

CITY OF KETTERING, OHIO

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

For the Year Ended December 31, 2006



Mary Taylor, CPA
Auditor of State

City Council
City of Kettering
3600 Shroyer Road
Kettering, Ohio 45429-2799

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, 2006 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 15, 2007

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CITY OF KETTERING, OHIO

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Clark, Schaefer, Hackett & Co.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 23, 2007. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 23, 2007



Clark, Schaefer, Hackett & Co.
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Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Schedule of Expenditures of Federal Awards

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

Compliance

We have audited the compliance of the City of Kettering (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of and for the year ended December 31, 2006, and have issued our report thereon dated March 23, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 23, 2007

CITY OF KETTERING, OHIO
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Federal CFDA Number</u>	<u>Grant Award Date</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grant	B-06-MC-39-0011	14.218	1/1/2006	\$ 675,178
Passed through the Board of County Commissioners of Montgomery County:				
HOME Investment Partnerships Program	A-C-03-281-2	14.239	9/1/2003	21,985
Passed through the City of Dayton, Ohio:				
HOME Investment Partnerships Program	M-06-MC-39-0205	14.239	3/22/2006	<u>27,621</u>
Total U.S. Department of Housing and Urban Development				<u>724,784</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Bulletproof Vest Partnership Program	none	16.607	6/20/2003	1,293
Edward Byrne Memorial Justice Assistance Grant Program	2005-DJ-BX-0973	16.738	8/19/2005	483
Passed through the Ohio Office of Criminal Justice:				
Byrne Formula Grant Program	2004-DG-E01-9167	16.579	12/4/2004	2,329
Byrne Formula Grant Program	2004-BJ-A02-6262	16.579	12/4/2004	<u>81,400</u>
Total U.S. Department of Justice				<u>85,505</u>
<u>U.S. Department of Transportation</u>				
Passed through the State of Ohio Governor's Highway Safety Office:				
Highway Planning and Construction	E035782/03N119	20.205	8/13/2003	5,408
Highway Planning and Construction	E035594/05N134	20.205	11/15/2005	1,890,080
Passed the AAA Miami Valley:				
Highway Planning and Construction	05-GR1-5088	20.205	10/1/2005	8,926
Highway Planning and Construction	06-GR1-5088	20.205	10/1/2006	<u>5,009</u>
Total U.S. Department of Transportation				<u>1,909,423</u>
<u>U.S. Department of Homeland Security</u>				
Passed through the Ohio Emergency Management Agency:				
Hazard Mitigation Grant	FEMA-DR-1484.17R-OH	97.039	2/25/2005	<u>1,123,849</u>
Total Expenditures of Federal Awards				<u>\$ 3,843,561</u>

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

CITY OF KETTERING, OHIO
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2006

NOTE 1 – GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

NOTE 4 – SUBRECIPIENTS

The City was a pass-through entity of CDBG funds to one subrecipient, Miami Valley Fair Housing Board for \$25,000.

CITY OF KETTERING, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2006

1. SUMMARY OF AUDITORS' RESULTS

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

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

Findings: None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Findings: None

CITY OF KETTERING, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

December 31, 2006

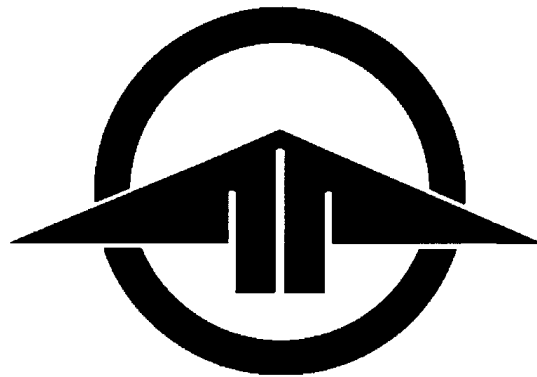
Prior Audit Findings:

None

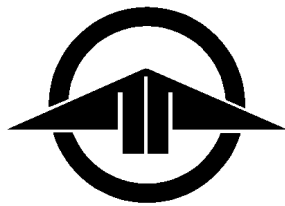
CITY OF KETTERING, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2006



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



CITY OF KETTERING

CITY OF KETTERING, OHIO

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COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2006

