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**City of Kettering  
Montgomery County, Ohio**

Reports on Internal Control and Compliance  
and Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2011





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Kettering, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

June 11, 2012

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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springfield, oh 45503

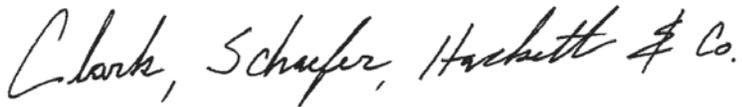
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## Compliance and Other Matters

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

We noted a certain matter that we reported to management of the City in a separate letter dated March 30, 2012.

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hachett & Co.".

Springfield, Ohio  
March 30, 2012

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

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

**Compliance**

We have audited the compliance of the City of Kettering, Ohio (the City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2011. 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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major programs for the year ended December 31, 2011.

**Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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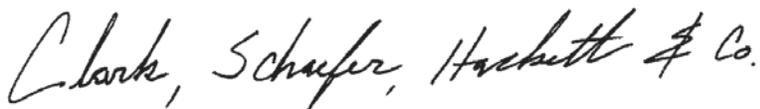
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of and for the year ended December 31, 2011, and have issued our report thereon dated March 30, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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



Springfield, Ohio  
March 30, 2012

City of Kettering, Ohio  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2011

Federal Grantor/Pass Through Grantor/Program Title	Grant or Pass Through Number	Federal CFDA Number	Grant Award Date	Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
<i>Direct Program:</i>				
<i>CDBG - Entitlement Grants Cluster:</i>				
Community Development Block Grants/Entitlement Grants	B-11-MC-39-0011	14.218	1/1/08	\$ 527,657
ARRA - Community Development Block Grants/Entitlement Grants	B-09-MY-39-0011	14.253	7/23/09	7,489
<i>Total CDBG - Entitlement Grants Cluster</i>				<u>535,146</u>
<i>Passed through the Board of County Commissioners of Montgomery County:</i>				
HOME Investment Partnerships Program	A-C-03-281-2	14.239	9/1/03	28
Lead-Based Paint Hazard Control in Privately-Owned Housing	OH-LHB0448-09	14.900	1/1/10	13,332
<i>Passed through the City of Dayton, Ohio:</i>				
HOME Investment Partnerships Program	M-07-MC-39-0205	14.239	3/22/08	107,703
<i>Total HOME Investment Partnerships Program</i>				<u>121,063</u>
<i>Passed through the City of Dayton, Ohio:</i>				
ARRA - Neighborhood Stabilization Program	B-09-CN-OH-0029	14.256	1/14/10	421,109
<i>Passed through the State of Ohio Department of Development:</i>				
Community Development Block Grants/State's program	A-Z-08-281-1	14.228	4/1/09	181,584
<i>Total U.S. Department of Housing and Urban Development</i>				<u>1,258,902</u>
<u>U.S. Department of Justice</u>				
<i>Justice Assistance Program Cluster:</i>				
<i>Direct programs:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	2009-G9677-OH-DJ	16.738	7/10/09	16,665
<i>Passed through the City of Dayton, Ohio:</i>				
ARRA - Edward Byrne Memorial Justice Assistance	2009-F2300-OH-SB	16.804	5/19/09	902
<i>Total Justice Assistance Grant Program Cluster</i>				<u>17,567</u>
<i>Total U.S. Department of Justice</i>				<u>17,567</u>
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through the Board of County Commissioners of Montgomery County:</i>				
Temporary Assistance for Needy Families	2010	93.558	2/1/10	7,546
Block Grants for Prevention and Treatment of Substance Abuse	57-8355-CMMCO-P-11-0038	93.959	7/1/10	12,137
Block Grants for Prevention and Treatment of Substance Abuse	57-8355-CMMCO-P-10-0038	93.959	7/28/09	15,836
<i>Total for Block Grants for Prevention and Treatment of Substance Abuse</i>				<u>27,973</u>
<i>Total U.S. Department of Health and Human Services</i>				<u>35,519</u>
<u>U.S. Department of Energy</u>				
<i>Direct programs:</i>				
ARRA - Energy Efficiency and Conservation Block Grant Program	DE-SC0001790	81.128	9/28/09	5,457
<i>Total U.S. Department of Energy</i>				<u>5,457</u>
<u>U.S. Department of Transportation</u>				
<i>Passed through the State of Ohio Governor's Highway Safety Office:</i>				
Highway Planning and Construction	E060619/C21169	20.205	7/11/06	2,420,201
Highway Planning and Construction	E080493	20.205	8/15/08	1,103,407
Highway Planning and Construction	E051260/80095	20.205	7/19/07	886,617
Highway Planning and Construction	E080591	20.205	6/2/08	1,475,396
Highway Planning and Construction	E080494	20.205	5/6/08	67,500
Highway Planning and Construction	E060680/81027	20.205	7/11/06	594,421
Highway Planning and Construction	E080492	20.205	5/6/08	173,143
Highway Planning and Construction	E060681	20.205	7/11/06	306,518
<i>Passed through the City of Dayton, Ohio:</i>				
Highway Planning and Construction	OVTIF-2011-57-00-00-00380	20.205	10/1/10	6,116
Highway Planning and Construction	OVTIF-2012-57-00-00-00393-00	20.205	10/1/11	2,115
<i>Total Highway Planning and Construction</i>				<u>7,035,434</u>
<i>Total U.S. Department of Transportation</i>				<u>7,035,434</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ <u>8,352,879</u></b>

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

**NOTE 1 – GENERAL:**

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

**NOTE 2 – BASIS OF ACCOUNTING:**

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

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

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

**NOTE 4 – SUBRECIPIENTS:**

The City was a pass-through entity of CDBG funds to two subrecipients, Miami Valley Fair Housing Board for \$32,000 and HomeOwnership Center of Greater Dayton for \$20,711.

**NOTE 5 – LOANS OUTSTANDING:**

At December 31, 2011, the City has the following amounts outstanding under federal loan programs:

HOME Investment Partnership Loan Program (CFDA #14.239)	\$ 710,017
Community Development Block Grant – Business Revolving loan (CFDA #14.218)	170,037
Community Development Block Grant – Housing Rehab Loans (CFDA #14.218)	346,477
Less: Allowance for Uncollectable Accounts	<u>(83,070)</u>
Net Loans Outstanding	<u>\$ 1,143,461</u>

Of the loans noted above, \$66,250 is subject to certain on-going compliance requirements; as such the entire outstanding balance of these loans is included in the Schedule of Expenditures of Federal Awards as part of the HOME Investment Partnerships Program (CFDA #14.239).

The remaining loans above do not have on-going compliance attributes requiring the reporting the balances in the Schedule of Expenditures of Federal Awards. These loans are reported on the City's financial statements within the Community Development Funds. During 2011, the City issued \$26,995 of new loans under Housing Rehab Loans program (CFDA #14.218) and issued \$20,398 of new loans under the HOME Investment Partnership loan program (CFDA #14.239), which are included within the reported federal expenditures of the respective programs for the year.

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

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted

Identification of major programs:

*Community Development Block Grant Entitlement Grant Cluster:*  
 CFDA 14.218 – Community Development Block Grants/Entitlement Grants  
 CFDA 14.253 – Community Development Block Grant ARRA Entitlement Grants

CFDA 14.256 – Neighborhood Stabilization Program ARRA

CFDA 20.205 – Highway Planning and Construction

Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Findings**

None noted

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

None noted

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

No Findings were reported in the Prior Audit

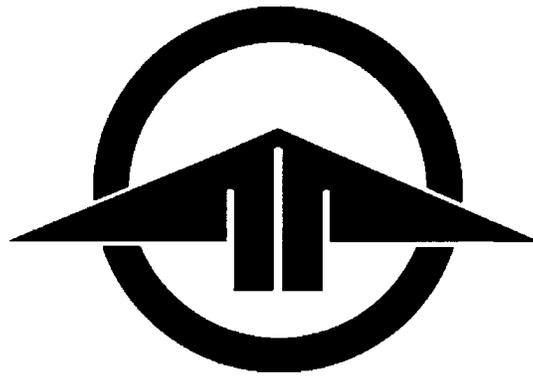


At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success

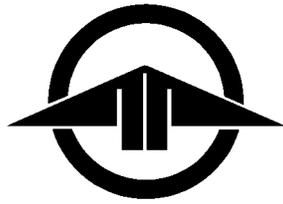
**CITY OF KETTERING, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2011**



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



CITY OF KETTERING

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2011****TABLE OF CONTENTS**

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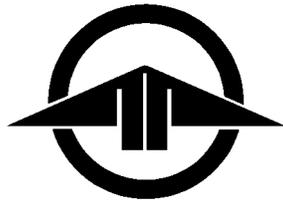
**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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## **INTRODUCTORY SECTION**



CITY OF KETTERING



March 31, 2012

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, 2011, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of the presentation including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

## HISTORY AND BACKGROUND

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

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

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

The quality of living in any city can be measured best by the satisfaction of the residents with the services they receive. In Kettering, people like what they find. A recent survey showed that 94% of residents are satisfied with Kettering as a place to live.

## ECONOMIC CONDITION AND OUTLOOK

Our local economy has been hit hard by declining employment as a result of the recession. This has a direct impact on our largest General Fund revenue, income tax. Fortunately the vote of our residents to increase the income tax rate effective January 1, 2007 increased our General Fund significantly during 2007 and 2008. That vote along with a return to somewhat greater stability during 2010 and 2011 puts the City in a better position to weather the uncertainties of the current economy.

Although the City has been negatively impacted by a decline in employment in the area, the overall effect was diminished due to the diversity of the employment base. Kettering's business base ranges from some major employers headquartered in Kettering to many midsize companies specializing in technology or professional services down to smaller family owned businesses. Kettering's largest employers include Kettering Medical Center (KMC), G.E. Capital, and Reynolds & Reynolds. KMC employs 3,300 and continued its commitment to growth in the community during 2011 with the opening of a level II trauma center in their Emergency Room. KMC is also beginning work on a

master plan that includes additional growth on vacant land across the street from the main campus. Reynolds & Reynolds, a fortune 1000 company based in Dayton since 1866, has transitioned nicely following the merger with Universal Computer Systems (UCS) in 2006. After completion of a \$19 million, 15,000 sq ft Data Center at the Miami Valley Research Park campus in 2009, the company continues to employ 1,150. G.E. Capital employs 1,450 people and has plans to invest \$1.5 million for improvements in their facility at the Kettering Business Park (KBP). Other major employers in the city include Kettering City Schools, Limited Brands Inc., a catalogue order center for Victoria's Secret, Eastman Kodak a manufacturer of digital printers, and a number of engineering firms and computer hardware and software related businesses.

In the area of new employment, Community Tissue Services (CTS) held the grand opening of its newly constructed 90,000 sq ft office and tissue processing facility at the Miami Valley Research Park on May 11, 2011. The \$40 million facility serves donor families, physicians, hospitals and community partners by providing education, recovery, processing and distribution of bone, skin and tissue grafts. CTS currently has 175 employees with plans for future growth.

Kettering is about 95% developed so a primary focus of economic development in the city is on the redevelopment of underutilized sites. The residential portion of the redevelopment of Kettering Pointe, formerly Van Buren Shopping Center, continued during 2011. The housing portion includes 35 lots of which 18 have been built or are under construction. The retail portion of the site is complete and fully leased with 10 retail sites, a post office and WesBanco Bank. Phase 3 of Madison's Grant, a Ryan Homes housing development continued during 2011. Sixteen single family homes were constructed during 2011. Madison's Grant will include 154 new homes when the development is complete.

Implementation of the plans for improvements to the city's parks and recreation facilities continued throughout 2011. This program of extensive improvements is the result of passage of the Parks and Recreation Bond Levy by Kettering voters in November 2008. The voters approved a \$12.3 million levy with debt service to be paid from property tax revenues over a period of twenty years beginning in 2009. In addition to the voted portion, the city committed an additional \$5 million of general funds for a total investment of \$17.3 million. The 2011 improvements included the grand reopening of four

neighborhood parks with new play equipment, landscaping, and specialty features such as a splash pad at one park and public art projects at two parks. Also, the grand reopening of the Adventure Reef Waterpark took place on June 3, 2011 offering new taller, faster slides, a deep water area, and many new water features. This was followed by the opening of the new and improved Kettering Recreation Complex on June 25. In addition to new programs and classes, including cycling and TRX, the new fitness wing provides an additional 9,800 square feet of space for new equipment and cardio machines. The removable roof above the indoor pool was replaced with a retractable roof allowing patrons to enjoy the pool year round with no down time. The long-term improvements are scheduled to be complete by the end of 2012.

Kettering participates in ED/GE, a revenue sharing program that includes about thirty communities in Montgomery County. Money from the program is distributed to the communities for economic development projects after an application for funds is filed and a board of local officials for the communities reviews and approves the projects. Although Kettering did not receive any funds for 2011, the City has benefited significantly in the past from this program and will continue to apply for future funds as eligible opportunities become available. The ED/GE program was to expire after 2010, but a new agreement has extended the program for an additional nine years.

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

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

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City

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

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

## OTHER INFORMATION

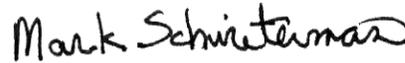
**Independent Audit.** The basic financial statements of the City of Kettering were audited by Clark, Schaefer, Hackett & Co., Certified Public Accountants. See page 2 of the Financial Section of this report for their unqualified opinion.

