out						
Net change in fund balance	(596,275)	(372,918)	223,357	(696,248)	(325,724)	370,524
Fund balances--beginning	1,415,942	1,415,942		1,953,739	1,953,739	
Fund balances--ending	<u>\$819,667</u>	<u>\$1,043,024</u>	<u>\$223,357</u>	<u>\$1,257,491</u>	<u>\$1,628,015</u>	<u>\$370,524</u>

DEBT SERVICE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$1,235,000	\$1,279,605	\$44,605
Investment earnings	25,000	56,415	31,415
Special assessments	149,000	149,593	593
Total revenues	<u>1,409,000</u>	<u>1,485,613</u>	<u>76,613</u>
EXPENDITURES			
Current:			
General government	5,000		5,000
Debt service:			
Principal	1,456,880	1,387,380	69,500
Interest	1,229,818	1,153,773	76,045
Total expenditures	<u>2,691,698</u>	<u>2,541,153</u>	<u>150,545</u>
Deficiency of revenues over expenditures	(1,282,698)	(1,055,540)	227,158
OTHER FINANCING SOURCES (USES)			
Transfers in	1,290,000	1,056,000	(234,000)
Net change in fund balance	7,302	460	(6,842)
Fund balances--beginning	15,178	15,178	
Fund balances--ending	<u>\$22,480</u>	<u>\$15,638</u>	<u>(\$6,842)</u>

CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$93,000	\$82,841	(\$10,159)
Intergovernmental	2,922,052	3,363,634	441,582
Special assessments	915,000	923,389	8,389
Refunds and reimbursements	1,236,000	1,401,537	165,537
Miscellaneous	5,000	4,990	(10)
Total revenues	<u>5,171,052</u>	<u>5,776,391</u>	<u>605,339</u>
EXPENDITURES			
Capital improvements	13,409,537	8,888,638	4,520,899
Total expenditures	<u>13,409,537</u>	<u>8,888,638</u>	<u>4,520,899</u>
Deficiency of revenues over expenditures	(8,238,485)	(3,112,247)	5,126,238
OTHER FINANCING SOURCES (USES)			
Transfers in	1,056,879		(1,056,879)
General obligation debt issuance	4,014,865	4,014,865	
Discount on debt issuance	(27,099)	(27,099)	
Net change in fund balance	<u>(3,193,840)</u>	<u>875,519</u>	<u>4,069,359</u>
Fund balances--beginning	<u>3,226,555</u>	<u>3,226,555</u>	
Fund balances--ending	<u><u>\$32,715</u></u>	<u><u>\$4,102,074</u></u>	<u><u>\$4,069,359</u></u>

CAPITAL PROJECTS FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$155,981	\$131,652	\$24,329
Street construction	6,641,648	2,559,005	4,082,643
Drainage	98,000	11,622	86,378
Parks and recreation	803,343	741,125	62,218
Tree planting and landscaping	52,795	39,240	13,555
Other	5,657,770	5,405,994	251,776
Total capital projects fund	<u>\$13,409,537</u>	<u>\$8,888,638</u>	<u>\$4,520,899</u>

INTERNAL SERVICE FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2005

	Administrative Operations	Health Insurance	Totals
ASSETS			
Current assets:			
Pooled cash and investments	\$853,137	\$39,226	\$892,363
Accounts receivable	416		416
Due from other governments	40,268		40,268
Prepaid expenses	6,235		6,235
Inventory	329,922		329,922
Total current assets	<u>1,229,978</u>	<u>39,226</u>	<u>1,269,204</u>
Noncurrent assets:			
Buildings and improvements	790,687		790,687
Machinery and equipment	2,163,593		2,163,593
Less: Accumulated depreciation	<u>(2,238,636)</u>		<u>(2,238,636)</u>
Total noncurrent assets	<u>715,644</u>		<u>715,644</u>
Total assets	<u><u>\$1,945,622</u></u>	<u><u>\$39,226</u></u>	<u><u>\$1,984,848</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$112,980		\$112,980
Accrued payroll	119,203		119,203
Total current liabilities	<u>232,183</u>		<u>232,183</u>
Noncurrent liabilities:			
Accrued vacation and sick leave benefits	<u>293,379</u>		<u>293,379</u>
Total liabilities	<u>525,562</u>		<u>525,562</u>
NET ASSETS			
Invested in capital assets	715,644		715,644
Unrestricted	704,416	\$39,226	743,642
Total net assets	<u>1,420,060</u>	<u>39,226</u>	<u>1,459,286</u>
Total liabilities and net assets	<u><u>\$1,945,622</u></u>	<u><u>\$39,226</u></u>	<u><u>\$1,984,848</u></u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Administrative Operations	Health Insurance	Totals
OPERATING REVENUES			
Charges for services	\$5,057,278	\$3,455,318	\$8,512,596
Total operating revenues	<u>5,057,278</u>	<u>3,455,318</u>	<u>8,512,596</u>
OPERATING EXPENSES			
Personal services	2,639,220		2,639,220
Repairs and maintenance	1,144,358		1,144,358
Contractual services	599,339	3,456,182	4,055,521
Other materials and expenses	488,755		488,755
Depreciation	209,513		209,513
Total operating expenses	<u>5,081,185</u>	<u>3,456,182</u>	<u>8,537,367</u>
Operating income (loss)	<u>(23,907)</u>	<u>(864)</u>	<u>(24,771)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	41,114	1,002	42,116
Change in net assets	17,207	138	17,345
Total net assets--beginning	<u>1,402,853</u>	<u>39,088</u>	<u>1,441,941</u>
Total net assets--ending	<u>\$1,420,060</u>	<u>\$39,226</u>	<u>\$1,459,286</u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2005
 Increase (Decrease) in cash