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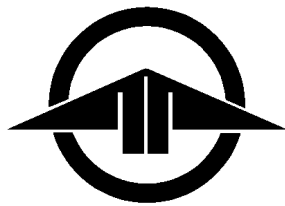
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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006**

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INTRODUCTORY SECTION



CITY OF KETTERING



March 31, 2007

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, 2006, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of the presentation including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes this transmittal letter, a list of principal officials and the City's organizational chart. The Financial Section includes the independent auditors' report, management's discussion and analysis, the basic financial statements, the budget to actual comparison schedules and the combining and individual fund financial statements and schedules. The Statistical Section includes selected financial, economic and demographic information, generally presented for a period of ten years. The Comprehensive Annual Financial Report reflects our continuing efforts to disseminate clear and useful financial information to our users. In particular, the City was proud to be the first entity in the nation to implement GASB Statement No. 44 "Economic Condition Reporting: The Statistical Section" in our 2003 report. We believe the new requirements of this statement provide the reader with much more beneficial and relevant information than in previous years.

The City provides various services including police and fire protection, parks, recreation and cultural arts, street maintenance, planning, zoning and other general governmental services. The City does not maintain utility operations. In addition to general governmental activities, the City oversees the Kettering Volunteer Firefighters Pension Plan, and the activities of the Plan are included in the reporting entity. However, Montgomery County, Greene County, Beavercreek, Centerville, Kettering,

Sugarcreek and West Carrollton School Districts, Miami Conservancy District, Miami Valley Regional Transit Authority, Ohio Police and Fire Pension Fund and the Ohio Public Employees Retirement System have not met the established criteria for inclusion in the reporting entity and are excluded from this report. In addition, the City is one of twenty local cities involved in a public entity risk pool, Miami Valley Risk Management Association, Inc. This separate entity does not meet the established criteria for inclusion in the reporting entity and, accordingly is not included in the City's financial report.

HISTORY AND BACKGROUND

Kettering was established as a village in 1952. Three years later, it achieved City status, adopted a Home Rule Charter and approved the Council/Manager form of government. The City of Kettering was named for its most outstanding citizen, Charles F. Kettering, a well-known philanthropist and inventor. Kettering invented the automotive self-starter, and the "Bug," the world's first robot plane.

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

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

ECONOMIC CONDITION AND OUTLOOK

The economic environment for Kettering's business community continued to be one of relative stability during 2006.

One significant contributing factor to this stability is the diversity of the employment base in Kettering. Kettering's broad range of businesses includes several major employers with headquarters or divisions located within the city's boundaries. These employers include Kettering Medical Center employing 3,100 and Delphi Automotive Systems a manufacturer of automobile brake and suspension systems employing 1,300. The Kettering Delphi plant is currently for sale while the company works to turn the business around after declaring bankruptcy under Chapter 11 in October 2005. Employment levels have declined from 1,600 prior to the filing to 1,300 as of December 2006. Many employees took advantage of buy-outs and early retirement options offered by Delphi. Reynolds and Reynolds, a fortune 1000 company based in Dayton since 1866 was purchased by the Universal Computer Systems Company (UCS) and merged into the Reynolds & Reynolds Company during 2006. As the merger has proceeded a number of employees have chosen to leave the company. The current year will be one of transition and realignment for Reynolds & Reynolds. The employment trends are expected to reverse as the newly merged company undertakes a hiring process to refill positions. After announcing plans in 2005 to expand the Kettering operations, G E Money completed interior renovations at their Kettering Business Park (KBP) location. The company moved an additional 536 jobs to KBP and now employs about 1,700 at this location. In addition, MeadWestvaco announced plans to move additional employees into their new location in the former MCSi building at the Kettering Corporate Center. After some interior renovations the company plans to have a total of 230 employees located at the site by Spring 2007. Other major employers in the city include Kettering City Schools, Intimate Brands Inc., a catalogue order center for Victoria's Secret, Kodak Versamark a manufacturer of digital printers, and a number of engineering firms and computer hardware and software related businesses.

Despite being practically landlocked, Kettering continued to thrive in terms of new economic development. During 2006 the City of Kettering continued with the redevelopment of two highly visible retail sites – Kettering Crossing and Kettering Pointe. Kettering Crossing, is a mixed use of retail space and three 4 family residential condominium units. Kettering Pointe, formerly the Van Buren Shopping Center, is nearing completion with a total of ten tenant spaces. The residential portion of the redevelopment will be 35 patio homes by Inverness Homes. The model home is active and several closings are underway.