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kettering, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2010. 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 29 consecutive years (fiscal years ended 1982-2010). 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, 2011. In order to receive this award, the City must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

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

Respectfully submitted,



Mark Schwieterman  
City Manager



Nancy H. Gregory, CPA  
Director of Finance

## **CITY OF KETTERING, OHIO**

### CITY OFFICIALS

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

### CITY MANAGER

Mark Schwieterman

### INDEPENDENT AUDITORS

Clark, Schaefer, Hackett & Co.  
Certified Public Accountants

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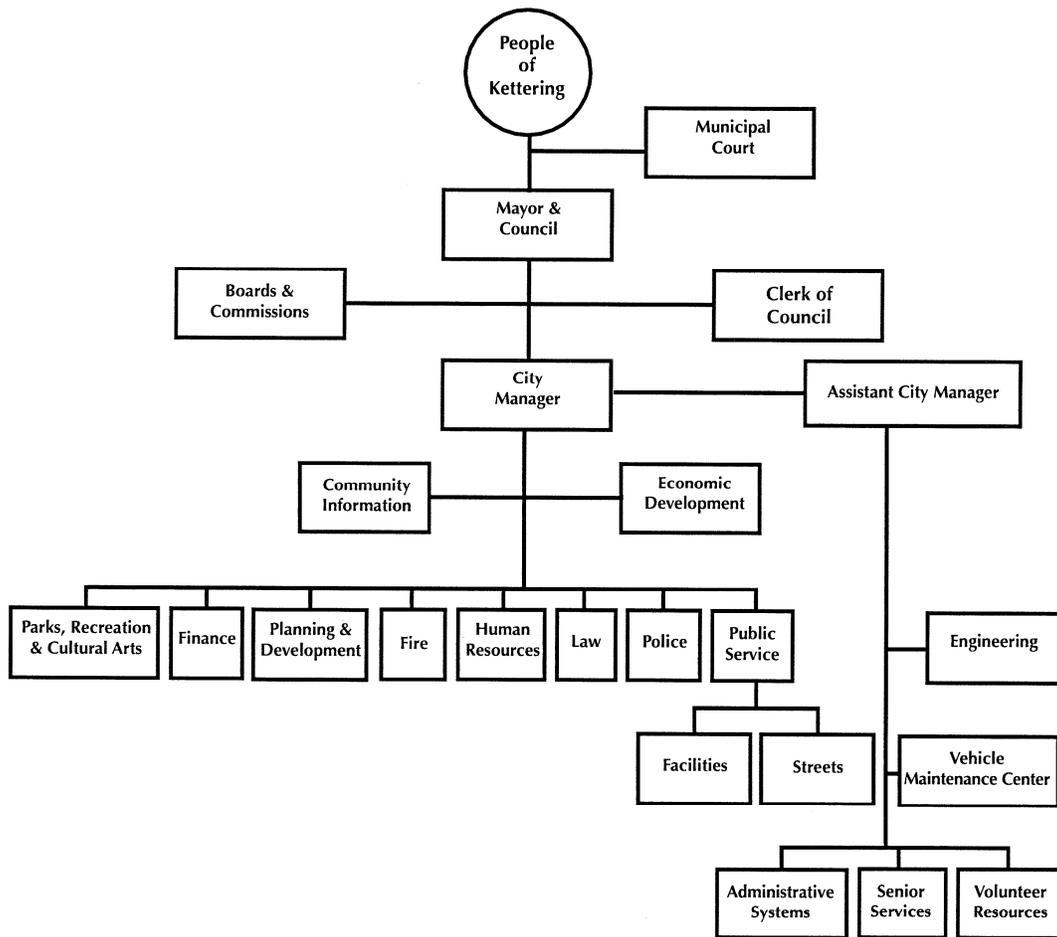
## CITY OF KETTERING, OHIO

### DEPARTMENT OF FINANCE

#### STAFF

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

# City of Kettering 2011 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, 2010

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.

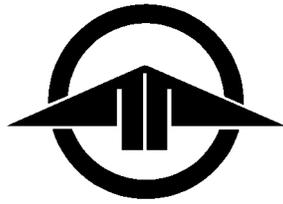


*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director



CITY OF KETTERING

**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of December 31, 2011, 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 30, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 34 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

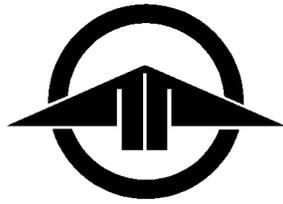
2525 north limestone street, ste. 103  
springfield, oh 45503

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p. 937.399.2000  
f. 937.399.5433

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining nonmajor fund financial statements, individual fund schedules, schedule of bonds and notes, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements, individual fund schedules and the schedule of bonds and notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in cursive script that reads "Clark, Schaefer, Hutchett & Co." The signature is written in black ink on a white background.

Springfield, Ohio  
March 30, 2012



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, 2011.

**FINANCIAL HIGHLIGHTS**

1. Net position increased \$12,589,000 or 6.8% while unrestricted net position increased \$464,000 or 1%.
2. Total revenues increased 5.4% while total expenses increased 3%.
3. Capital grants and contributions increased \$3,818,900 or 61.3%.
4. Operating grants and contributions decreased \$869,400 or 54.5%.
5. Other taxes increased \$2,662,500 or 34.9%.
6. Total costs of services increased by 3.1%, while net costs of services decreased by 3.6%.
7. The General Fund reported an increase in fund balance of \$2,168,700.
8. The Frazee Pavilion required no General Fund transfer for the sixth time in its 20-year history.

**USING THIS ANNUAL REPORT**

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

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

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that help answer this question. These statements include all assets 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 position and changes in it. You can think of the City's net position — the difference between assets and liabilities — as one way to measure the City's financial health. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, the condition of the City's roads, the condition of the City's neighborhoods, and the reputation of the public schools to assess the overall health of the City.

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

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

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

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

## **The City as Trustee**

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

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

## **THE CITY AS A WHOLE**

For 2011 the City produced a 6.8% increase in total net position. This compares with a 6% increase in 2010. Revenues generated were \$79.2 million and expenses from all programs were \$66.6 million resulting in a surplus for the year of \$12,589,000. The unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — increased \$464,300.

Explanations for the larger fluctuations between years are as follows:

- Operating grants and contributions were lower because of several CDBG grants ending or winding down.
- Capital grants and contributions were much higher this year because of outside funding for several roadway projects.
- Investment earnings decreased due to a smaller portfolio and lower interest rates.
- Other taxes increased substantially due to an increase in estate tax revenue.
- General government expenses increased due to capitalization of certain costs associated with the South Building remodel in 2010 which were not capitalized in 2011.
- Net Cost of Services was lower because of the significant capital grant revenues received in 2011 as mentioned above.

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

### NET POSITION

	2011	2010
Current and other assets	\$83,653,200	\$92,289,048
Capital assets	151,057,632	135,170,882
Total assets	234,710,832	227,459,930
Long-term debt outstanding	(20,671,451)	(21,795,871)
Other liabilities	(15,114,864)	(19,328,500)
Total liabilities	(35,786,315)	(41,124,371)
Net position:		
Invested in capital assets, net of debt	134,783,717	124,238,000
Restricted	15,169,194	13,590,268
Unrestricted	48,971,606	48,507,291
Total net position	\$198,924,517	\$186,335,559

### CHANGES IN NET POSITION

	2011	2010
Revenues		
Program revenues:		
Charges for services	\$10,758,442	\$10,067,985
Operating grants and contributions	725,501	1,594,869
Capital grants and contributions	10,049,879	6,231,007
General revenues:		
Income taxes	36,303,996	37,352,248
Property taxes	8,896,724	9,393,940
Other taxes	10,292,717	7,630,175
Investment earnings	629,983	1,173,152
Other general revenue	1,501,041	1,695,575
Total revenues	79,158,283	75,138,951
Program expenses		
General government	13,824,699	12,813,463
Police	14,346,393	14,161,364
Fire	10,533,420	10,504,095
Public works	13,388,960	13,425,510
Leisure services	13,840,098	13,038,928
Interest on long-term debt	635,755	671,334
Total expenses	66,569,325	64,614,694
Increase (decrease) in net position	12,588,958	10,524,257
Net position beginning	186,335,559	175,811,302
Net position ending	\$198,924,517	\$186,335,559

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

### GOVERNMENTAL ACTIVITIES

	Total Cost of Services		Net Cost of Services	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Police	\$14,346,393	\$14,161,364	\$14,293,832	\$14,120,321
Fire	10,533,420	10,504,095	8,894,525	9,096,708
Public works	13,388,960	13,425,510	3,917,494	8,464,176
Leisure services	13,840,098	13,038,928	6,810,888	6,422,481
All others	<u>13,824,699</u>	<u>12,813,463</u>	<u>10,483,009</u>	<u>7,945,813</u>
	<u>\$65,933,570</u>	<u>\$63,943,360</u>	<u>\$44,399,748</u>	<u>\$46,049,499</u>

Total costs of services for 2011 increased by \$1,990,200 while net costs of services decreased by \$1,649,800. The largest decreases in net costs of services were in the Public works function. This function received significant grant revenues in 2011 for roadway projects.

The entity wide statements show a decrease in income tax revenues over 2010. The \$1,048,300 decrease can be attributed to the lower income tax receivable reported at December 31, 2011 than one year prior. The lower receivable amount resulted from a unique element within the City's method of estimating total income tax revenues earned during the year compared to those collected each specific year. This situation will not occur again as the year in question will drop out of the analysis for future financial reporting years.

The capital asset activity for the year was very much out of the ordinary. Capital asset additions totaled \$23.9 million compared to \$19.2 million in 2010 which was also a high year. 2011's larger additions included over \$12 million in street improvements, \$5.1 million in parks improvements, and \$4.6 million in recreation center improvements. Total net capital assets for 2011 were \$151,057,632. Of this total, \$11,268,013 was not being depreciated and the capital assets being depreciated totaled \$257,346,856 with accumulated depreciation of \$117,557,237.

In November 2008 the voters approved a \$12.3 million bond levy to construct and improve parks & recreation facilities. In addition, the City committed \$5 million of non-debt city funds for total improvements of \$17.3 million. The City issued the new bonds in 2009. A 1988 voted bond levy for the same purpose expired on December 31, 2008. At December 31, 2011, the City had various debt issues outstanding, which included \$14,204,735 of general obligation bonds, \$140,265 of special assessment debt with City commitment and \$1,928,915 of promissory notes. As of December 31, 2011, the City's net general obligation bonded debt of \$13,331,824 was well below the legal limit of \$128,476,660 and debt per capita equaled \$237.38.

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 \$63 million, which is 6.6% lower than last year's total of \$67.5 million.

The City's General Fund experienced a \$382,300, or .8% overall decrease in revenues for 2011. At the same time expenditures increased by \$112,500 or .3%, and transfers out decreased by \$3,563,000 or 23.4%. The City's General Fund balance increased in 2011 breaking a two-year trend of falling fund balances. Income taxes were the

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only revenue source to show an increase in 2011 and this is credited to an improving economy. Investment earnings decreased for the year due to lower rates of return and a smaller portfolio. The \$5.2 million difference between transfers out reported for 2010 versus those reported for 2011 related to the significant capital park improvements made in 2010 which were funded by a transfer from the general fund. No such transfer was needed in 2011 due to significant increases in estate taxes. The City uses estate tax revenues to fund capital improvement projects. Total revenues for the General Fund were \$50.5 million while total expenditures were \$36.7 million. Transfers to other funds totaled \$11.7 million resulting in the \$2,168,700, or 5.5% increase to the General Fund balance.

The Frazee Pavilion, an outdoor amphitheater accounted for in a major special revenue fund, has produced a surplus only three times since it began operations in 1991. In 2011 it produced its fourth and largest surplus ever of \$278,300. Increased ticket and concession revenue as well as expenditure control are responsible for the large surplus. The Parks, Recreation & Cultural Arts Fund saw revenues increase slightly over 2010 levels. Construction at the recreation center wound down in 2011 but still contributed to lower than normal revenues for the year. The Community Development Fund saw a significant decrease in both revenues and expenditures during 2011. Both decreased by over \$1,000,000. This is because 2010 spending and revenue levels were abnormally high due to additional federal grants for neighborhood stabilization. The Capital Projects Fund also saw a significant increase in both revenues and expenditures. Construction on parks and recreation projects, and roadway projects all contributed to the increase. Significant grant revenues helped finance all the roadway activity in 2011. There were no other material changes to the major funds in 2011.

There was one significant variation in the City's original General Fund budget and the final General Fund budget. Budgeted "Transfers to other funds" was increased during the year by just over \$1 million because of funding necessary to prepare for self insurance of medical claims in 2012. There was also a significant variance between actual expenditures and final budgeted expenditures for "Transfers to other funds". Because of significantly higher than expected estate tax revenues and lower than expected expenditures in the Capital Projects Fund, the required transfers were reduced. Capital Project Fund expenditures were lower due to the City planning many new capital projects, which, in hindsight, proved to be an overly optimistic number to accomplish in one year.

As mentioned above, 2011 produced an increase to the General Fund balance. This increase can be attributed to the lower level of transfers out which, as explained above, can be attributed primarily to an unexpected increase in estate tax revenue. The City was fortunate this year to have that estate tax increase, since all other revenue sources declined except income taxes. The future will present mounting financial challenges for the City resulting from property tax revenue declines due to lower property values, the phase out of tangible property tax, the State reducing the local share of sales tax distributions, and finally the total elimination of the estate tax in 2013.