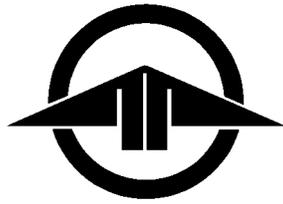
	Administrative Operations	Health Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for services	\$5,018,821	\$3,455,318	\$8,474,139
Cash paid to suppliers for goods or services	(2,255,342)	(3,456,182)	(5,711,524)
Cash paid to employees for services	(2,605,067)		(2,605,067)
Net cash provided (used) by operating activities	<u>158,412</u>	<u>(864)</u>	<u>157,548</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(45,733)		(45,733)
Sale of capital assets	553		553
Net cash used by capital and related financing activities	<u>(45,180)</u>		<u>(45,180)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	41,114	1,002	42,116
Net cash provided by investing activities	<u>41,114</u>	<u>1,002</u>	<u>42,116</u>
Net increase (decrease) in cash	154,346	138	154,484
Cash at beginning of year	698,791	39,088	737,879
Cash at end of year	<u>\$853,137</u>	<u>\$39,226</u>	<u>\$892,363</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	(\$23,907)	(\$864)	(\$24,771)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	209,513		209,513
(Increase) decrease in receivables	(37,954)		(37,954)
(Increase) decrease in inventories	(25,475)		(25,475)
Increase (decrease) in accounts payable	(67)		(67)
Net (increase) decrease in other operating net assets	36,302		36,302
Net cash provided (used) by operating activities	<u>\$158,412</u>	<u>(864)</u>	<u>\$157,548</u>

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2005

	Balance December 31 2004	Additions	Deductions	Balance December 31 2005
<u>PAYROLL WITHHOLDING FUND</u>				
ASSETS - Cash	\$414,704	\$8,724,966	\$8,750,580	\$389,090
LIABILITIES - Withholdings payable	\$414,704	\$8,724,966	\$8,750,580	\$389,090
<u>MUNICIPAL COURT FUND</u>				
ASSETS - Investments with fiscal agent	\$138,342	\$4,354,439	\$4,175,083	\$317,698
LIABILITIES - Undistributed moneys	\$138,342	\$4,354,439	\$4,175,083	\$317,698
<u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u>				
ASSETS - Cash	\$167,643	\$93,582	\$248,328	\$12,897
LIABILITIES				
Accounts payable	\$10,421	\$89,402	\$91,106	\$8,717
Unclaimed moneys	157,222	4,180	157,222	4,180
Total liabilities	\$167,643	\$93,582	\$248,328	\$12,897
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$582,347	\$8,818,548	\$8,998,908	\$401,987
Investments with fiscal agent	138,342	4,354,439	4,175,083	317,698
Total assets	\$720,689	\$13,172,987	\$13,173,991	\$719,685
LIABILITIES				
Accounts payable	\$10,421	\$89,402	\$91,106	\$8,717
Withholdings payable	414,704	8,724,966	8,750,580	389,090
Undistributed moneys	138,342	4,354,439	4,175,083	317,698
Unclaimed moneys	157,222	4,180	157,222	4,180
Total liabilities	\$720,689	\$13,172,987	\$13,173,991	\$719,685

DEBT SCHEDULE
DECEMBER 31, 2005

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2006	
						Principal	Interest
General Obligation Bonds:							
Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	\$524,921	\$253,873	\$29,680	\$16,883
Improvement bonds-series 1992	11/1/1992	3.25-6.45	12/1/2012	994,303	505,000	60,000	32,573
Improvement refunding	8/1/1993	2.65-5.25	12/1/2006	6,845,000	650,000	650,000	34,125
Recreation center refunding	8/1/1993	2.65-16.9	12/1/2008	9,289,352	294,663	114,516	870,484
Court facility	3/29/2005	3.0-4.5	12/1/2024	3,950,000	3,860,000	145,000	152,365
Total general obligation bonds					5,563,536	999,196	1,106,430
Special Assessment Bonds:							
Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	1,665,079	816,127	95,320	54,272
Total special assessment bonds					816,127	95,320	54,272
Promissory Notes:							
Ohio public works commission:							
Bridge replacements	12/1/1994	0.00	7/1/2015	280,393	135,447	14,020	0
Rushland drive improvement	7/1/1996	0.00	7/1/2016	122,577	67,418	6,129	0
Dorothy lane resurfacing	1/1/1998	0.00	1/1/2008	509,850	127,462	50,985	0
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	1,292,611	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	472,544	20,141	14,026
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	600,336	34,305	0
Ridgeway Bridge Rehab	12/31/2004	1.00	7/1/2025	380,000	380,000	17,254	3,757
Total promissory notes					3,075,818	218,870	17,783
Total					\$9,455,481	\$1,313,386	\$1,178,485



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.