In addition to the new housing mentioned above, there are some other exciting housing projects underway. Madison's Grant will include 150 new Ryan Homes beginning in the \$200,000 price range located on property on the southeastern edge of Kettering. Also, Johnstown Woods, a 56 unit condominium development with units starting at \$190,000 began construction in 2006.

A strong emphasis through a variety of efforts is placed on economic development both within Kettering and regionally. In fact, Kettering entered into an unprecedented tax sharing agreement with three other local cities that may also be affected by the Delphi bankruptcy. This agreement allows the four communities to pool either tax revenue gains or losses for the term of the 10-year agreement by sharing all future Delphi income tax revenue based on the percentages of total Delphi revenue each community received in the measurement year 2004.

Kettering participates in ED/GE, a revenue sharing program that occurs among a number of communities in Montgomery County. Money from the program is distributed to the communities for economic development projects after an application for funds is filed and a board of local officials for the communities reviews and approves the projects. Although Kettering did not receive any funds for 2006, the City has benefited significantly in the past and will continue to apply for future funds as eligible opportunities become available.

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

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

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

Cash Management. Cash, temporarily idle during the year was invested in various instruments detailed below. As of December 31, 2006, the City's cash resources were divided between cash and investments as follows:

Cash and certificates of deposit	\$16,102,015
Overnight repurchase agreement	674,597
Corporate bonds	19,305,274
Pension plan pooled investment fund	<u>1,748,846</u>
TOTAL	<u>\$37,830,732</u>

Interest earned on investments for the year was \$1,822,488.

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

OTHER INFORMATION

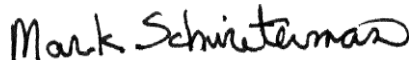
Independent Audit. The basic financial statements of the City of Kettering were audited by Clark, Schaefer, Hackett & Co., Certified Public Accountants. See page 2 of the Financial Section of this report for their unqualified opinion.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kettering, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2005. 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 24 consecutive years (fiscal years ended 1982-2005). 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, 2006. 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
Joseph D. Wanamaker, Vice Mayor
Bruce E. Duke
Peggy B. Lehner
Frank Spolrich
Keith Thompson
Raymond P. Wasky (resigned 1/23/07)
Tony Klepacz (appointed 2/27/07)