**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2011**

<b>ASSETS</b>	
Pooled cash and investments (note 2)	\$63,547,409
Receivables:	
Income taxes (net of allowance for \$810,807)	5,981,000
Property taxes	8,447,763
Interest	683,545
Accounts	473,775
Special assessments	915,265
Loans (net of allowance for \$83,071)	1,143,461
Due from other governments	1,913,762
Prepaid expenses	42,769
Inventory	504,451
Capital assets not being depreciated (note 6)	11,268,013
Capital assets being depreciated, net (note 6)	139,789,619
Total assets	<u>234,710,832</u>
<b>LIABILITIES</b>	
Accounts payable	1,651,845
Salary and benefits payable	2,361,919
Accrued interest payable	55,387
Deferred revenue	11,045,713
Long-term liabilities (note 12)	
Due within one year	3,819,361
Due in more than one year	16,852,090
Total liabilities	<u>35,786,315</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	134,783,717
Restricted for:	
Debt service	872,911
Social services	1,858,591
Public safety	10,725,180
Road construction/Public works	158,709
Leisure services	16,073
Municipal court activities	1,537,730
Unrestricted	48,971,606
Total net position	<u>\$198,924,517</u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$13,824,699	\$2,428,295	\$329,236	\$584,159	(\$10,483,009)
Police	14,346,393	34,669	17,892		(14,293,832)
Fire	10,533,420	1,638,795	100		(8,894,525)
Public works	13,388,960	5,746		9,465,720	(3,917,494)
Leisure services	13,840,098	6,650,937	378,273		(6,810,888)
Interest on long-term debt	635,755				(635,755)
Total	<u>\$66,569,325</u>	<u>\$10,758,442</u>	<u>\$725,501</u>	<u>\$10,049,879</u>	<u>(45,035,503)</u>
General revenues:					
Taxes:					
					36,303,996
					7,920,953
					975,771
					10,292,717
					629,983
					1,271,393
					229,648
					<u>57,624,461</u>
					12,588,958
					<u>186,335,559</u>
					<u>\$198,924,517</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
<b>ASSETS</b>				
Pooled cash and investments	\$40,538,022	\$573,683	\$492,164	\$651,368
Receivables:				
Income taxes (net of allowance for \$810,807)	5,981,000			
Property taxes	6,728,763			
Interest	683,545			
Accounts	64,372	536	4,397	2,953
Special assessments	400,000			
Loans (net of allowance for \$83,071)				
Due from other governments	389,657	1,057,636		
Prepaid expenditures	23,113	70	3,781	1,590
Inventory		143,884		
Total assets	<u>\$54,808,472</u>	<u>\$1,775,809</u>	<u>\$500,342</u>	<u>\$655,911</u>
<b>LIABILITIES</b>				
Accounts payable	\$517,224	\$173,180	\$231,332	\$8,322
Accrued payroll	1,506,642	132,130	201,898	8,584
Deferred revenue	11,020,547	858,500	18,304	2,635
Total liabilities	<u>13,044,413</u>	<u>1,163,810</u>	<u>451,534</u>	<u>19,541</u>
<b>FUND BALANCES</b>				
Nonspendable: Inventory and prepaids	23,113	143,954	3,781	1,590
Restricted for:				
Debt service				
Social services				
Public safety				
Road construction / Public works				
Leisure services				
Municipal court activities				
Committed to:				
Social services	55,642			
Public safety	355,295			
Road construction / Public works	57,229	468,045		
Leisure services			45,027	634,780
Other purposes	153,522			
Unassigned:	41,119,258			
Total fund balances	<u>41,764,059</u>	<u>611,999</u>	<u>48,808</u>	<u>636,370</u>
Total liabilities and fund balances	<u>\$54,808,472</u>	<u>\$1,775,809</u>	<u>\$500,342</u>	<u>\$655,911</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
\$96,940	\$9,606,654	\$872,911	\$4,488,209	\$4,312,641	\$61,632,592
					5,981,000
		905,000	478,000	336,000	8,447,763
	310,274		89,847	1,156	683,545
		140,265	375,000		473,535
1,143,461					915,265
140,652			189,038	136,389	1,143,461
					1,913,372
					28,554
					143,884
<u>\$1,381,053</u>	<u>\$9,916,928</u>	<u>\$1,918,176</u>	<u>\$5,620,094</u>	<u>\$4,786,186</u>	<u>\$81,362,971</u>
\$24,222	\$23,512		\$530,679	\$11,490	\$1,519,961
				388,882	2,238,136
66,407	216,015	\$1,045,265	927,628	427,493	14,582,794
90,629	239,527	1,045,265	1,458,307	827,865	18,340,891
					172,438
		872,911			872,911
1,792,184					1,792,184
	9,677,401			831,764	10,509,165
				89,109	89,109
				2,060	2,060
				1,537,730	1,537,730
				7,090	62,732
				12,127	367,422
			520,884		1,046,158
			2,756,912	1,444,813	4,881,532
			883,991	33,628	1,071,141
(501,760)					40,617,498
1,290,424	9,677,401	872,911	4,161,787	3,958,321	63,022,080
<u>\$1,381,053</u>	<u>\$9,916,928</u>	<u>\$1,918,176</u>	<u>\$5,620,094</u>	<u>\$4,786,186</u>	

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

- Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 150,637,761
- Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:
  - Income taxes receivable 1,612,140
  - Grants and other taxes receivable 1,924,944
- Internal service funds are used by management to charge the costs of certain activities. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 2,080,934
- Debt issuance costs and issuance discounts/premiums are amortized over the life of the debt, the unamortized portion remains on the Statement of Net Position. 11,573
- 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 (16,273,915)
  - Vacation and sick leave benefits (4,035,613)
  - Accrued interest on bonds payable (55,387)

\$198,924,517

14 **CITY OF KETTERING, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2011**

	General Fund	Street Maintenance	Major Parks, Recreation & Cultural Arts	Special Fraze Pavilion
<b>REVENUES</b>				
Income taxes	\$37,392,845			
Property taxes	7,123,615			
Licenses and permits	453,950	\$5,746		
Intergovernmental revenue	1,592,215	2,452,123	\$12,244	
Charges for services	133,650		3,068,664	\$3,582,274
Fines and forfeits	1,376,320			
Investment earnings	345,319			
Special assessments	403,854			
Refunds and reimbursements	1,626,064	331,819	43,324	4,127
Miscellaneous	11,675	19,775	41,968	305,638
Total revenues	50,459,507	2,809,463	3,166,200	3,892,039
<b>EXPENDITURES</b>				
Current:				
General government	10,997,975			
Police	12,801,094			
Fire	10,049,828			
Public works	2,812,705	5,697,604		
Leisure services			8,829,244	3,613,761
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	36,661,602	5,697,604	8,829,244	3,613,761
Excess (deficiency) of revenues over expenditures	13,797,905	(2,888,141)	(5,663,044)	278,278
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		2,949,300	5,623,700	
Transfers out	(11,658,166)			
Sale of city assets	28,957	10,287	2,799	
Net change in fund balance	2,168,696	71,446	(36,545)	278,278
Fund balances--beginning	39,595,363	540,553	85,353	358,092
Fund balances--ending	\$41,764,059	\$611,999	\$48,808	\$636,370

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
		\$975,771	\$478,812	\$391,826	\$37,392,845
					8,970,024
\$1,060,422			13,812,876	1,081,669	459,696
	\$1,520,361			47,154	20,011,549
				451,889	8,352,103
1,656	200,713	33,453	17,953	30,890	1,828,209
		149,593	371,304		629,984
		50,559	111,288	13,875	924,751
15,715				129,043	2,181,056
<u>1,077,793</u>	<u>1,721,074</u>	<u>1,209,376</u>	<u>14,792,233</u>	<u>2,146,346</u>	<u>81,274,031</u>
529,329				523,371	12,050,675
	307,295			1,597,151	14,398,245
				121,234	10,357,123
				7,732	8,631,543
620,506			23,665,018	816,139	12,450,737
		1,062,000			25,101,663
		637,150			1,062,000
<u>1,149,835</u>	<u>307,295</u>	<u>1,699,150</u>	<u>23,665,018</u>	<u>3,065,627</u>	<u>637,150</u>
(72,042)	1,413,779	(489,774)	(8,872,785)	(919,281)	84,689,136
					(3,415,105)
		565,000	243,066	1,127,100	10,508,166
					(11,658,166)
78,383					120,426
<u>6,341</u>	<u>1,413,779</u>	<u>75,226</u>	<u>(8,629,719)</u>	<u>207,819</u>	<u>(4,444,679)</u>
<u>1,284,083</u>	<u>8,263,622</u>	<u>797,685</u>	<u>12,791,506</u>	<u>3,750,502</u>	<u>67,466,759</u>
<u>\$1,290,424</u>	<u>\$9,677,401</u>	<u>\$872,911</u>	<u>\$4,161,787</u>	<u>\$3,958,321</u>	<u>\$63,022,080</u>

Net change in Fund Balance - Governmental Funds (\$4,444,679)

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	23,883,258
		Depreciation expense	(7,905,806)

In the Statement of Activities, only the gain on the sale of city assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differ from the change in fund balance by the book value of the asset sold. (49,787)

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

Income taxes receivable	(1,088,849)
Grants receivable	(195,654)
Property taxes receivable	(73,300)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,062,000

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	77,928
Interest payable	1,395

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.) 1,322,452

Change in Net Position on the Statement of Activities \$12,588,958

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**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2011**

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	Governmental Activities- Internal Service Funds
<b>ASSETS</b>	
Pooled cash and investments	\$1,914,816
Accounts receivable	628
Prepaid expenses	2,642
Inventory	360,567
Capital assets:	
Buildings and improvements	757,936
Machinery and equipment	1,965,341
Less: Accumulated depreciation	<u>(2,303,406)</u>
Total capital assets	<u>419,871</u>
Total assets	<u>2,698,524</u>
<b>LIABILITIES</b>	
Accounts payable	131,884
Accrued payroll	123,783
Long-term liabilities:	
Accrued vacation and sick benefits due within one year	224,392
Accrued vacation and sick benefits due within more than one year	<u>137,531</u>
Total liabilities	<u>617,590</u>
<b>NET POSITION</b>	
Invested in capital assets	419,871
Unrestricted	<u>1,661,063</u>
Total net position	<u><u>2,080,934</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$11,462,890
Total operating revenues	<u>11,462,890</u>
OPERATING EXPENSES	
Personal services	3,166,596
Repairs and maintenance	1,564,696
Contractual services	6,023,082
Other materials and expenses	437,119
Depreciation	115,246
Total operating expenses	<u>11,306,739</u>
Operating income (loss)	<u>156,151</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	16,301
Total nonoperating revenues	<u>16,301</u>
Income (loss) before transfers	172,452
TRANSFER IN FROM THE GENERAL FUND	1,150,000
Change in net assets	1,322,452
Total net position--beginning	758,482
Total net position--ending	<u><u>\$2,080,934</u></u>

See accompanying notes to the basic financial statements.

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2011  
 Increase (Decrease) in cash**

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received for services	\$11,462,039
Cash paid to suppliers for goods or services	(7,778,679)
Cash paid to employees for services	(3,164,269)
Net cash provided (used) by operating activities	<u>519,091</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer from the General fund	1,150,000
Payback of loan from the General fund	(304,400)
Net cash provided by noncapital financing activities	<u>845,600</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(78,689)
Sale of capital assets	311
Net cash used by capital and related financing activities	<u>(78,378)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	16,300
Net cash provided by investing activities	<u>16,300</u>
Net increase (decrease) in cash	1,302,613
Cash at beginning of year	612,203
Cash at end of year	<u><u>\$1,914,816</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$156,151
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	115,246
(Increase) decrease in receivables	(540)
(Increase) decrease in inventories	(38,113)
Increase (decrease) in accounts payable	(50,936)
Net (increase) decrease in other operating net assets	337,283
Net cash provided (used) by operating activities	<u><u>\$519,091</u></u>

See accompanying notes to the basic financial statements.

## FIDUCIARY FUNDS

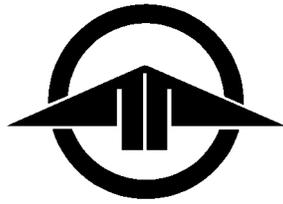
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2011

	Volunteer Firefighter Pension	Deceased Police Dependents Private Purpose Trust	Agency Funds
<b>ASSETS</b>			
Pooled cash and investments		\$89,655	\$289,633
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$2,048,367		
Other investments			339,628
Total assets	<u>2,048,367</u>	<u>89,655</u>	<u>\$629,261</u>
<b>LIABILITIES</b>			
Accounts payable			\$33,309
Withholdings payable			251,073
Undistributed moneys			339,628
Unclaimed moneys			5,251
Total liabilities			<u>\$629,261</u>
<b>NET POSITION</b>			
Restricted for pension benefits and other purposes	<u>\$2,048,367</u>	<u>\$89,655</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2011

<b>ADDITIONS</b>			
Employer contributions	\$45,905		
Investment earnings (loss)	130,482	\$2,148	
Total additions	<u>176,387</u>	<u>2,148</u>	
<b>DEDUCTIONS</b>			
Pension payments	134,738		
Total deductions	<u>134,738</u>		
Net increase (decrease)	41,649	2,148	
Net position--beginning of year	2,006,718	87,507	
Net position--end of year	<u>\$2,048,367</u>	<u>\$89,655</u>	

See accompanying notes to the basic financial statements.



CITY OF KETTERING

## NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

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

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

#### B. Basis of Presentation

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

#### C. Basis of Accounting

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

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

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

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

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

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

#### E. Inventory

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

#### F. Capital Assets

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

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

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

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

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

#### G. Interfund Transactions and Transfers

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

#### H. Fund Balance Classifications

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

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

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

#### I. Grants and Other Intergovernmental Revenues

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

#### J. Use of Estimates

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

### 2. POOLED CASH AND INVESTMENTS

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

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

Deposits: At year-end, the City's bank balance was \$10,646,995. Of this amount, \$2,824,005 was insured, the remaining \$7,822,990 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name per Ohio Revised Code Section 135.181. This statute requires all financial institutions acting as public depositories to pledge a pool of collateral with a market value of at least 105% of the total amount of public deposits secured. The City has no deposit policy for custodial credit risk.

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

The City's investments in corporate bonds, listed below, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. On December 31, the City had \$6,543,286 in corporate bonds issued by GE and \$5,825,038 in corporate bonds issued by Met Life. These amounts represent 10.1% and 9.0% respectively of the pooled cash and investments. At year-end, \$2,933,268 of the securities in the corporate bond category below are rated "BBB+", the remaining \$51,099,293 are rated "A" or better and all other investment types listed are unrated.

As of December 31, 2011 the City had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-3</u>	<u>3-7</u>	<u>7-8</u>
Corporate Bonds	\$54,032,561	\$26,546,469	\$27,486,092		
Pension Plan Pooled Invest Fund	2,048,367				\$2,048,367
Total	<u>\$56,080,928</u>	<u>\$26,546,469</u>	<u>\$27,486,092</u>		<u>\$2,048,367</u>

### 3. INCOME TAXES

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

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

#### 4. PROPERTY TAXES

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

The property tax calendar is as follows:

Levy date	December 31, 2010
Lien date	December 31, 2010
Tax bill mailed	January 20, 2011
First installment payment due	February 15, 2011
Second installment payment due	July 15, 2011

The assessed values for the City at December 31, 2010 were as follows:

	<b>Assessed Value</b>
	<b>Category</b>
Real Estate	\$1,205,892,020
Public Utility Real Property	12,880
Public Utility Personal Property	17,682,340
Total	<u>\$1,223,587,240</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	\$5,851,741
Sales taxes	1,414,105
Gasoline taxes	1,843,966
Vehicle license taxes	757,026
Cell phone taxes	145,854
Miscellaneous other taxes	280,025
	<u>\$10,292,717</u>

## 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$10,732,915	\$150,802	(\$41,287)	\$10,842,430
Right of Way	164,125	261,458		425,583
Subtotal	<u>10,897,040</u>	<u>412,260</u>	<u>(41,287)</u>	<u>11,268,013</u>
Capital assets being depreciated:				
Buildings and improvements	48,189,792	5,146,561	(189,459)	53,146,894
Machinery and equipment	18,018,584	875,485	(475,173)	18,418,896
Infrastructure	168,285,842	17,528,441	(33,217)	185,781,066
Subtotal	<u>234,494,218</u>	<u>23,550,487</u>	<u>(697,849)</u>	<u>257,346,856</u>
Accumulated depreciation:				
Buildings and improvements	(28,242,198)	(1,394,122)	189,459	(29,446,861)
Machinery and equipment	(13,217,280)	(1,010,286)	461,515	(13,766,051)
Infrastructure	(68,760,898)	(5,616,644)	33,217	(74,344,325)
Subtotal	<u>(110,220,376)</u>	<u>(8,021,052) *</u>	<u>684,191</u>	<u>(117,557,237)</u>
Net capital assets being depreciated	<u>124,273,842</u>	<u>15,529,435</u>	<u>(13,658)</u>	<u>139,789,619</u>
Net capital assets	<u>\$135,170,882</u>	<u>\$15,941,695</u>	<u>(\$54,945)</u>	<u>\$151,057,632</u>

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

General government	\$673,635
Police	276,824
Fire	382,695
Public works	5,485,524
Leisure services	1,087,128
In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets.	<u>115,246</u>
Total depreciation expense	<u>\$8,021,052</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 2036. Fund balance has been classified as nonspendable for the loans receivable at December 31, 2011. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures.