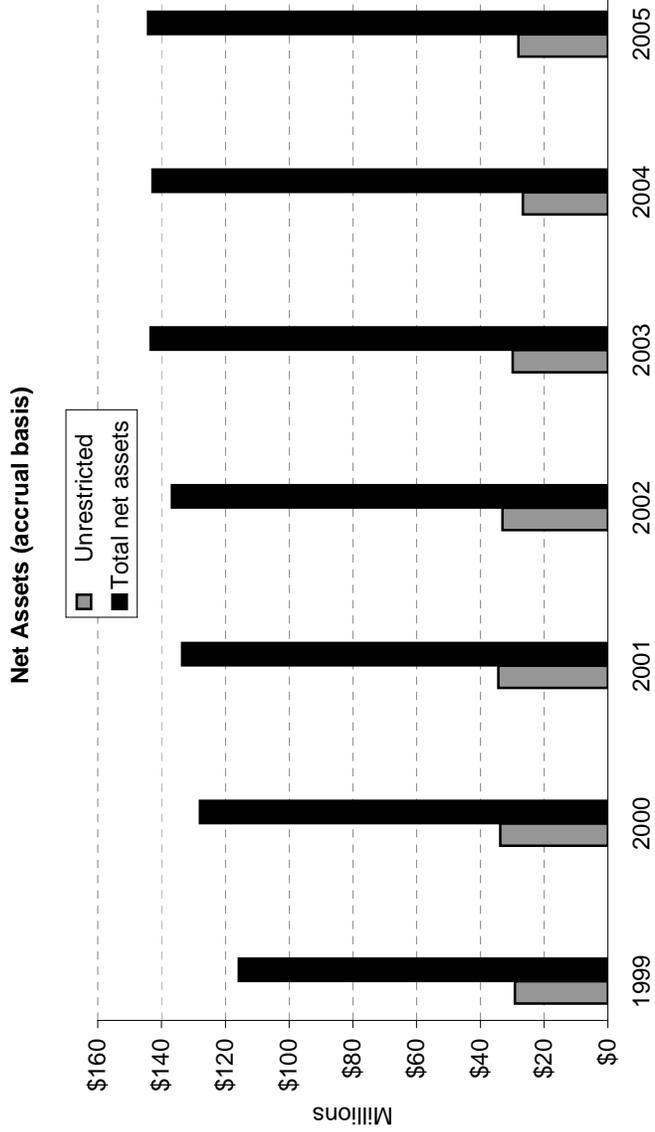
<u>Category</u>	<u>Schedule #s</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1, 2, 3 & 4
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the income tax.	5 & 6
Debt Capacity 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.	7 & 8
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	9 & 10
Operating Information 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.	11, 12 & 13

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 SEVEN YEARS (accrual basis of accounting)

	Year						
	1999	2000	2001	2002	2003	2004	2005
Governmental activities							
Invested in capital assets, net of related debt	\$83,168,667	\$91,355,281	\$95,986,319	\$100,065,903	\$109,267,077	\$112,412,581	\$112,076,412
Restricted for:							0
Debt service	153,118	172,832	38,533	46,554	34,549	15,178	15,638
Community development block grant	2,285,033	2,168,695	2,035,858	2,080,807	1,863,768	1,043,771	1,255,296
Emergency medical					912,249	1,194,939	1,654,299
Other purposes	1,002,951	494,374	1,157,239	1,475,106	1,452,501	1,583,713	1,206,498
Unrestricted	29,181,595	33,743,585	34,320,366	33,037,037	29,905,347	26,619,777	28,054,056
Total net assets	\$115,791,364	\$127,934,767	\$133,538,315	\$136,705,407	\$143,435,491	\$142,869,959	\$144,262,199

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 SEVEN YEARS (accrual basis of accounting)