CITY MANAGER

Mark Schwieterman

INDEPENDENT AUDITORS

Clark, Schaefer, Hackett & Co.
Certified Public Accountants

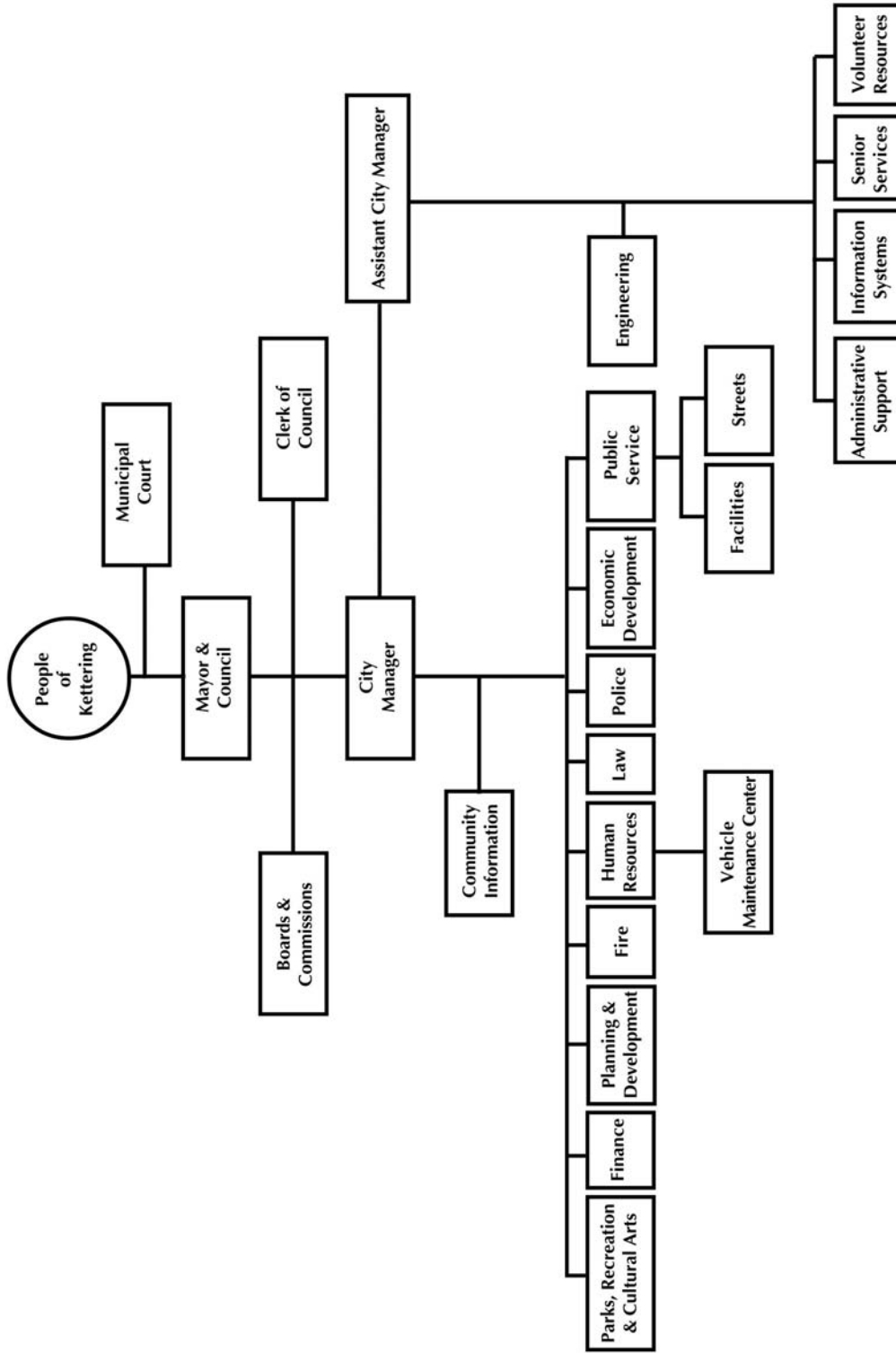
CITY OF KETTERING, OHIO

DEPARTMENT OF FINANCE

STAFF

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

City of Kettering 2006 Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kettering
Ohio

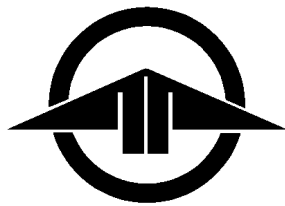
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

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President

Executive Director



CITY OF KETTERING

FINANCIAL SECTION



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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kettering's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

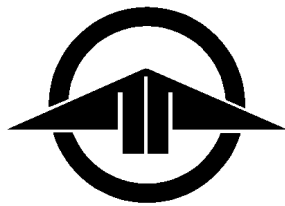
In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2007 on our consideration of the City of Kettering's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
March 23, 2007



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, 2006.

FINANCIAL HIGHLIGHTS

1. The City's net assets increased by \$5,234,000 or 3.6% while unrestricted net assets increased \$2,176,000 or 7.8%.
2. Total revenues increased 12.8% while total expenses increased 6.3%.
3. City Income tax revenues increased an unprecedented 16.6% or \$4.45 million.
4. The General Fund reported a surplus of over \$1,107,000, establishing a two-year trend of rising fund balances.
5. Total costs of services increased by more than \$3.6 million, while net costs of services increased by over \$2.2 million.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

certain taxes, grants, and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds — governmental and proprietary — use different accounting approaches.

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

THE CITY AS A WHOLE

For 2006 the City produced a 3.6% increase in Total net assets. This compares with a 1% increase in 2005. Revenues generated were \$66 million and expenses from all programs were \$60.7 million resulting in a surplus for the year of \$5,234,000. The unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — increased \$2,176,000.

Explanations for the larger fluctuations between years are as follows:

- Federal grant revenue was higher in 2006 primarily because of high federal funding for roadway projects.
- State grant revenue was lower this year because of high state funding for a roadway project last year.
- Special assessments are lower because of significant walk-in payments for a street project last year.
- Income taxes are significantly higher in 2006. Only 7.7% or \$2.1million of the 16.6% or \$4.5million increase can be attributed to the improved economy, the remaining 8.9% or \$2.4million is due to one-time events that cannot be disclosed due to confidentiality.
- Investment earnings were higher in 2006 because of higher portfolio yields.
- General government expenses increased 14.7% primarily due to increased economic incentives.
- Police expenses increased 12% due to costs related to an 800 MHz communication conversion.