## 8. RISK MANAGEMENT

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

Insurance coverage is as follows:

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

The deductible per occurrence for all types is \$2,500. Pool coverage is \$2,500 - \$5,000 for boiler and machinery, \$2,501 - \$50,000 for crime, \$2,501 - \$250,000 for property, and \$2,501 - \$500,000 for liability. Excess insurance coverage, provided by commercial companies, is the amount in excess of pool coverage to the limits stated above. The City pays an annual premium to MVRMA that is intended to cover administrative expenses and any claims covered by the pool. MVRMA has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. An actuarial opinion issued as of December 31, 2010, indicates reserves in excess of anticipated claims.

In 2011, 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. Beginning January 1, 2012 the City will be self-insured for employee health insurance. In 2011 a transfer of \$1,150,000 was made from the General fund to the Health Insurance Internal Service fund to prepare for this 2012 change in insurance coverage.

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

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

## 9. PENSION PLAN OBLIGATIONS

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 10% of their annual covered salary and the City is required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to the plan for the years ending December 31, 2009, 2010 and 2011, were \$2,572,780, \$2,618,896 and \$2,667,129 respectively, or 75% of the required contributions for 2009, 55% for 2010, and 62% for 2011.

### OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

multiple-employer defined benefit pension plan. Employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD.

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 10% of their annual covered salary and the City is required to contribute 14%. The City's contributions to the plan for the years ending December 31, 2009, 2010 and 2011, were \$2,752,560, \$2,758,135 and \$2,761,028 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, 2011, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	78
Terminated employees entitled to benefits but not yet receiving them	37
Active members	<u>41</u>
Total	<u><u>156</u></u>

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

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

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

The annual required contribution for the current year was determined as part of the January 1, 2011, actuarial valuation using the unit credit cost method. The actuarial assumptions included a 5.25% investment rate of

return and that benefits will not increase after retirement. The actuarial value of assets was determined using the contract basis. The funded status of the plan as of January 1, 2011, the most recent actuarial valuation date is as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
1/1/2009	\$2,014,762	\$2,368,846	\$354,084	85.1%	\$375,974	94.2%
1/1/2010	2,064,070	2,305,101	241,031	89.5%	459,200	52.5%
1/1/2011	2,094,393	2,444,592	350,199	85.7%	656,820	53.3%

#### SCHEDULE OF EMPLOYER CONTRIBUTIONS

<b>Year Ended December 31</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution</b>	<b>Percent Contributed</b>
2006	\$70,294	\$70,294	100%
2007	67,025	67,025	100%
2008	69,847	69,847	100%
2009	91,662	91,662	100%
2010	59,726	59,726	100%
2011	45,905	45,905	100%

For the fiscal years ended December 31, 2009, 2010 and 2011, the Annual Pension cost (APC) was \$91,662, \$59,726 and \$45,905 respectively; the percentage of APC contributed was 100% and the net pension obligation was \$0.

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

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

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

#### OHIO POLICE AND FIRE PENSION FUND OPEB

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

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

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may not exceed 19.5% and 24.0% of covered payroll for police and fire employers respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the ORC to the OP&F board of trustees. The board of trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 155 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2011, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h). The OP&F board of trustees is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions to OP&F allocated to the healthcare plan for 2011, 2010 and 2009 were \$841,537, \$825,850 and \$810,604 respectively, equal to the required contributions for the year.

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

#### OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB

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

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

OPERS post employment healthcare plan was established and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2010, the employer contribution allocated to the health care plan was 5.5% of covered payroll from January 1 through February 28<sup>th</sup> and 5.0% for the remainder of the year. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions to OPERS allocated to fund post employment benefits for 2011, 2010 and 2009 were \$788,826, \$1,007,103 and \$1,135,580 respectively, equal to the required contributions for the year.

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

## 11. LEASES AND CONSTRUCTION COMMITMENTS

There are no operating leases, in which the City is a lessee, in excess of one year. Operating lease payments in 2011 were \$297,671.

Significant commitments and encumbrances at December 31, 2011 included:

Capital Projects Fund \$1,436,000

## 12. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>General obligation bonds:</b>					
Street Improvement bonds-					
Series 1991, 4.5%-6.65%	\$88,217		\$43,482	\$44,735	\$44,735
Street Improvement bonds-					
Series 1992, 3.25%-6.45%	165,000		80,000	85,000	85,000
Court Facility, 3.0%-4.5%	3,085,000		170,000	2,915,000	175,000
Recreation & Parks Improvements 3.0%-5.0%	<u>11,625,000</u>		<u>465,000</u>	<u>11,160,000</u>	<u>475,000</u>
Total general obligation bonds	<u>14,963,217</u>		<u>758,482</u>	<u>14,204,735</u>	<u>779,735</u>
<b>Special assessment bonds:</b>					
Streets Series 1991, 4.5%-6.65%	<u>271,783</u>		<u>131,518</u>	<u>140,265</u>	<u>140,265</u>
Total special assessment bonds	<u>271,783</u>		<u>131,518</u>	<u>140,265</u>	<u>140,265</u>
<b>Other:</b>					
Accrued vacation and sick leave benefits	4,459,957	\$2,767,358	2,829,779	4,397,536	2,726,472
Ohio Public Works Commission Long-Term Promissory Notes, 0-3%	<u>2,100,914</u>		<u>171,999</u>	<u>1,928,915</u>	<u>172,889</u>
Total other	<u>6,560,871</u>	<u>2,767,358</u>	<u>3,001,778</u>	<u>6,326,451</u>	<u>2,899,361</u>
Total long-term liabilities	<u>\$21,795,871</u>	<u>\$2,767,358</u>	<u>\$3,891,778</u>	<u>\$20,671,451</u>	<u>\$3,819,361</u>

The accrued vacation and sick leave benefits liability will be liquidated by several of the City's governmental and internal service funds. In the past, approximately 75% has been paid by the General Fund, 10% by the Street Maintenance Fund and the remainder by the other governmental and internal service funds. The City uses the "vesting method" to determine the appropriate liability.

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

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

public interest. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year-end there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$4.6 million.

The annual requirements to pay principal and interest on long-term obligations at December 31, 2011, are as follows:

	General Obligation Bonds		Promissory Notes		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	779,735	577,287	172,889	12,779	140,265	9,328
2013	675,000	548,018	173,799	11,868	-	-
2014	695,000	528,623	174,735	10,933	-	-
2015	720,000	500,823	170,944	9,973	-	-
2016	750,000	471,048	162,660	8,988	-	-
2017-2021	4,260,000	1,843,490	798,366	29,228	-	-
2022-2026	4,590,000	922,757	275,522	4,348	-	-
2027-2028	1,735,000	113,562	-	-	-	-
	<u>\$14,204,735</u>	<u>\$5,505,608</u>	<u>\$1,928,915</u>	<u>\$88,117</u>	<u>\$140,265</u>	<u>\$9,328</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, 2011 the City had a legal debt margin for total debt of \$115,144,836 and a legal debt margin for unvoted debt of \$65,125,474.

### 13. CONTINGENT LIABILITIES

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

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

### 14. GASB 63

In 2011 the City adopted GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

## 34 CITY OF KETTERING, OHIO

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$39,595,363	\$39,595,363	\$39,595,363	
Resources (inflows)				
Income taxes	35,472,000	37,860,000	37,392,845	(\$467,155)
Property taxes	7,638,000	7,095,000	7,123,615	28,615
Licenses and permits	465,000	455,000	453,950	(1,050)
Intergovernmental revenue	1,461,000	1,578,000	1,592,215	14,215
Charges for services	162,000	135,000	133,650	(1,350)
Fines and forfeits	1,445,000	1,385,000	1,376,320	(8,680)
Investment earnings	900,000	735,000	345,319	(389,681)
Special assessments	400,000	404,000	403,854	(146)
Refunds and reimbursements	1,385,000	1,400,000	1,626,064	226,064
Miscellaneous	13,000	9,000	11,675	2,675
Sale of city assets	40,000	20,000	28,957	8,957
Amounts available for appropriation	<u>88,976,363</u>	<u>90,671,363</u>	<u>90,083,827</u>	<u>(587,536)</u>
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	255,900	255,900	250,423	5,477
Operating expenditures	83,721	83,721	60,695	23,026
Capital outlay				
Total mayor and council	<u>339,621</u>	<u>339,621</u>	<u>311,118</u>	<u>28,503</u>
Municipal court:				
Personal services	1,021,200	1,021,200	1,016,585	4,615
Operating expenditures	279,585	279,585	245,686	33,899
Capital outlay				
Total municipal court	<u>1,300,785</u>	<u>1,300,785</u>	<u>1,262,271</u>	<u>38,514</u>
Clerk of courts:				
Personal services	861,300	861,300	831,248	30,052
Operating expenditures	154,539	154,539	129,926	24,613
Capital outlay				
Total clerk of courts	<u>1,015,839</u>	<u>1,015,839</u>	<u>961,174</u>	<u>54,665</u>
Office of City Manager:				
Personal services	561,000	553,000	549,003	3,997
Operating expenditures	59,059	67,059	58,568	8,491
Capital outlay				
Total office of city manager	<u>620,059</u>	<u>620,059</u>	<u>607,571</u>	<u>12,488</u>
Law department:				
Personal services	764,900	789,900	782,290	7,610
Operating expenditures	159,665	409,665	310,201	99,464
Capital outlay				
Total law department	<u>924,565</u>	<u>1,199,565</u>	<u>1,092,491</u>	<u>107,074</u>
Finance department:				
Personal services	1,585,400	1,585,400	1,570,044	15,356
Operating expenditures	531,096	528,365	412,044	116,321
Capital outlay				
Total finance department	<u>2,116,496</u>	<u>2,113,765</u>	<u>1,982,088</u>	<u>131,677</u>
Administrative support:				
Personal services	519,900	519,900	449,932	69,968
Operating expenditures	90,739	90,739	79,397	11,342
Capital outlay				
Total administrative support	<u>610,639</u>	<u>610,639</u>	<u>529,329</u>	<u>81,310</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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$668,200	\$693,200	\$682,330	\$10,870
Operating expenditures	353,513	363,513	249,021	114,492
Capital outlay				
Total human resources department	<u>1,021,713</u>	<u>1,056,713</u>	<u>931,351</u>	<u>125,362</u>
Planning and development:				
Personal services	2,129,300	2,129,300	2,046,879	82,421
Operating expenditures	445,936	442,453	295,106	147,347
Capital outlay				
Total planning and development	<u>2,575,236</u>	<u>2,571,753</u>	<u>2,341,985</u>	<u>229,768</u>
Economic development:				
Personal services	129,300	129,300	126,736	2,564
Operating expenditures	339,184	339,184	244,319	94,865
Capital outlay				
Total economic development	<u>468,484</u>	<u>468,484</u>	<u>371,055</u>	<u>97,429</u>
Miscellaneous:				
Operating expenditures	936,715	764,267	607,542	156,725
Total miscellaneous	<u>936,715</u>	<u>764,267</u>	<u>607,542</u>	<u>156,725</u>
Total general government	<u>11,930,152</u>	<u>12,061,490</u>	<u>10,997,975</u>	<u>1,063,515</u>
Police:				
Personal services	11,076,300	11,108,300	10,919,195	189,105
Operating expenditures	2,018,471	2,046,936	1,763,144	283,792
Capital outlay	125,794	125,794	118,755	7,039
Total police	<u>13,220,565</u>	<u>13,281,030</u>	<u>12,801,094</u>	<u>479,936</u>
Fire:				
Personal services	8,814,200	8,814,200	8,677,281	136,919
Operating expenditures	1,643,547	1,701,162	1,341,724	359,438
Capital outlay	472,000	402,500	30,823	371,677
Total fire	<u>10,929,747</u>	<u>10,917,862</u>	<u>10,049,828</u>	<u>868,034</u>
Public works:				
Engineering department:				
Personal services	2,053,700	2,053,700	2,013,377	40,323
Operating expenditures	480,020	480,020	328,081	151,939
Capital outlay	20,000	20,000	17,529	2,471
Total engineering department	<u>2,553,720</u>	<u>2,553,720</u>	<u>2,358,987</u>	<u>194,733</u>
Street lighting:				
Operating expenditures	544,000	544,000	453,718	90,282
Total street lighting	<u>544,000</u>	<u>544,000</u>	<u>453,718</u>	<u>90,282</u>
Total public works	<u>3,097,720</u>	<u>3,097,720</u>	<u>2,812,705</u>	<u>285,015</u>
Transfers to other funds	15,044,000	16,729,213	11,658,166	5,071,047
Total charges to appropriations	<u>54,222,184</u>	<u>56,087,315</u>	<u>48,319,768</u>	<u>7,767,547</u>
Fund balance, December 31	<u>\$34,754,179</u>	<u>\$34,584,048</u>	<u>\$41,764,059</u>	<u>\$7,180,011</u>

See accompanying notes to the required supplementary information.