	1999	2000	2001	2002	2003	2004	2005
Expenses							
General government	\$8,882,212	\$10,324,836	\$10,716,604	\$11,179,273	\$12,142,127	\$13,210,288	\$12,339,967
Police	9,163,871	9,413,721	10,270,530	10,626,973	10,840,287	11,282,263	11,530,015
Fire	6,374,476	6,356,550	7,349,117	7,569,675	7,768,263	8,768,088	8,380,554
Public works	9,366,194	9,791,899	9,812,828	10,803,744	11,236,775	11,926,820	11,813,178
Leisure services	10,427,534	10,231,388	10,832,180	11,665,610	11,479,183	11,834,644	11,873,881
Interest on long term debt	749,636	619,018	541,085	458,517	386,200	292,918	1,168,357
Total expenses	44,963,923	46,737,412	49,522,344	52,303,792	53,852,835	57,315,021	57,105,952
Program Revenues							
General government	1,678,418	1,686,309	2,015,725	2,353,231	2,344,241	2,436,404	2,704,373
Fire	3,823,331	3,907,797	4,098,781	4,508,945	1,144,791	986,737	1,156,577
Leisure services		2,660	880	205	4,398,036	5,085,696	5,379,969
Other activities	1,959,598	1,860,874	1,216,785	1,743,952	67,602	62,639	55,265
Operating grants and contributions					1,388,760	1,623,605	1,563,184
Capital grants and contributions:							
Public works	1,229,161	4,449,371	4,284,996	3,779,248	6,560,882	2,583,208	2,187,075
Other activities	27,225	25,000	367,750	58,653	29,216	29,216	203,067
Total program revenues	8,717,733	11,932,011	11,984,917	12,385,581	15,962,965	12,807,505	13,249,510
Net (Expense)/Revenue¹							
General government	(6,233,861)	(7,896,810)	(7,591,743)	(7,615,770)	(8,920,581)	(9,489,609)	(8,400,440)
Police	(9,121,479)	(9,349,083)	(10,198,837)	(10,534,263)	(10,692,821)	(11,201,292)	(11,402,343)
Fire	(6,372,176)	(6,355,945)	(7,319,277)	(7,569,335)	(6,568,248)	(7,763,976)	(7,217,962)
Public works	(7,381,653)	(4,422,113)	(5,477,029)	(6,971,161)	(4,519,146)	(9,261,925)	(9,459,374)
Leisure services	(6,387,385)	(6,162,432)	(6,409,456)	(6,769,165)	(6,802,874)	(6,497,796)	(6,207,966)
Interest on long term debt	(749,636)	(619,018)	(541,085)	(458,517)	(386,200)	(292,918)	(1,168,357)
Total net expense	(36,246,190)	(34,805,401)	(37,537,427)	(39,918,211)	(37,889,870)	(44,507,516)	(43,856,442)
General Revenues							
Taxes							
Income taxes	22,512,947	23,379,834	23,660,299	25,341,919	25,607,227	27,526,627	26,832,269
Property taxes, levied for general purposes	6,164,671	6,533,352	6,618,088	6,706,279	7,025,307	7,134,615	7,533,530
Property taxes, levied for debt service	1,198,897	1,206,793	1,169,189	1,192,441	1,183,447	1,205,190	1,279,605
Other taxes	6,181,380	8,184,945	6,992,076	6,432,237	8,302,792	6,259,591	6,829,478
Investment earnings	2,256,674	2,400,657	2,071,226	1,381,779	780,231	513,456	983,308
Refunds & reimbursements	1,061,974	1,161,602	2,212,010	1,306,890	1,284,483	1,182,084	1,547,397
Miscellaneous	4,576,102 ²	330,138	418,087	723,758	436,467	120,421	243,095
Total general revenues	43,952,645	43,197,321	43,140,975	43,085,303	44,619,954	43,941,984	45,248,682
Change in Net Assets	\$7,706,455	\$8,391,920	\$5,603,548	\$3,167,092	\$6,730,084	(\$565,532)	\$1,392,240

(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.

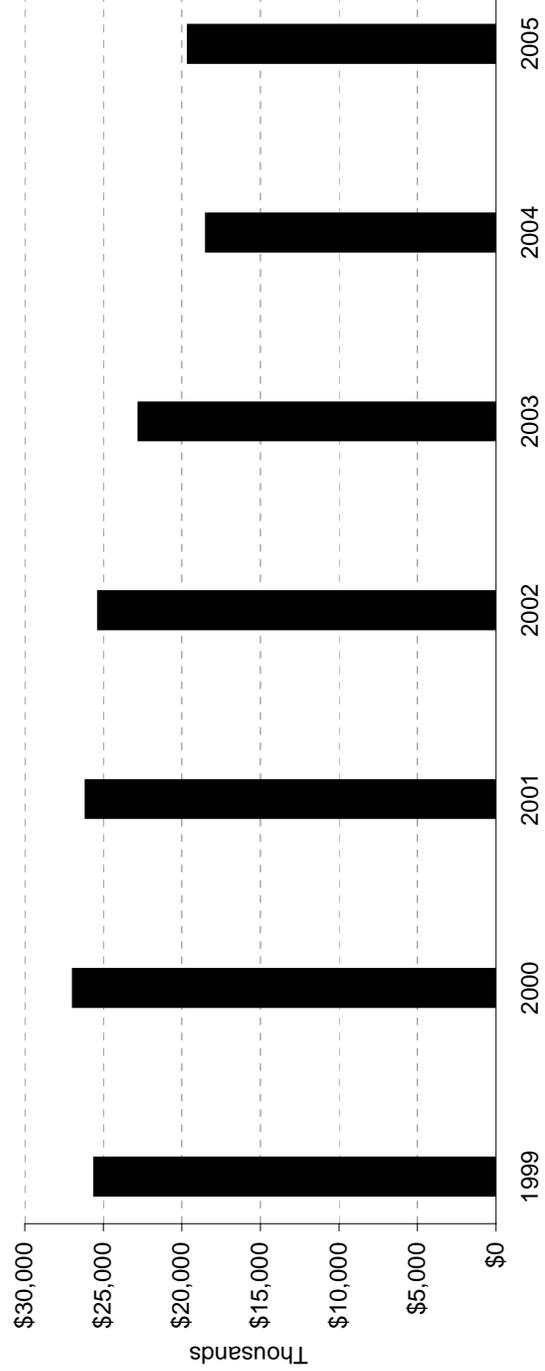
SCHEDULE 3

FUND BALANCES, GOVERNMENTAL FUNDS

LAST SEVEN YEARS (modified accrual basis of accounting)