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

NET ASSETS

	2006	2005
Current and other assets	\$56,920,212	\$52,347,850
Capital assets	121,699,706	121,467,028
Total assets	<u>178,619,918</u>	<u>173,814,878</u>
Long-term debt outstanding	(11,890,275)	(12,998,780)
Other liabilities	(17,233,383)	(16,553,899)
Total liabilities	<u>(29,123,658)</u>	<u>(29,552,679)</u>
Net assets:		
Invested in capital assets, net of debt	113,557,610	112,076,412
Restricted	5,708,246	4,131,731
Unrestricted	30,230,404	28,054,056
Total net assets	<u><u>\$149,496,260</u></u>	<u><u>\$144,262,199</u></u>

CHANGES IN NET ASSETS

	2006	2005
Revenues		
Program revenues:		
Charges for services	\$9,240,989	\$9,296,184
Federal grants	3,335,970	1,229,134
State and local grants	885,969	1,064,641
Special assessments	902,767	1,402,805
Sponsorships and contributions	249,608	256,746
General revenues:		
Income taxes	31,286,014	26,832,269
Property taxes	9,391,342	8,813,135
Other taxes	7,300,029	6,829,478
Investment earnings	1,717,776	983,308
Other general revenue	1,654,488	1,790,492
Total revenues	<u>65,964,952</u>	<u>58,498,192</u>
Program expenses		
General government	14,150,379	12,339,967
Police	12,914,191	11,530,015
Fire	8,709,771	8,380,554
Public works	11,360,485	11,813,178
Leisure services	12,416,056	11,873,881
Interest on long-term debt	1,180,009	1,168,357
Total expenses	<u>60,730,891</u>	<u>57,105,952</u>
Increase (decrease) in net assets	5,234,061	1,392,240
Net assets beginning	144,262,199	142,869,959
Net assets ending	<u><u>\$149,496,260</u></u>	<u><u>\$144,262,199</u></u>

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

GOVERNMENTAL ACTIVITIES

	Total Cost of Services		Net Cost of Services	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Police	\$12,914,191	\$11,530,015	\$12,759,270	\$11,402,343
Fire	8,709,771	8,380,554	7,366,390	7,217,962
Public works	11,360,485	11,813,178	8,138,835	9,459,374
Leisure services	12,416,056	11,873,881	6,794,350	6,207,966
All others	14,150,379	12,339,967	9,876,374	8,400,440
	<u>\$59,550,882</u>	<u>\$55,937,595</u>	<u>\$44,935,219</u>	<u>\$42,688,085</u>

Total costs of services for 2006 increased by over \$3.6million while net costs of services increased by over \$2.2 million. All activities except Public works experienced an increase in both total and net costs of services.

In contrast to last year when the City saw the addition of two large new facilities; a recreation center and a new courts facility, 2006 was fairly routine. Asset additions totaled \$6.7 million and ended with total net capital assets of \$121,699,706. Of this total, \$12,387,710 was not being depreciated and the capital assets being depreciated totaled \$196,699,590 with accumulated depreciation of \$87,387,594.

The City issued no new debt in the current year. At December 31, 2006, the City had various debt issues outstanding, which included \$4,564,339 of general obligation bonds, \$720,807 of special assessment debt with City commitment and \$2,856,949 of promissory notes. As of December 31, 2006, the City's net general obligation bonded debt of \$4,547,863 was well below the legal limit of \$134,354,645 and debt per capita equaled \$79.09.

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 \$34.5 million, which is 12.3% higher than last year's total of \$30.7 million.

The City's General Fund experienced a \$5,299,000, or 13% overall increase in revenues for 2006. At the same time expenditures increased by \$3,392,000 or 11%, and transfers out increased by \$1.7 million as the capital improvement program returned to more normal levels. This resulted in an increase in the General Fund balance for the second time in 6 years. Income taxes increased substantially due to general economic conditions and several one-time events and investment earnings increased due to higher interest rates. Total revenues were \$46 million while total expenditures were \$34.3 million. Transfers to other funds totaled \$10.7 million resulting in the \$1,107,000, or 5.1% increase to the General Fund balance.