36 **CITY OF KETTERING, OHIO****REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - STREET MAINTENANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$540,553	\$540,553	\$540,553	
Resources (inflows)				
Licenses and permits	10,000	5,000	5,746	\$746
Intergovernmental revenue	2,600,000	2,490,000	2,452,123	(37,877)
Refunds and reimbursements	200,000	310,000	331,819	21,819
Miscellaneous	22,000	18,000	19,775	1,775
Sale of city assets	3,000	3,000	10,287	7,287
Transfer from the general fund	2,967,000	3,240,500	2,949,300	(291,200)
Amounts available for appropriation	<u>6,342,553</u>	<u>6,607,053</u>	<u>6,309,603</u>	<u>(297,450)</u>
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	3,873,900	3,873,900	3,679,469	194,431
Operating expenditures	1,712,534	2,115,671	1,632,482	483,189
Capital outlay	<u>604,831</u>	<u>604,831</u>	<u>385,653</u>	<u>219,178</u>
Total charges to appropriations	<u>6,191,265</u>	<u>6,594,402</u>	<u>5,697,604</u>	<u>896,798</u>
Fund balance, December 31	<u>\$151,288</u>	<u>\$12,651</u>	<u>\$611,999</u>	<u>\$599,348</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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$85,353	\$85,353	\$85,353	
Resources (inflows)				
Intergovernmental revenue	6,000	5,000	12,244	\$7,244
Charges for services	3,301,000	3,073,000	3,068,664	(4,336)
Refunds and reimbursements	94,000	62,000	43,324	(18,676)
Miscellaneous	13,000	24,000	41,968	17,968
Sale of city assets			2,799	2,799
Transfer from the general fund	5,797,000	5,907,000	5,623,700	(283,300)
Amounts available for appropriation	9,296,353	9,156,353	8,878,052	(278,301)
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	5,359,500	5,302,500	5,236,844	65,656
Operating expenditures	3,857,742	3,822,737	3,567,152	255,585
Capital outlay	37,000	26,000	25,248	752
Total charges to appropriations	9,254,242	9,151,237	8,829,244	321,993
Fund balance, December 31	\$42,111	\$5,116	\$48,808	\$43,692

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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$358,092	\$358,092	\$358,092	
Resources (inflows)				
Charges for services	2,730,000	3,568,000	3,582,274	\$14,274
Refunds and reimbursements	5,000	2,000	4,127	2,127
Miscellaneous	300,000	308,000	305,638	(2,362)
Transfer from the general fund	60,000	60,000		(60,000)
Amounts available for appropriation	3,453,092	4,296,092	4,250,131	(45,961)
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	711,800	757,800	746,489	11,311
Operating expenditures	2,630,417	2,974,417	2,867,272	107,145
Total charges to appropriations	3,342,217	3,732,217	3,613,761	118,456
Fund balance, December 31	\$110,875	\$563,875	\$636,370	\$72,495

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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,284,083	\$1,284,083	\$1,284,083	
Resources (inflows)				
Intergovernmental revenue	2,396,194	2,396,194	1,060,422	(\$1,335,772)
Investment earnings	1,300	1,300	1,656	356
Miscellaneous	15,950	15,950	15,715	(235)
Sale of city assets	35,000	113,383	78,383	(35,000)
Amounts available for appropriation	3,732,527	3,810,910	2,440,259	(1,370,651)
Charges to appropriations (outflows)				
General government	1,015,349	802,987	529,329	273,658
Capital improvements	1,609,097	1,899,842	620,506	1,279,336
Total charges to appropriations	2,624,446	2,702,829	1,149,835	1,552,994
Fund balance, December 31	\$1,108,081	\$1,108,081	\$1,290,424	\$182,343

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, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$8,263,622	\$8,263,622	\$8,263,622	
Resources (inflows)				
Charges for services	1,500,000	1,602,000	1,520,361	(\$81,639)
Investment earnings	100,000	100,000	200,713	100,713
Refunds and reimbursements				
Amounts available for appropriation	9,863,622	9,965,622	9,984,696	19,074
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	224,915	211,658	117,074	94,584
Capital outlay	542,441	542,441	190,221	352,220
Total fire	767,356	754,099	307,295	446,804
Capital Improvements				
Total charges to appropriations	767,356	754,099	307,295	446,804
Fund balance, December 31	\$9,096,266	\$9,211,523	\$9,677,401	\$465,878

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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## 1. BUDGETS AND BUDGETARY ACCOUNTING

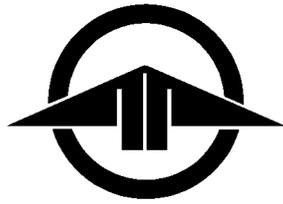
An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings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

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

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

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

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



CITY OF KETTERING

**FINANCIAL STATEMENTS  
OF  
INDIVIDUAL FUNDS**

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET DECEMBER 31, 2011**

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
<b>ASSETS</b>						
Pooled cash and investments	\$75,574	\$407,494	\$393,011	\$34,191	\$3,402,371	\$4,312,641
Receivables:						
Property taxes			336,000			336,000
Accounts				1,156		1,156
Due from other governments	83,256		33	985	52,115	136,389
Prepaid expenditures						
Total assets	<u>\$158,830</u>	<u>\$407,494</u>	<u>\$729,044</u>	<u>\$36,332</u>	<u>\$3,454,486</u>	<u>\$4,786,186</u>
<b>LIABILITIES</b>						
Accounts payable	\$121			\$2,704	\$8,665	\$11,490
Accrued payroll			\$383,069		5,813	388,882
Deferred revenue	69,600		336,000		21,893	427,493
Total liabilities	<u>69,721</u>		<u>719,069</u>	<u>2,704</u>	<u>36,371</u>	<u>827,865</u>
<b>FUND BALANCES</b>						
Nonspendable: Prepays						
Restricted for:						
Public safety			9,975		821,789	831,764
Road construction / Public works	89,109					89,109
Leisure services					2,060	2,060
Municipal court activities					1,537,730	1,537,730
Committed to:						
Social services					7,090	7,090
Public safety					12,127	12,127
Leisure services		407,494			1,037,319	1,444,813
Other purposes				33,628		33,628
Total fund balances	<u>89,109</u>	<u>407,494</u>	<u>9,975</u>	<u>33,628</u>	<u>3,418,115</u>	<u>3,958,321</u>
Total liabilities and fund balances	<u>\$158,830</u>	<u>\$407,494</u>	<u>\$729,044</u>	<u>\$36,332</u>	<u>\$3,454,486</u>	<u>\$4,786,186</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, 2011

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES</b>						
Property taxes						
Intergovernmental revenue	\$1,277,000	\$889,242	(\$387,758)			
Charges for services				\$8,000	\$10,404	\$2,404
Fines and forfeits						
Investment earnings		2,060	2,060	12,000	9,736	(2,264)
Refunds and reimbursements			0			
Miscellaneous				6,000	5,510	(490)
Total revenues	<u>1,277,000</u>	<u>891,302</u>	<u>(385,698)</u>	<u>26,000</u>	<u>25,650</u>	<u>(350)</u>
<b>EXPENDITURES</b>						
Current:						
General government				20,000	14,931	5,069
Police						
Fire						
Public works	140,000	118,734	21,266			
Leisure services						
Capital improvements	1,272,000	770,975	501,025			
Total expenditures	<u>1,412,000</u>	<u>889,709</u>	<u>522,291</u>	<u>20,000</u>	<u>14,931</u>	<u>5,069</u>
Excess (deficiency) of revenues over expenditures	(135,000)	1,593	136,593	6,000	10,719	4,719
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	120,000		(120,000)			
Transfers out						
Net change in fund balance	<u>(15,000)</u>	<u>1,593</u>	<u>16,593</u>	<u>6,000</u>	<u>10,719</u>	<u>4,719</u>
Fund balances--beginning	<u>87,516</u>	<u>87,516</u>		<u>396,775</u>	<u>396,775</u>	
Fund balances--ending	<u>\$72,516</u>	<u>\$89,109</u>	<u>\$16,593</u>	<u>\$402,775</u>	<u>\$407,494</u>	<u>\$4,719</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, 2011**

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$371,000	\$391,826	\$20,826			
Intergovernmental revenue						
Charges for services				\$34,000	\$36,750	\$2,750
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				13,000	13,855	855
Miscellaneous						
Total revenues	<u>371,000</u>	<u>391,826</u>	<u>20,826</u>	<u>47,000</u>	<u>50,605</u>	<u>3,605</u>
EXPENDITURES						
Current:						
General government				244,536	173,084	71,452
Police	1,450,400	1,404,520	45,880			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,450,400</u>	<u>1,404,520</u>	<u>45,880</u>	<u>244,536</u>	<u>173,084</u>	<u>71,452</u>
Excess (deficiency) of revenues over expenditures	(1,079,400)	(1,012,694)	66,706	(197,536)	(122,479)	75,057
OTHER FINANCING SOURCES (USES)						
Transfers in	1,093,000	1,012,100	(80,900)	175,000	115,000	(60,000)
Transfers out						
Net change in fund balance	<u>13,600</u>	<u>(594)</u>	<u>(14,194)</u>	<u>(22,536)</u>	<u>(7,479)</u>	<u>15,057</u>
Fund balances--beginning	<u>10,569</u>	<u>10,569</u>		<u>41,107</u>	<u>41,107</u>	
Fund balances--ending	<u>\$24,169</u>	<u>\$9,975</u>	<u>(\$14,194)</u>	<u>\$18,571</u>	<u>\$33,628</u>	<u>\$15,057</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, 2011

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
<b>REVENUES</b>						
Property taxes				\$371,000	\$391,826	\$20,826
Intergovernmental revenue	\$383,485	\$192,427	(\$191,058)	1,660,485	1,081,669	(578,816)
Charges for services				42,000	47,154	5,154
Fines and forfeits	427,000	451,889	24,889	427,000	451,889	24,889
Investment earnings	47,000	19,094	(27,906)	59,000	30,890	(28,110)
Refunds and reimbursements		20	20	13,000	13,875	875
Miscellaneous	83,000	123,533	40,533	89,000	129,043	40,043
Total revenues	<u>940,485</u>	<u>786,963</u>	<u>(153,522)</u>	<u>2,661,485</u>	<u>2,146,346</u>	<u>(515,139)</u>
<b>EXPENDITURES</b>						
Current:						
General government	542,275	335,356	206,919	806,811	523,371	283,440
Police	358,593	192,631	165,962	1,808,993	1,597,151	211,842
Fire	3,000		3,000	3,000		3,000
Public works	7,446	2,500	4,946	147,446	121,234	26,212
Leisure services	43,863	7,732	36,131	43,863	7,732	36,131
Capital improvements	673,979	45,164	628,815	1,945,979	816,139	1,129,840
Total expenditures	<u>1,629,156</u>	<u>583,383</u>	<u>1,045,773</u>	<u>4,756,092</u>	<u>3,065,627</u>	<u>1,690,465</u>
Excess (deficiency) of revenues over expenditures	(688,671)	203,580	892,251	(2,094,607)	(919,281)	1,175,326
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,713		(1,713)	1,389,713	1,127,100	(262,613)
Transfers out						
Net change in fund balance	<u>(686,958)</u>	<u>203,580</u>	<u>890,538</u>	<u>(704,894)</u>	<u>207,819</u>	<u>912,713</u>
Fund balances--beginning	<u>3,214,535</u>	<u>3,214,535</u>		<u>3,750,502</u>	<u>3,750,502</u>	
Fund balances--ending	<u><u>\$2,527,577</u></u>	<u><u>\$3,418,115</u></u>	<u><u>\$890,538</u></u>	<u><u>\$3,045,608</u></u>	<u><u>\$3,958,321</u></u>	<u><u>\$912,713</u></u>

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DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2011

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$966,000	\$975,771	\$9,771
Investment earnings	24,000	33,453	9,453
Special assessments	149,000	149,593	593
Refunds and reimbursements	50,000	50,559	559
Total revenues	<u>1,189,000</u>	<u>1,209,376</u>	<u>20,376</u>
EXPENDITURES			
Current:			
General government	2,000		2,000
Debt service:			
Principal	1,062,000	1,062,000	
Interest	637,151	637,150	
Total expenditures	<u>1,701,151</u>	<u>1,699,150</u>	<u>2,000</u>
Deficiency of revenues over expenditures	(512,151)	(489,774)	22,377
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>576,000</u>	<u>565,000</u>	<u>(11,000)</u>
Net change in fund balance	63,849	75,226	11,377
Fund balances--beginning	<u>797,685</u>	<u>797,685</u>	
Fund balances--ending	<u><u>\$861,534</u></u>	<u><u>\$872,911</u></u>	<u><u>\$11,377</u></u>

CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$478,000	\$478,812	\$812
Intergovernmental	14,254,000	13,812,876	(441,124)
Investment earnings	18,000	17,953	(47)
Special assessments	372,000	371,304	(696)
Refunds and reimbursements	1,253,000	111,288	(1,141,712)
Total revenues	<u>16,375,000</u>	<u>14,792,233</u>	<u>(1,582,767)</u>
EXPENDITURES			
Capital improvements	31,773,709	23,665,018	8,108,691
Total expenditures	<u>31,773,709</u>	<u>23,665,018</u>	<u>8,108,691</u>
Deficiency of revenues over expenditures	(15,398,709)	(8,872,785)	6,525,924
OTHER FINANCING SOURCES (USES)			
Transfers in	4,406,000	243,066	(4,162,934)
Net change in fund balance	(10,992,709)	(8,629,719)	2,362,990
Fund balances--beginning	12,791,506	12,791,506	
Fund balances--ending	<u>\$1,798,797</u>	<u>\$4,161,787</u>	<u>\$2,362,990</u>

CAPITAL PROJECTS FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2011

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$1,344,262	\$243,509	\$1,100,753
Street construction	15,899,076	11,697,611	4,201,465
Drainage	156,652	109,702	46,950
Parks and recreation	12,553,814	10,134,447	2,419,367
Tree planting and landscaping	130,000	41,964	88,036
Other	1,689,905	1,437,785	252,120
Total capital projects fund	<u>\$31,773,709</u>	<u>\$23,665,018</u>	<u>\$8,108,691</u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF NET POSITION  
 DECEMBER 31, 2011

	Administrative Operations	Health Insurance	Totals
<b>ASSETS</b>			
Pooled cash and investments	\$738,449	\$1,176,367	\$1,914,816
Accounts receivable	628		628
Prepaid expenses		2,642	2,642
Inventory	360,567		360,567
Capital assets:			
Buildings and improvements	757,936		757,936
Machinery and equipment	1,965,341		1,965,341
Less: Accumulated depreciation	<u>(2,303,406)</u>		<u>(2,303,406)</u>
Total capital assets	419,871		419,871
Total assets	<u>1,519,515</u>	<u>1,179,009</u>	<u>2,698,524</u>
<b>LIABILITIES</b>			
Accounts payable	131,884		131,884
Accrued payroll	123,783		123,783
Long-term liabilities:			
Accrued vacation and sick benefits due within 1 year	224,392		224,392
Accrued vacation and sick benefits due in more than 1 year	137,531		137,531
Total liabilities	<u>617,590</u>		<u>617,590</u>
<b>NET POSITION</b>			
Invested in capital assets	419,871		419,871
Unrestricted	482,054	1,179,009	1,661,063
Total net position	<u>901,925</u>	<u>1,179,009</u>	<u>2,080,934</u>

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Administrative Operations	Health Insurance	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$6,142,958	\$5,319,932	\$11,462,890
Total operating revenues	<u>6,142,958</u>	<u>5,319,932</u>	<u>11,462,890</u>
<b>OPERATING EXPENSES</b>			
Personal services	3,166,596		3,166,596
Repairs and maintenance	1,564,696		1,564,696
Contractual services	702,722	5,320,360	6,023,082
Other materials and expenses	437,119		437,119
Depreciation	115,246		115,246
Total operating expenses	<u>5,986,379</u>	<u>5,320,360</u>	<u>11,306,739</u>
Operating income (loss)	<u>156,579</u>	<u>(428)</u>	<u>156,151</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	16,055	246	16,301
Total nonoperating revenues	<u>16,055</u>	<u>246</u>	<u>16,301</u>
Income (loss) before transfers	<u>172,634</u>	<u>(182)</u>	<u>172,452</u>
<b>TRANSFERS IN FROM THE GENERAL FUND</b>			
Change in net assets	172,634	1,150,000	1,150,000
Total net position--beginning	<u>729,291</u>	<u>29,191</u>	<u>758,482</u>
Total net position--ending	<u>\$901,925</u>	<u>\$1,179,009</u>	<u>\$2,080,934</u>