	Year						
	1999	2000	2001	2002	2003	2004	2005
General Fund							
Reserved	\$2,190,996	\$2,405,099	\$2,004,958	\$1,658,540	\$1,919,131	\$2,310,521	\$2,001,802
Unreserved	25,570,928	26,921,571	26,116,746	25,320,039	22,751,848	18,448,822	19,604,920
Total general fund	<u>\$27,761,924</u>	<u>\$29,326,670</u>	<u>\$28,121,704</u>	<u>\$26,978,579</u>	<u>\$24,670,979</u>	<u>\$20,759,343</u>	<u>\$21,606,722</u>
All Other Governmental Funds							
Reserved	\$7,112,526	\$4,353,076	\$6,995,171	\$6,723,658	\$5,796,672	\$5,176,218	\$5,944,495
Unreserved, reported in:							
Special revenue funds	355,843	68,155	1,140,426	1,662,040	2,360,777	2,481,977	2,767,404
Debt service fund	153,118	117,532	38,533	46,554	34,549	15,178	15,638
Capital project fund	210,977	1,076,034	10,445	10,305	18,903	10,463	227,841
Total all other governmental funds	<u>\$7,832,464</u>	<u>\$5,614,797</u>	<u>\$8,184,575</u>	<u>\$8,442,557</u>	<u>\$8,210,901</u>	<u>\$7,683,836</u>	<u>\$8,955,378</u>

Unreserved General Fund Balance

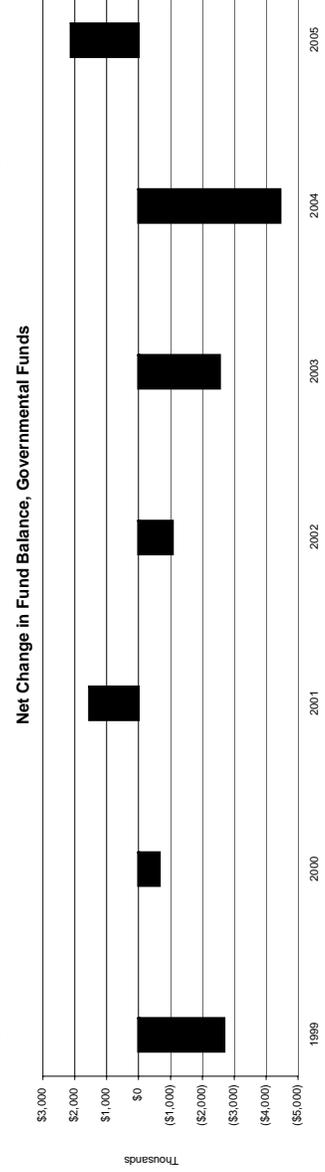


CITY OF KETTERING, OHIO

SCHEDULE 4

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

	1999	2000	2001	2002	2003	2004	2005
REVENUES							
Income taxes	\$22,550,447	\$23,566,678	\$23,866,680	\$25,095,930	\$26,033,273	\$26,783,319	\$27,221,521
Property taxes	7,486,668	7,740,145	7,788,476	7,896,919	8,175,853	8,339,304	8,811,235
Licenses and permits	395,804	459,832	392,917	506,429	567,654	606,617	488,598
Intergovernmental revenue	7,800,085	10,035,712	10,276,158	10,043,805	14,669,208	8,597,471	9,156,001
Charges for services	4,021,532	4,001,529	4,223,430	4,615,432	5,448,625	6,436,412	6,925,229
Fines and forfeits	1,084,413	1,135,404	1,499,038	1,740,344	1,674,642	1,681,735	1,914,989
Investment earnings	2,011,338	2,645,992	2,071,226	1,381,779	780,228	513,456	983,308
Special assessments	1,168,726	1,418,452	1,251,362	1,308,754	1,024,871	1,203,717	1,402,805
Refunds and reimbursements	1,371,191	1,500,421	2,576,280	1,626,962	1,861,388	1,743,828	3,078,251
Miscellaneous	653,120	522,141	538,633	676,389	669,066	551,897	503,483
Total revenues	48,543,324	53,026,306	54,484,200	54,892,743	60,904,908	56,457,756	60,485,420
EXPENDITURES							
Current:							
General government	9,031,363	9,501,717	9,768,669	10,980,711	11,320,369	12,664,622	11,687,503
Police	9,315,128	9,353,231	10,064,525	10,429,392	10,786,712	11,230,625	11,308,886
Fire	6,099,968	7,125,540	7,224,511	7,275,877	7,831,880	8,585,929	8,328,226
Public works	6,701,394	7,053,955	6,897,648	7,952,650	8,173,691	8,529,615	7,674,931
Leisure services	8,876,221	8,774,617	9,335,122	10,283,469	10,438,031	10,352,928	10,602,498
Capital improvements	8,978,298	9,988,482	9,642,134	8,405,483	12,781,912	7,778,704	10,294,799
Debt service:							
Principal	1,523,134	1,583,134	1,648,134	1,718,134	1,952,988	2,057,118	1,387,380
Interest	697,513	625,480	547,930	465,787	386,244	301,213	1,153,773
Total expenditures	51,223,019	54,006,156	55,128,673	57,511,503	63,671,827	61,500,754	62,437,996
Excess (deficiency) of revenues over expenditures	(2,679,695)	(979,850)	(644,473)	(2,618,760)	(2,767,019)	(5,042,998)	(1,952,576)
OTHER FINANCING SOURCES (USES)							
Transfers in	14,371,198	9,543,432	11,583,704	10,879,070	11,332,160	12,455,731	8,980,139
Transfers out	(14,371,198)	(9,543,432)	(11,583,704)	(10,879,070)	(11,332,160)	(12,455,731)	(8,980,139)
General obligation debt issuance			1,930,633	987,255	11,140	303,995	3,987,766
Sale of city assets		326,929	258,652	566,362	216,623	300,302	83,731
Net change in fund balance	(\$2,679,695)	(\$652,921)	\$1,544,812	(\$1,065,143)	(\$2,539,256)	(\$4,438,701)	\$2,118,921
Debt service as a percentage of noncapital expenditures	5.38%	5.25%	4.91%	4.55%	4.72%	4.50%	4.97%