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2011  
 Increase (Decrease) in cash

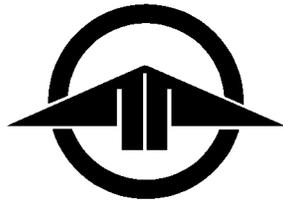
	Administrative Operations	Health Insurance	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received for services	\$6,142,107	\$5,319,932	\$11,462,039
Cash paid to suppliers for goods or services	(2,789,229)	(4,989,450)	(7,778,679)
Cash paid to employees for services	(3,164,269)		(3,164,269)
Net cash provided (used) by operating activities	<u>188,609</u>	<u>330,482</u>	<u>519,091</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer from the General fund		1,150,000	1,150,000
Payback of loan from the General fund		(304,400)	(304,400)
Net cash provided by noncapital financing activities		<u>845,600</u>	<u>845,600</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(78,689)		(78,689)
Sale of capital assets	311		311
Net cash used by capital and related financing activities	<u>(78,378)</u>		<u>(78,378)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	16,054	246	16,300
Net cash provided by investing activities	<u>16,054</u>	<u>246</u>	<u>16,300</u>
Net increase (decrease) in cash	126,285	1,176,328	1,302,613
Cash at beginning of year	612,164	39	612,203
Cash at end of year	<u>\$738,449</u>	<u>\$1,176,367</u>	<u>\$1,914,816</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$156,579	(\$428)	\$156,151
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	115,246		115,246
(Increase) decrease in receivables	(540)		(540)
(Increase) decrease in inventories	(38,113)		(38,113)
Increase (decrease) in accounts payable	(50,936)		(50,936)
Net (increase) decrease in other operating net assets	6,373	330,910	337,283
Net cash provided (used) by operating activities	<u>\$188,609</u>	<u>\$330,482</u>	<u>\$519,091</u>

**AGENCY FUNDS  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance December 31 2010	Additions	Deductions	Balance December 31 2011
<b><u>PAYROLL WITHHOLDING FUND</u></b>				
ASSETS - Cash	\$257,861	\$10,998,243	\$11,005,031	\$251,073
LIABILITIES - Withholdings payable	\$257,861	\$10,998,243	\$11,005,031	\$251,073
<b><u>MUNICIPAL COURT FUND</u></b>				
ASSETS - Investments with fiscal agent	\$278,977	\$4,338,346	\$4,277,695	\$339,628
LIABILITIES - Undistributed moneys	\$278,977	\$4,338,346	\$4,277,695	\$339,628
<b><u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u></b>				
ASSETS - Cash	\$7,253	\$63,444	\$32,137	\$38,560
LIABILITIES				
Accounts payable	\$2,347	\$55,614	\$24,652	\$33,309
Unclaimed moneys	4,906	7,830	7,485	5,251
Total liabilities	\$7,253	\$63,444	\$32,137	\$38,560
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash	\$265,114	\$11,061,687	\$11,037,168	\$289,633
Investments with fiscal agent	278,977	4,338,346	4,277,695	339,628
Total assets	\$544,091	\$15,400,033	\$15,314,863	\$629,261
<b>LIABILITIES</b>				
Accounts payable	\$2,347	\$55,614	\$24,652	\$33,309
Withholdings payable	257,861	10,998,243	11,005,031	251,073
Undistributed moneys	278,977	4,338,346	4,277,695	339,628
Unclaimed moneys	4,906	7,830	7,485	5,251
Total liabilities	\$544,091	\$15,400,033	\$15,314,863	\$629,261

**DEBT SCHEDULE  
DECEMBER 31, 2011**

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2012	
						Principal	Interest
General Obligation Bonds:							
Street Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	\$524,921	\$44,735	\$44,735	\$2,975
Street Improvement bonds-series 1992	11/1/1992	3.25-6.45	12/1/2012	994,303	85,000	85,000	5,482
Court facility	3/29/2005	3.0-4.5	12/1/2024	3,950,000	2,915,000	175,000	121,863
Recreation & Parks Improvement	5/28/2009	3.0-5.0	12/1/2028	12,300,000	11,160,000	475,000	446,967
Total general obligation bonds					<u>14,204,735</u>	<u>779,735</u>	<u>577,287</u>
Special Assessment Bonds:							
Street Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	1,665,079	140,265	140,265	9,328
Total special assessment bonds					<u>140,265</u>	<u>140,265</u>	<u>9,328</u>
Promissory Notes:							
Ohio public works commission:							
Bridge replacements	12/1/1994	0.00	7/1/2015	280,393	51,329	14,020	0
Rushland drive improvement	7/1/1996	0.00	7/1/2016	122,577	30,644	6,129	0
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	836,395	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	342,192	24,081	10,086
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	394,506	34,305	0
Ridgeway Bridge Rehab	12/31/2004	1.00	7/1/2025	380,000	273,849	18,318	2,693
Total promissory notes					<u>1,928,915</u>	<u>172,889</u>	<u>12,779</u>
Total					<u>\$16,273,915</u>	<u>\$1,092,889</u>	<u>\$599,394</u>



CITY OF KETTERING

## STATISTICAL SECTION

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

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

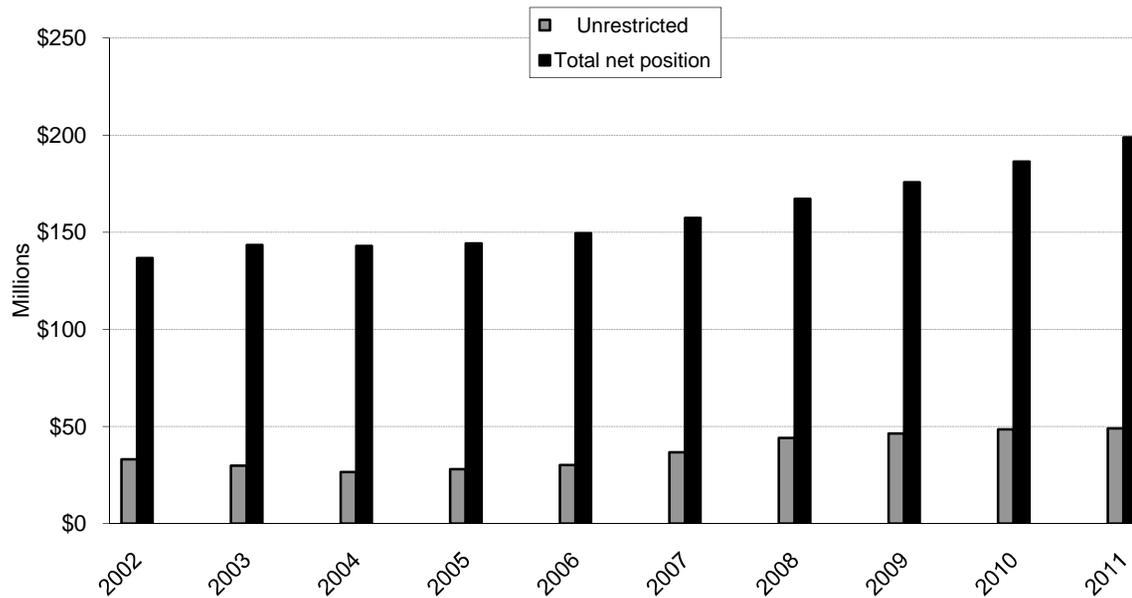
**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities										
Invested in capital assets, net of related debt	\$100,065,903	\$109,267,077	\$112,412,581	\$112,076,412	\$113,557,610	\$113,438,967	\$113,942,666	\$105,196,955	\$124,238,000	\$134,783,717
Restricted for:										
Debt service	46,554	34,549	15,178	15,638	16,476	16,697	12,367	715,127	797,685	872,911
Social services	2,080,807	1,863,768	1,043,771	1,255,296	1,379,856	1,495,228	1,409,593	1,691,954	1,913,673	1,858,591
Public safety	152,010	1,084,425	1,251,530	1,756,451	3,124,736	4,550,806	6,472,806	8,422,177	9,189,154	10,725,180
Leisure services	119,787	38,496	11,039	36,232	43,756	64,198	58,234	12,064,953	86,165	16,073
Municipal court activities	742,720	957,095	1,112,424	660,228	764,100	876,020	1,054,048	1,236,513	1,399,197	1,537,730
Other purposes	460,589	284,734	403,659	407,886	379,322	327,576	279,542	171,133	204,394	158,709
Unrestricted	33,037,037	29,905,347	26,619,777	28,054,056	30,230,404	36,673,435	44,019,123	46,312,490	48,507,291	48,971,606
<b>Total net position</b>	<b>\$136,705,407</b>	<b>\$143,435,491</b>	<b>\$142,869,959</b>	<b>\$144,262,199</b>	<b>\$149,496,260</b>	<b>\$157,442,927</b>	<b>\$167,248,379</b>	<b>\$175,811,302</b>	<b>\$186,335,559</b>	<b>\$198,924,517</b>

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

Net Position (accrual basis)



**CITY OF KETTERING, OHIO**

**SCHEDULE 2**

**CHANGES IN NET POSITION**  
**LAST TEN YEARS (accrual basis of accounting)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Expenses</b>										
General government	\$11,179,273	\$12,142,127	\$13,210,288	\$12,339,967	\$14,150,379	\$17,232,295	\$13,755,091	\$13,175,646	\$12,813,463	\$13,824,699
Police	10,626,973	10,840,287	11,282,263	11,530,015	12,914,191	12,849,315	13,760,327	13,658,265	14,161,364	14,346,393
Fire	7,569,675	7,768,263	8,768,088	8,380,554	8,709,771	8,932,687	9,666,999	9,968,087	10,504,095	10,533,420
Public works	10,803,744	11,236,775	11,926,820	11,813,178	11,360,485	12,263,789	13,404,095	12,901,084	13,425,510	13,388,960
Leisure services	11,665,610	11,479,183	11,834,644	11,873,881	12,416,056	12,234,615	13,254,478	12,836,109	13,038,928	13,840,098
Interest on long term debt	458,517	386,200	292,918	1,168,357	1,180,009	1,148,457	1,144,483	504,262	671,334	635,755
Total expenses	<u>52,303,792</u>	<u>53,852,835</u>	<u>57,315,021</u>	<u>57,105,952</u>	<u>60,730,891</u>	<u>64,661,158</u>	<u>64,985,473</u>	<u>63,043,453</u>	<u>64,614,694</u>	<u>66,569,325</u>
<b>Program Revenues</b>										
Charges for services:										
General government	2,353,231	2,344,241	2,436,404	2,704,373	2,496,686	2,623,279	2,644,901	2,443,428	2,475,623	2,428,295
Fire		1,144,791	986,737	1,156,577	1,343,281	1,433,964	1,522,104	1,430,458	1,407,084	1,638,795
Leisure services	4,508,945	4,398,036	5,085,696	5,379,969	5,344,896	5,852,344	6,439,659	6,001,520	6,142,517	6,650,937
Other activities	205	67,602	62,639	55,265	56,126	64,520	85,171	63,138	42,761	40,415
Operating grants and contributions	1,743,952	1,388,760	1,623,605	1,563,184	1,253,950	1,225,065	2,367,960	1,484,287	1,594,869	725,501
Capital grants and contributions:										
Public works	3,779,248	6,560,882	2,583,208	2,187,075	3,216,110	3,286,179	1,677,377	3,692,950	4,944,692	9,465,720
Other activities		58,653	29,216	203,067	904,254	302,002	36,521	163,106	1,286,315	584,159
Total program revenues	<u>12,385,581</u>	<u>15,962,965</u>	<u>12,807,505</u>	<u>13,249,510</u>	<u>14,615,303</u>	<u>14,787,353</u>	<u>14,773,693</u>	<u>15,278,887</u>	<u>17,893,861</u>	<u>21,533,822</u>
<b>Net (Expense)/Revenue <sup>1</sup></b>										
General government	(7,615,770)	(8,920,581)	(9,489,609)	(8,400,440)	(9,876,734)	(13,528,315)	(10,308,033)	(9,710,841)	(7,945,813)	(10,483,009)
Police	(10,534,263)	(10,692,821)	(11,201,292)	(11,402,343)	(12,759,270)	(12,776,771)	(13,656,869)	(13,526,758)	(14,120,321)	(14,293,832)
Fire	(7,569,335)	(6,568,248)	(7,763,976)	(7,217,962)	(7,366,390)	(7,495,208)	(8,144,890)	(8,537,529)	(9,096,708)	(8,894,525)
Public works	(6,971,161)	(4,519,146)	(9,261,925)	(9,459,374)	(8,138,835)	(8,935,470)	(10,692,207)	(9,200,350)	(8,464,176)	(3,917,494)
Leisure services	(6,769,165)	(6,802,874)	(6,497,796)	(6,207,966)	(6,794,350)	(5,989,584)	(6,265,298)	(6,284,826)	(6,422,481)	(6,810,888)
Interest on long term debt	(458,517)	(386,200)	(292,918)	(1,168,357)	(1,180,009)	(1,148,457)	(1,144,483)	(504,262)	(671,334)	(635,755)
Total net expense	<u>(39,918,211)</u>	<u>(37,889,870)</u>	<u>(44,507,516)</u>	<u>(43,856,442)</u>	<u>(46,115,588)</u>	<u>(49,873,805)</u>	<u>(50,211,780)</u>	<u>(47,764,566)</u>	<u>(46,720,833)</u>	<u>(45,035,503)</u>
<b>General Revenues</b>										
Taxes										
Income taxes	25,341,919	25,607,227	27,526,627	26,832,269	31,286,014	37,037,639	38,381,641	34,846,179	37,352,248	36,303,996
Property taxes, levied for general purposes	6,706,279	7,025,307	7,134,615	7,533,530	8,086,778	8,054,971	8,220,419	8,094,861	8,117,860	7,920,953
Property taxes, levied for debt service	1,192,441	1,183,447	1,205,190	1,279,605	1,304,564	1,288,494	1,303,288	1,252,025	1,276,080	975,771
Other taxes	6,432,237	8,302,792	6,259,591	6,829,478	7,300,029	7,849,842	8,607,168	7,464,283	7,630,175	10,292,717
Investment earnings	1,381,779	780,231	513,456	983,308	1,717,776	2,094,842	1,954,419	2,963,720	1,173,152	629,983
Refunds & reimbursements	1,306,890	1,284,483	1,182,084	1,547,397	1,327,366	1,249,838	1,296,369	1,484,720	1,516,425	1,271,393
Miscellaneous	723,758	436,467	120,421	243,095	327,122	244,846	253,928	221,701	179,150	229,648
Total general revenues	<u>43,085,303</u>	<u>44,619,954</u>	<u>43,941,984</u>	<u>45,248,682</u>	<u>51,349,649</u>	<u>57,820,472</u>	<u>60,017,232</u>	<u>56,327,489</u>	<u>57,245,090</u>	<u>57,624,461</u>
<b>Change in Net Position</b>	<u>\$3,167,092</u>	<u>\$6,730,084</u>	<u>(\$565,532)</u>	<u>\$1,392,240</u>	<u>\$5,234,061</u>	<u>\$7,946,667</u>	<u>\$9,805,452</u>	<u>\$8,562,923</u>	<u>\$10,524,257</u>	<u>\$12,588,958</u>

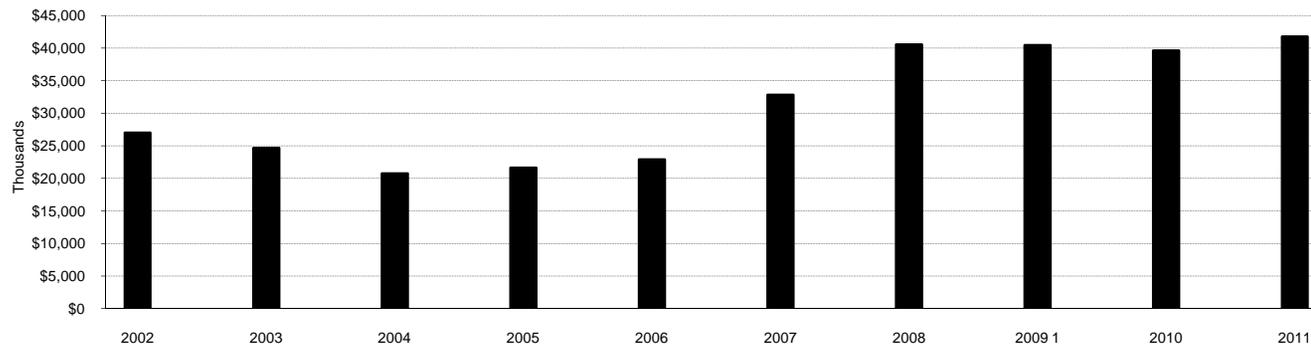
(1)Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers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

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

	Year									
	2002	2003	2004	2005	2006	2007	2008	2009 <sup>1</sup>	2010	2011
General Fund										
Reserved	\$1,658,540	\$1,919,131	\$2,310,521	\$2,001,802	\$978,704	\$1,309,942	\$873,976			
Unreserved	25,320,039	22,751,848	18,448,822	19,604,920	21,888,750	31,525,822	39,652,679			
Nonspendable								\$20,601	\$24,580	\$23,113
Committed								851,917	642,664	621,688
Assigned								237,019	104,717	
Unassigned								39,347,709	38,823,402	41,119,258
Total general fund	<u>\$26,978,579</u>	<u>\$24,670,979</u>	<u>\$20,759,343</u>	<u>\$21,606,722</u>	<u>\$22,867,454</u>	<u>\$32,835,764</u>	<u>\$40,526,655</u>	<u>\$40,457,246</u>	<u>\$39,595,363</u>	<u>\$41,764,059</u>
All Other Governmental Funds										
Reserved	\$6,723,658	\$5,796,672	\$5,176,218	\$5,944,495	\$7,288,657	\$2,799,221	\$3,621,226			
Unreserved, reported in:										
Special revenue funds	1,662,040	2,360,777	2,481,977	2,767,404	4,314,413	6,350,672	7,336,947			
Debt service fund	46,554	34,549	15,178	15,638	16,476	16,697	12,367			
Capital project fund	10,305	18,903	10,463	227,841	10,046	1,196,328	19,910			
Nonspendable, reported in:										
Special revenue funds								\$205,878	\$145,322	\$149,325
Restricted, reported in:										
Special revenue funds								10,998,459	12,249,153	13,930,248
Debt service fund								715,127	797,685	872,911
Capital project fund								12,012,909	6,834,838	
Committed, reported in:										
Special revenue funds								1,802,782	2,266,782	2,645,510
Capital project fund								4,101,197	5,956,668	4,161,787
Unassigned, reported in:										
Special revenue funds								(427,369)	(379,052)	(501,760)
Total all other governmental funds	<u>\$8,442,557</u>	<u>\$8,210,901</u>	<u>\$7,683,836</u>	<u>\$8,955,378</u>	<u>\$11,629,592</u>	<u>\$10,362,918</u>	<u>\$10,990,450</u>	<u>\$29,408,983</u>	<u>\$27,871,396</u>	<u>\$21,258,021</u>

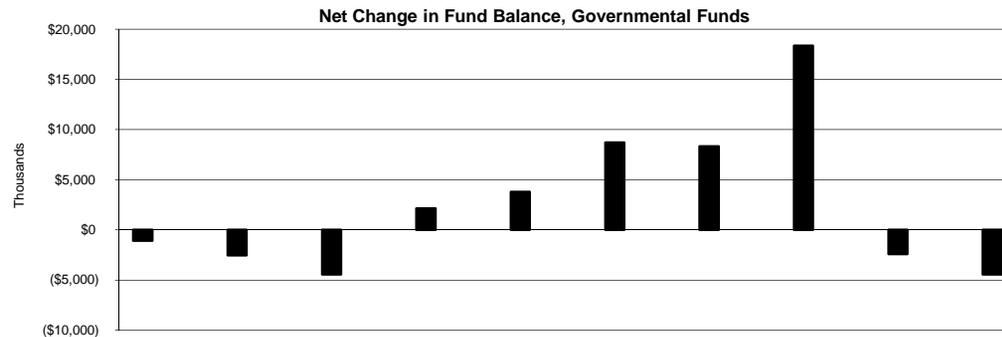
General Fund Balance

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



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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>REVENUES</b>										
Income taxes	\$25,095,930	\$26,033,273	\$26,783,319	\$27,221,521	\$31,241,870	\$37,128,614	\$38,244,422	\$35,321,466	\$36,417,018	\$37,392,845
Property taxes	7,896,919	8,175,853	8,339,304	8,811,235	9,433,041	9,341,465	9,399,507	9,345,887	9,391,640	8,970,024
Licenses and permits	506,429	567,654	606,617	488,598	541,457	567,742	626,290	528,823	491,322	459,696
Intergovernmental revenue	10,043,805	14,669,208	8,597,471	9,156,001	11,159,023	11,238,227	10,158,897	11,890,457	14,648,675	20,011,549
Charges for services	4,615,432	5,448,625	6,436,412	6,925,229	6,909,899	7,517,918	8,152,788	7,663,257	7,730,157	8,352,103
Fines and forfeits	1,740,344	1,674,642	1,681,735	1,914,989	1,762,075	1,919,736	1,867,005	1,780,070	1,835,344	1,828,209
Investment earnings	1,381,779	780,228	513,456	983,308	1,717,776	2,094,842	1,954,417	2,963,721	1,173,151	629,984
Special assessments	1,308,754	1,024,871	1,203,717	1,402,805	902,767	978,014	1,024,719	1,006,879	1,019,237	924,751
Refunds and reimbursements	1,626,962	1,861,388	1,743,828	3,078,251	2,318,409	1,993,372	2,898,427	2,101,691	2,931,420	2,181,056
Miscellaneous	676,389	669,066	551,897	503,483	540,471	555,991	691,840	555,813	560,693	523,814
<b>Total revenues</b>	<b>54,892,743</b>	<b>60,904,808</b>	<b>56,457,756</b>	<b>60,485,420</b>	<b>66,526,788</b>	<b>73,335,921</b>	<b>75,018,312</b>	<b>73,158,064</b>	<b>76,198,657</b>	<b>81,274,031</b>
<b>EXPENDITURES</b>										
Current:										
General government	10,980,711	11,320,369	12,664,622	11,687,503	13,105,797	12,117,032	12,558,705	12,153,096	12,476,529	12,050,675
Police	10,429,392	10,786,712	11,230,625	11,308,886	12,901,716	12,828,081	13,576,481	13,641,191	13,976,571	14,398,245
Fire	7,275,877	7,831,880	8,585,929	8,328,226	8,152,880	8,807,160	9,553,065	9,564,579	11,028,998	10,357,123
Public works	7,952,650	8,173,691	8,529,615	7,674,931	7,528,693	8,117,038	10,145,609	8,514,496	8,391,628	8,631,543
Leisure services	10,283,469	10,438,031	10,352,928	10,602,498	10,725,786	11,387,262	12,487,222	12,084,992	12,173,718	12,450,737
Capital improvements	8,405,483	12,781,912	7,778,704	10,294,799	7,966,574	9,676,701	6,652,398	10,221,062	18,983,100	25,101,663
Debt service:										
Principal	1,718,134	1,952,988	2,057,118	1,387,380	1,313,385	667,018	642,739	775,290	1,021,134	1,062,000
Interest	465,787	386,244	301,213	1,153,773	1,178,485	1,144,194	1,140,310	463,231	672,521	637,150
<b>Total expenditures</b>	<b>57,511,503</b>	<b>63,671,827</b>	<b>61,500,754</b>	<b>62,437,996</b>	<b>62,873,316</b>	<b>64,744,486</b>	<b>66,756,529</b>	<b>67,417,937</b>	<b>78,724,199</b>	<b>84,689,136</b>
Excess (deficiency) of revenues over expenditures	(2,618,760)	(2,767,019)	(5,042,998)	(1,952,576)	3,653,472	8,591,435	8,261,783	5,740,127	(2,525,542)	(3,415,105)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	10,879,070	11,332,160	12,455,731	8,980,139	10,657,427	8,733,378	9,835,396	15,445,122	15,221,132	10,508,166
Transfers out	(10,879,070)	(11,332,160)	(12,455,731)	(8,980,139)	(10,657,427)	(8,733,378)	(9,835,396)	(15,445,122)	(15,221,132)	(11,658,166)
General obligation debt issuance	987,255	11,140	303,995	3,987,766				12,539,751		
Sale of city assets	566,362	216,623	300,302	83,731	127,789	110,201	56,640	69,246	126,073	120,426
<b>Net change in fund balance</b>	<b>(\$1,065,143)</b>	<b>(\$2,539,256)</b>	<b>(\$4,438,701)</b>	<b>\$2,118,921</b>	<b>\$3,781,261</b>	<b>\$8,701,636</b>	<b>\$8,318,423</b>	<b>\$18,349,124</b>	<b>(\$2,399,469)</b>	<b>(\$4,444,679)</b>
Debt service as a percentage of noncapital expenditures	4.55%	4.72%	4.50%	4.97%	4.60%	3.29%	2.96%	2.16%	2.85%	2.79%

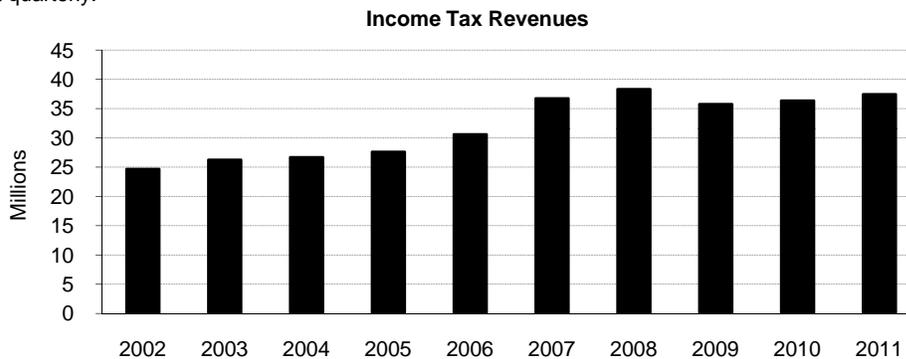


INCOME TAX BY PAYER TYPE AND INCOME TAX RATE  
LAST TEN YEARS (cash basis of accounting)

Year	Individual		Total Individual	Corporate	Partnership	Total	Income Tax Rate
	Withholding	Non-withholding					
2002	20,777,431	2,494,477	23,271,908	973,956	437,015	24,682,879	1.75%
2003	21,881,920	2,781,028	24,662,948	854,079	754,846	26,271,873	1.75%
2004	22,392,839	2,396,909	24,789,748	1,177,124	708,022	26,674,894	1.75%
2005	23,197,704	2,562,530	25,760,234	1,322,451	526,016	27,608,701	1.75%
2006	25,095,721	2,648,736	27,744,457	1,938,223	935,584	30,618,264	1.75%
2007	32,012,871	2,982,064	34,994,935	1,223,994	515,509	36,734,438	2.25%
2008	30,332,016	4,067,241	34,399,257	2,840,391	1,068,253	38,307,901	2.25%
2009	28,511,501	3,837,474	32,348,975	1,782,656	1,616,788	35,748,419	2.25%
2010	28,673,437	3,871,009	32,544,446	2,712,061	1,122,567	36,379,074	2.25%
2011	29,645,857	4,084,942	33,730,799	2,704,278	1,013,804	37,448,881	2.25%

Source: City of Kettering, Ohio, Finance Department

The City levies a 2.25% income tax on substantially all income earned within the City. Additional increases in the income tax rate require voter approval. City residents pay City income tax on income earned outside the City, however; a credit is allowed for income taxes paid to other municipalities. Employers within the City withhold income tax on employee compensation and remit at least quarterly.



RANKING OF TOP TEN INCOME TAX WITHHOLDERS  
CURRENT YEAR AND TEN YEARS AGO (cash basis of accounting)

2011		2001		
Rank	Name	2011 Rank	Rank	Name
1	Kettering Medical Center	-	1	Delphi Automotive Systems LLC
2	GE Money	1	2	Kettering Medical Center
3	Reynolds & Reynolds Company	4	3	Federal Government
4	Federal Government	2 <sup>1</sup>	4	Monogram Services Co LLC
5	Kettering Board of Education	5	5	Kettering Board of Education
6	Eastman Kodak Company	6 <sup>1</sup>	6	Scitex Digital Printing Inc.
7	City of Kettering	3	7	Reynolds & Reynolds Company
8	Meadwestvaco Corporation	7	8	City of Kettering
9	Limited Brands Inc. & Subs	-	9	Relizon Company
10	Time Warner Entertainment Inc.	9 <sup>1</sup>	10	Intimate Brands Inc.