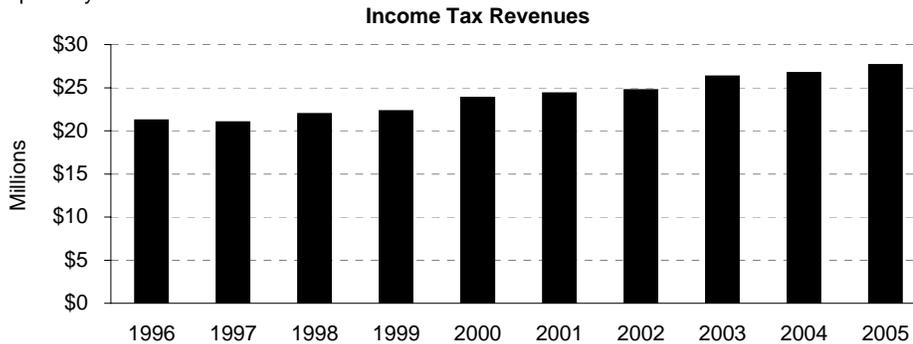


**INCOME TAX BY PAYER TYPE AND INCOME TAX RATE
LAST TEN YEARS (cash basis of accounting)**

Year	Individual		Total			Total	Income Tax Rate
	Withholding	Non-withholding	Individual	Corporate	Partnership		
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	22,392,839	2,396,909	24,789,748	1,177,124	708,022	26,674,894	1.75%
2005	23,197,704	2,562,530	25,760,234	1,322,451	526,016	27,608,701	1.75%

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 NINE YEARS AGO (cash basis of accounting)**

2005		2005 Rank		1996		
Rank	Name			Rank	Name	
1	Kettering Medical Center	3 ¹		1	General Motors Corporation	
2	Reynolds & Reynolds Company	4		2	Federal Government	
3	Delphi Automotive Systems Services LLC	1		3	Kettering Medical Center	
4	Federal Government	6		4	Kettering Board of Education	
5	GE Consumer Finance	7 ¹		5	Scitex Digital Printing Inc.	
6	Kettering Board of Education	8		6	City of Kettering	
7	Kodak Versamark Inc.	-		7	Valeo Electrical Systems Inc.	
8	City of Kettering	-		8	Reed Elsevier Inc.	
9	Intimate Brands Inc.	-		9	Meijer Inc.	
10	Time Warner Entertainment Inc.	9 ¹		10	Victoria's Secret Catalogue Inc.	
Combined percentage of Total Income taxes				Combined percentage of Total Income taxes		
36.7%				39.4%		

Source: City of Kettering, Ohio, Finance Department

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

(1) Delphi Automotive Systems Services LLC is a spinoff of General Motors Corporation; 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>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>	<u>2005</u>
General Obligation Bonds	\$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	\$5,563,536
Percent of estimated actual property value	0.55%	0.45%	0.41%	0.35%	0.28%	0.24%	0.19%	0.13%	0.08%	0.16%
Per capita	237	216	195	172	156	131	104	76	46	97
Special Assessment Bonds	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	816,127
Promissory Notes	384,201	364,052	828,261	757,129	685,994	2,545,494	3,461,615	3,241,766	3,278,644	3,075,818
Total Gross Indebtedness	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	9,455,481
Percentage of personal income	1.13%	0.99%	0.91%	0.80%	0.71%	0.72%	0.64%	0.50%	0.39%	0.53%
Per capita	270	248	232	207	191	196	183	149	119	164
Less debt outside limitations:										
Special Assessment Debt	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	816,127
Promissory Notes	384,201	364,052	828,261	757,129	685,994	2,545,494	3,461,615	3,241,766	3,278,644	3,075,818
Less debt service fund balance	251,309	129,069	161,955	153,118	117,532	38,533	46,554	34,549	15,178	15,638
Net debt within limitations for both Voted and Unvoted debt	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	5,547,898
Debt limitation for both Voted and Unvoted debt										
10.5% of assessed valuation	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	122,629,124
Legal debt margin for Voted and Unvoted debt	\$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	\$117,081,226
Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit	14.67%	12.29%	10.94%	9.52%	7.68%	6.47%	5.16%	3.46%	2.14%	4.52%
Net debt within limitations for both Voted and Unvoted debt	\$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	\$5,547,898
Less voted debt	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	294,663
Net debt within limitations for Unvoted debt	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	5,253,235
Debt limitation for Unvoted debt										
5.5% of assessed valuation	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	64,234,303
Legal debt margin for Unvoted debt	\$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	\$58,981,068
Net debt within limitations for Unvoted debt as a percentage of debt limit	14.42%	12.32%	11.10%	9.85%	8.19%	7.20%	6.09%	4.51%	3.42%	8.18%

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2005

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Kettering ¹	Amount Applicable to City of Kettering
State of Ohio			
City of Kettering	\$8,623,716	100.0%	\$8,623,716
Kettering City School District	106,170,151	91.2%	96,827,178
Montgomery County	48,689,870	11.6%	5,648,025
Beavercreek Local School District	37,411,173	1.0%	374,112
Total	\$200,894,910		\$111,473,031

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 ¹	Personal Income ²	Per capita Personal Income ^{1,2}	Unemployment Rate ³	Avg Sale Price for a Single Family Home ⁴	Total Assessed Property Value ⁵	Estimated Actual Property Value ⁵
1996	60,569	1,452,929,172	23,988	2.3%	107,992	915,495,327	2,631,770,962
1997	60,569	1,511,075,412	24,948	2.1%	109,792	1,004,792,119	2,884,674,180
1998	60,569	1,541,299,343	25,447	2.1%	116,461	1,011,910,890	2,906,512,889
1999	60,569	1,572,128,964	25,956	1.9%	116,524	1,027,453,106	2,944,151,764
2000	57,502	1,553,071,518	27,009	2.3%	121,534	1,100,714,894	3,169,669,776
2001	57,502	1,572,794,704	27,352	2.7%	123,524	1,101,273,442	3,174,922,055
2002	57,502	1,653,815,022	28,761	3.6%	132,529	1,091,905,872	3,167,681,964
2003	57,502	1,715,572,170	29,835	5.2%	138,690	1,187,336,684	3,433,251,092
2004	57,502	1,765,023,890	30,695	5.5%	135,081	1,168,242,464	3,453,224,812
2005	57,502	1,793,889,894	31,197	5.4%	141,345	1,167,896,415	3,423,470,549

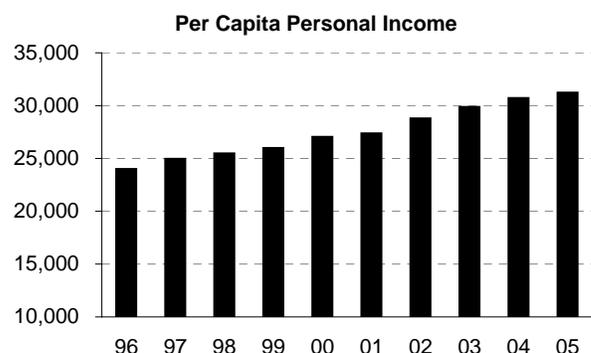
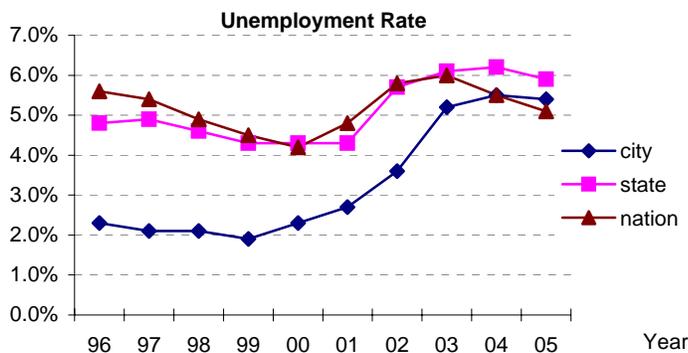
(1) 1990 & 2000 United States Census Bureau.

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

(3) Ohio Bureau of Employment Services.

(4) Dayton Area Board of Realtors, Dayton, Ohio (2005 price range: \$20,500 - \$1,500,000).

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



PRINCIPAL EMPLOYERS
CURRENT YEAR AND FIFTEEN YEARS AGO

Employer	2005		1990 ¹	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Kettering Medical Center	3,100	10.51%	General Motors Corporation ²	4,405 13.39%
Delphi Automotive Systems Services, LLC ²	1,600	5.42%	Kettering Medical Center	2,975 9.04%
Reynolds & Reynolds Company	1,200	4.07%	Defense Electronics Supply Center	2,500 7.60%
GE Consumer Finance	1,200	4.07%	Kroger Company	1,313 3.99%
Intimate Brands Inc.	900	3.05%	Kettering City Schools	1,033 3.14%
Kettering City Schools	900	3.05%	Meijer Inc	900 2.74%
City of Kettering	900	3.05%	City of Kettering	800 2.43%
Kodak Versamark	625	2.12%	Eastman Kodak Company ²	350 1.06%
Meijer Inc.	550	1.86%	Ohio Bell Telephone Company	292 0.89%
Total	10,975	37.20%	Total	14,568 44.28%

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

(1) Past information is available every 10 years.