Combined percentage of Total Income taxes 32.6%

Combined percentage of Total Income taxes 34.5%

Source: City of Kettering, Ohio, Finance Department

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

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

# CITY OF KETTERING, OHIO

## SCHEDULE 7

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Obligation Bonds	\$5,966,977	\$4,349,119	\$2,643,554	\$5,563,536	\$4,564,339	\$4,218,631	\$3,879,270	\$15,689,899	\$14,963,217	\$14,204,735
Percent of estimated actual property value	0.19%	0.13%	0.08%	0.16%	0.12%	0.11%	0.10%	0.44%	0.42%	0.41%
Per capita	104	76	46	97	79	73	67	273	266	253
Special Assessment Bonds	1,094,375	990,233	905,798	816,127	720,807	619,149	510,730	395,101	271,783	140,265
Promissory Notes	3,461,615	3,241,766	3,278,644	3,075,818	2,856,949	2,637,298	2,442,338	2,272,048	2,100,914	1,928,915
Total Gross Indebtedness	10,522,967	8,581,118	6,827,996	9,455,481	8,142,095	7,475,078	6,832,338	18,357,048	17,335,914	16,273,915
Percentage of personal income	0.65%	0.50%	0.40%	0.53%	0.44%	0.39%	0.35%	1.02%	0.93%	0.85%
Per capita	183	149	119	164	142	130	119	319	309	290
Less debt outside limitations:										
Special Assessment Debt	1,094,375	990,233	905,798	816,127	720,807	619,149	510,730	395,101	271,783	140,265
Promissory Notes	3,461,615	3,241,766	3,278,644	3,075,818	2,856,949	2,637,298	2,442,338	2,272,048	2,100,914	1,928,915
Less debt service fund balance	46,554	34,549	15,178	15,638	16,476	16,697	12,367	715,127	797,685	872,911
Net debt within limitations for both Voted and Unvoted debt	5,920,423	4,314,570	2,628,376	5,547,898	4,547,863	4,201,934	3,866,903	14,974,772	14,165,532	13,331,824
Debt limitation for both Voted and Unvoted debt 10.5% of assessed valuation	114,650,117	124,670,352	122,665,459	122,629,124	134,354,645	132,966,025	131,355,181	129,749,975	131,262,545	128,476,660
Legal debt margin for Voted and Unvoted debt	\$108,729,694	\$120,355,782	\$120,037,083	\$117,081,226	\$129,806,782	\$128,764,091	\$127,488,278	\$114,775,203	\$117,097,013	\$115,144,836
Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit	5.16%	3.46%	2.14%	4.52%	3.38%	3.16%	2.94%	11.54%	10.79%	10.38%
Net debt within limitations for both Voted and Unvoted limitation	\$5,920,423	\$4,314,570	\$2,628,376	\$5,547,898	\$4,547,863	\$4,201,934	\$3,866,903	\$14,974,772	\$14,165,532	\$13,331,824
Less voted debt	2,264,352	1,369,352	429,352	294,663	180,147	82,780	0	12,075,000	11,625,000	11,160,000
Net debt within limitations for Unvoted debt	3,656,071	2,945,218	2,199,024	5,253,235	4,367,716	4,119,154	3,866,903	2,899,772	2,540,532	2,171,824
Debt limitation for Unvoted debt 5.5% of assessed valuation	60,054,823	65,303,518	64,253,336	64,234,303	70,376,243	69,648,870	68,805,095	67,964,273	68,756,571	67,297,298
Legal debt margin for Unvoted debt	\$56,398,752	\$62,358,300	\$62,054,312	\$58,981,068	\$66,008,527	\$65,529,716	\$64,938,192	\$65,064,501	\$66,216,039	\$65,125,474
Net debt within limitations for Unvoted debt as a percentage of debt limit	6.09%	4.51%	3.42%	8.18%	6.21%	5.91%	5.62%	4.27%	3.69%	3.23%

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT  
DECEMBER 31, 2011

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Kettering <sup>1</sup>	Amount Applicable to City of Kettering
City of Kettering	\$15,260,739	100.0%	\$15,260,739
Overlapping debt:			
Kettering City School District	87,247,568	91.7%	79,997,295
Montgomery County	35,020,413	12.1%	4,223,462
Beavercreek Local School District	102,721,608	0.9%	903,950
Total overlapping debt	<u>224,989,589</u>		<u>85,124,707</u>
Total direct and overlapping debt	<u>\$240,250,328</u>		<u>\$100,385,446</u>

Source: Individual jurisdictions.

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

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

SCHEDULE 9

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS

Year	Population <sup>1</sup>	Personal Income <sup>2</sup>	Per capita Personal Income <sup>1,2</sup>	Unemployment Rate <sup>3</sup>	Avg Sale Price for a Single Family Home <sup>4</sup>	Total Assessed Property Value <sup>5</sup>	Estimated Actual Property Value <sup>5</sup>
2002	57,502	1,614,541,156	28,078	3.5%	132,529	1,091,905,872	3,167,681,964
2003	57,502	1,711,087,014	29,757	5.1%	138,690	1,187,336,684	3,433,251,092
2004	57,502	1,719,884,820	29,910	5.4%	135,081	1,168,242,464	3,453,224,812
2005	57,502	1,787,162,160	31,080	5.2%	141,345	1,167,896,415	3,423,470,549
2006	57,502	1,840,777,025	32,012	4.7%	137,664	1,279,568,048	3,789,173,634
2007	57,502	1,895,821,619	32,970	5.1%	136,445	1,266,343,094	3,826,742,530
2008	57,502	1,952,885,850	33,962	6.2%	124,105	1,251,001,727	3,906,048,887
2009	57,502	1,803,685,371	31,367	9.7%	121,340	1,235,714,050	3,567,340,682
2010	56,163	1,859,630,280	33,111	10%	125,734	1,250,119,480	3,583,279,738
2011	56,163	1,909,460,933	33,999	8.3%	101,651	1,223,587,240	3,490,854,036

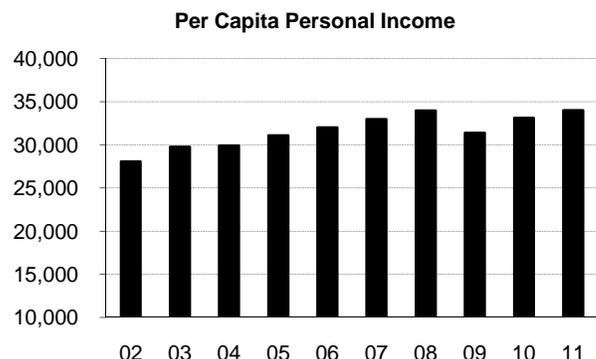
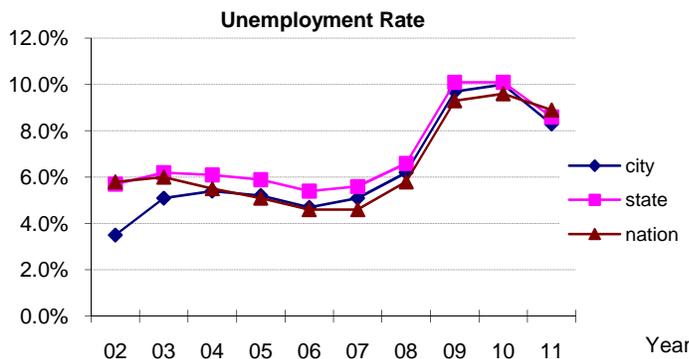
(1) 2000 & 2010 United States Census Bureau.

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

(3) Ohio Bureau of Employment Services.

(4) Dayton Area Board of Realtors, Dayton, Ohio (2011 price range: \$7,000 - \$850,000).

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



PRINCIPAL EMPLOYERS  
CURRENT YEAR AND TEN YEARS AGO

Employer	2011		2001	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Kettering Medical Center	3,300	12.55%	Kettering Medical Center	3,200 10.63%
GE Money	1,450	5.51%	Delphi Automotive Systems	2,800 9.30%
Reynolds & Reynolds Company	1,150	4.37%	Victoria's Secret Catalog <sup>1</sup>	1,200 3.99%
Kettering City Schools	1,032	3.92%	GE Card Services <sup>2</sup>	1,200 3.99%
Limited Brands Inc.	1,000	3.80%	Kettering City Schools	900 2.99%
City of Kettering	900	3.42%	City of Kettering	900 2.99%
Eastman Kodak Company	600	2.28%	Reynolds & Reynolds Company	700 2.33%
Kroger	630	2.40%	Scitex Digital Printing <sup>3</sup>	650 2.16%
Meijer Inc.	550	2.09%	Defense Finance and Accounting Services	500 1.66%
<b>Total</b>	<b>10,612</b>	<b>40.35%</b>	<b>Total</b>	<b>12,050 40.03%</b>

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

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

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

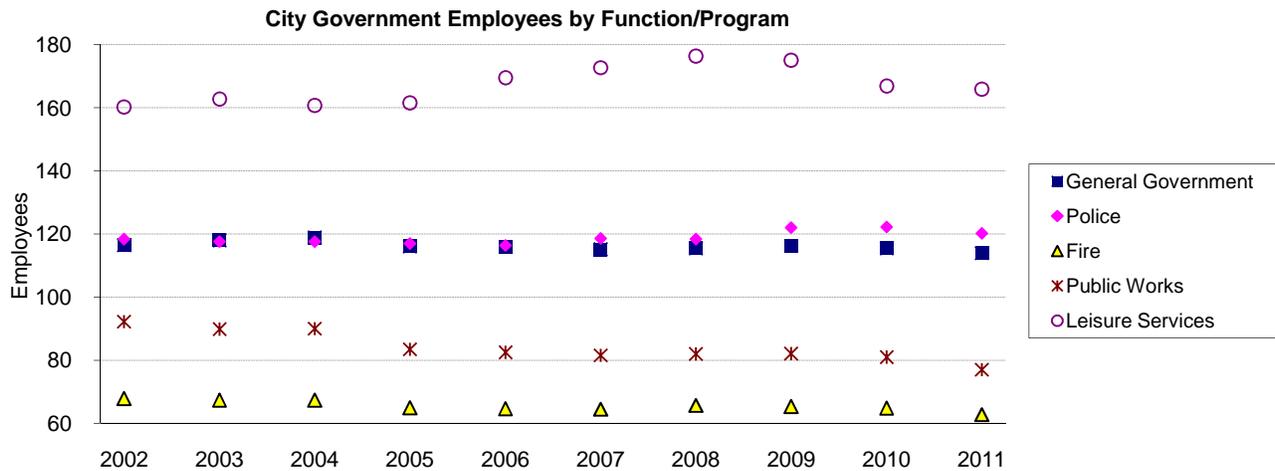
(2) GE Card Services is now GE Money

SCHEDULE 11

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

Function/program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	116.4	117.9	118.9	116.1	115.9	115.1	115.5	116.3	115.4	114.0
Police	118.4	117.6	117.6	117.0	116.4	118.5	118.4	122.0	122.2	120.2
Fire	67.8	67.3	67.3	64.9	64.6	64.4	65.6	65.3	64.8	62.7
Public Works	92.3	89.8	90.1	83.5	82.5	81.6	81.9	82.0	80.9	77.1
Leisure Services	160.2	162.7	160.7	161.5	169.4	172.8	176.4	175.0	166.8	165.9
<b>Total</b>	<b>555.1</b>	<b>555.3</b>	<b>554.5</b>	<b>543.0</b>	<b>548.8</b>	<b>552.4</b>	<b>557.8</b>	<b>560.6</b>	<b>550.3</b>	<b>539.8</b>

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN YEARS

<u>Function/program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government										
Positions filled <sup>1</sup>	17	17	5	5	7	14	26	10	7	14
Permits issued <sup>2</sup>	3,705	3,824	3,217	3,301	3,053	2,884	2,779	2,467	2,857	2,773
Inspections performed <sup>2</sup>	7,144	7,435	6,974	6,684	6,352	7,639	6,871	6,254	7,101	5,933
CDBG loan applications <sup>3</sup>	5	10	18	24	25	96	86	53	60	44
Payroll checks processed <sup>4</sup>	20,898	20,648	21,710	20,569	20,003	20,093	20,819	20,955	20,873	20,629
Purchase orders issued <sup>5</sup>	1,816	2,002	2,120	2,063	2,069	2,054	2,281	2,166	1,978	2,158
Ordinances & resolutions <sup>6</sup>	234	243	206	227	220	182	211	236	198	175
Court cases <sup>7</sup>	19,865	18,742	18,358	22,593	21,727	22,962	22,051	20,657	19,903	20,049
Police										
Criminal arrests <sup>8</sup>	3,112	2,854	2,813	3,085	3,030	2,812	2,762	2,710	2,813	3,171
Calls for service <sup>9</sup>	67,320	71,524	69,621	72,643	67,394	67,287	65,131	62,172	61,684	67,331
Fire										
Fire alarms <sup>10</sup>	1,421	2,393	1,604	1,324	1,337	1,197	1,544	1,599	1,603	1,960
Medic alarms <sup>10</sup>	4,601	5,120	4,881	5,214	5,445	5,815	5,896	5,485	5,600	5,557
Public Works										
Asphalt resurfacing (miles) <sup>11</sup>	14	16	10	4	6	4	7	10	11	14
Truckloads of leaves picked-up <sup>12</sup>	2,206	2,062	1,988	1,895	2,050	1,837	1,655	1,858	1,623	1,388
Tons of snow melting salt used <sup>12</sup>	3,000	5,452	4,654	6,465	1,560	4,544	6,341	3,368	5,917	4,708
Leisure Services										
Recreation complex attendance <sup>13</sup>	1,019,547	1,081,740	1,145,268	1,141,493	1,243,657	1,199,370	1,175,368	1,110,815	1,168,708	981,121
Fraze Pavilion tickets sold <sup>13</sup>	75,942	77,727	80,480	78,540	72,383	90,232	90,825	87,969	82,511	92,883

(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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government										
Square footage occupied <sup>1</sup>	25,582	25,582	25,582	43,108	43,108	43,108	54,933	54,933	54,933	54,933
Police										
Stations <sup>1</sup>	1	1	1	1	1	1	1	1	1	1
Square footage of building <sup>1</sup>	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515
Fire										
Stations <sup>1</sup>	7	7	7	7	7	7	7	7	7	7
Public Works										
Miles of roads <sup>2</sup>	246	246	246	246	246	246	246	246	246	246
Miles of storm sewer/channel <sup>2</sup>	174	174	175	175	175	175	175	175	175	175
Leisure Services										
Number of parks <sup>3</sup>	21	21	21	21	21	21	21	21	21	21
Area of parks (acres) <sup>3</sup>	419	419	419	419	419	419	419	419	419	419
Recreation complexes square ft <sup>1</sup>	145,000	145,000	145,000	153,512	153,512	153,512	153,512	153,512	161,119	161,119

(1) City of Kettering, Facilities Department

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

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



# Dave Yost • Auditor of State

**CITY OF KETTERING**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 21, 2012**