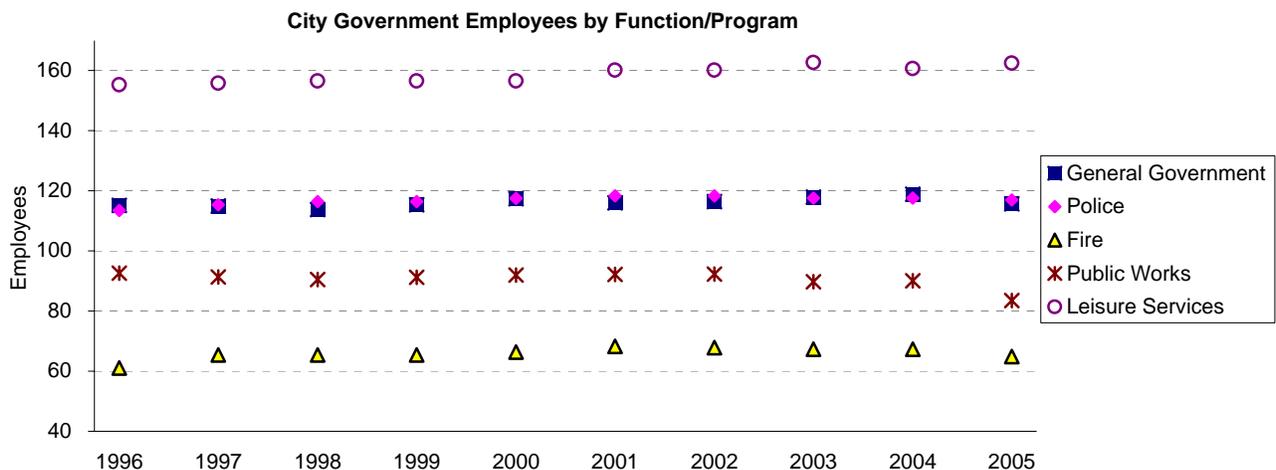
(2) Delphi Automotive Systems Services, LLC is a spinoff of General Motors Corp.; Kodak Versamark is a division of Eastman Kodak Co.

SCHEDULE 11

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

Function/program	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Government	115.1	115.0	113.8	115.4	117.4	116.0	116.4	117.9	118.9	115.7
Police	113.5	115.4	116.5	116.5	117.5	118.4	118.4	117.6	117.6	117.0
Fire	61.1	65.4	65.4	65.4	66.4	68.3	67.8	67.3	67.3	64.9
Public Works	92.7	91.3	90.4	91.2	91.9	92.2	92.3	89.8	90.1	83.5
Leisure Services	155.2	155.8	156.5	156.5	156.5	160.2	160.2	162.7	160.7	162.5
Total	537.6	542.9	542.6	545.0	549.7	555.1	555.1	555.3	554.5	543.6

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS

<u>Function/program</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>	<u>2005</u>
General Government										
Positions filled ¹	20	26	20	16	27	19	17	17	5	5
Permits issued ²	4,420	4,657	4,483	4,248	4,295	3,861	3,705	3,824	3,217	3,301
Inspections performed ²	9,894	9,862	11,520	7,071	8,971	6,828	7,144	7,435	6,974	5,845
CDBG loan applications ³	24	23	23	24	21	14	5	10	18	24
Payroll checks processed ⁴	20,540	19,986	20,332	20,387	20,375	20,852	20,898	20,648	21,710	20,569
Purchase orders issued ⁵	1,834	1,614	1,431	1,474	1,557	2,068	1,816	2,002	2,120	2,063
Ordinances & resolutions ⁶	171	178	181	214	238	230	234	243	206	227
Court cases ⁷	22,073	21,800	25,333	21,839	20,913	19,979	19,865	18,742	18,358	22,593
Police										
Criminal arrests ⁸	3,351	3,248	3,354	3,216	2,925	3,263	3,112	2,854	2,813	3,085
Calls for service ⁹	76,837	74,845	78,095	70,156	64,472	65,130	67,320	71,524	69,621	72,643
Fire										
Fire alarms ¹⁰	1,375	1,406	1,385	1,224	1,273	1,397	1,421	2,393	1,604	1,324
Medic alarms ¹⁰	3,917	3,962	4,029	4,445	4,495	4,551	4,601	5,120	4,881	5,214
Public Works										
Asphalt resurfacing (miles) ¹¹	20	12	16	15	13	13	14	16	10	4
Truckloads of leaves picked-up ¹²	2,054	2,222	2,038	2,100	1,735	1,740	2,206	2,062	1,988	1,895
Tons of snow melting salt used ¹²	4,361	2,953	1,992	5,500	9,118	2,147	3,000	5,452	4,654	6,465
Leisure Services										
Recreation complex attendance ¹³	981,000	949,000	933,000	920,270	900,910	879,000	918,560	931,040	1,016,576	1,010,804
Fraze Pavilion tickets sold ¹³	57,064	69,225	72,886	72,167	74,153	71,018	75,942	77,727	80,480	78,540

(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>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>	<u>2005</u>
General Government										
Square footage occupied ¹	25,582	25,582	25,582	25,582	25,582	25,582	25,582	25,582	25,582	43,108
Police										
Stations ¹	1	1	1	1	1	1	1	1	1	1
Square footage of building ¹	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515
Fire										
Stations ¹	7	7	7	7	7	7	7	7	7	7
Public Works										
Miles of roads ²	244	244	244	244	244	246	246	246	246	246
Miles of storm sewer/channel ²	170	170	171	172	172	173	174	174	175	175
Leisure Services										
Number of parks ³	21	21	21	21	21	21	21	21	21	21
Area of parks (acres) ³	408	408	408	408	408	408	419	419	419	419
Recreation complexes square ft ¹	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000	153,512

(1) City of Kettering, Facilities Department

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

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



**Auditor of State
Betty Montgomery**

88 East Broad Street
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
MAY 25, 2006**