The Emergency Medical fund saw record revenues in this it's fourth year of operations. Revenues increased by \$194,000 or 15.7% over last year. The Capital Projects Fund returned to more normal levels in 2006 after being greatly reduced last year due to budget constraints. There were no other material changes to the major funds in 2006.

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

Fraze Pavilion Fund, and lower than expected expenditures in the Street Maintenance Fund caused transfers to be less than expected.

As mentioned above, 2006 produced a significant increase to the General Fund balance. Much of this increase was due to increased income taxes and much of that increase was due to one-time events. Prior to 2005 the City had four straight years of General Fund Balance decline. 2005 marked the end of that decline but only after significant steps were taken by City Administration. Because of this, City Council placed on the May 2006 ballot a charter amendment that would allow it to increase the City's income tax rate from 1.75% up to 2.25%. The Citizens of Kettering approved the amendment with a 58.7% positive vote. City Council has chosen to raise the rate to 2.25% effective January 1, 2007. It will be the first increase since 1981.

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

ASSETS	
Pooled cash and investments (note 2)	\$35,243,055
Receivables:	
Income taxes (net of allowance for \$433,578)	5,455,400
Property taxes	9,110,921
Interest	317,416
Accounts	354,423
Special assessments	1,719,807
Loans (net of allowance for \$30,315)	1,276,718
Notes	72,625
Due from other governments	2,725,200
Prepaid expenses	211,656
Inventory	432,991
Capital assets not being depreciated (note 6)	12,387,710
Capital assets being depreciated, net (note 6)	109,311,996
Total assets	<u>178,619,918</u>
LIABILITIES	
Accounts payable	3,817,102
Salary and benefits payable	2,037,309
Accrued interest payable	28,563
Deferred revenue	11,350,409
Long-term liabilities (note 12)	
Due within one year	2,840,963
Due in more than one year	9,049,312
Total liabilities	<u>29,123,658</u>
NET ASSETS	
Invested in capital assets, net of related debt	113,557,610
Restricted for:	
Debt service	16,476
Community development block grant	1,379,856
Emergency medical	2,945,419
Municipal court activities	764,100
Other purposes	602,395
Unrestricted	30,230,404
Total net assets	<u>\$149,496,260</u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

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	\$14,150,379	\$2,496,686	\$872,705	\$904,254	(\$9,876,734)
Police	12,914,191	54,806	100,115		(12,759,270)
Fire	8,709,771	1,343,281	100		(7,366,390)
Public works	11,360,485	1,320	4,220	3,216,110	(8,138,835)
Leisure services	12,416,056	5,344,896	276,810		(6,794,350)
Interest on long-term debt	1,180,009				(1,180,009)
Total	<u>\$60,730,891</u>	<u>\$9,240,989</u>	<u>\$1,253,950</u>	<u>\$4,120,364</u>	<u>(46,115,588)</u>
General revenues:					
Taxes:					
					31,286,014
					8,086,778
					1,304,564
					7,300,029
					1,717,776
					1,327,366
					327,122
					<u>51,349,649</u>
					5,234,061
					144,262,199
					<u>\$149,496,260</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
ASSETS				
Pooled cash and investments	\$23,311,735	\$325,519	\$501,764	\$122,500
Receivables:				
Income taxes (net of allowance for \$433,578)	5,455,400			
Property taxes	7,406,921			
Interest	317,416			
Accounts	21,604	668	44,655	43
Special assessments	300,000			
Loans (net of allowance for \$30,315)				
Notes	72,625			
Due from other governments	442,984	1,087,315	13,495	
Prepaid expenditures	70,439	2,549	11,887	5,753
Inventory		137,046		
Total assets	<u>\$37,399,124</u>	<u>\$1,553,097</u>	<u>\$571,801</u>	<u>\$128,296</u>
LIABILITIES				
Accounts payable	\$2,369,712	\$14,459	\$163,044	\$6,023
Accrued payroll	1,074,233	199,392	227,401	7,373
Deferred revenue	11,087,725	874,311	11,550	8,385
Total liabilities	<u>14,531,670</u>	<u>1,088,162</u>	<u>401,995</u>	<u>21,781</u>
FUND BALANCES				
Reserved for:				
Loans receivable				
Notes receivable	72,625			
Encumbrances	835,640	315,205	147,811	85,787
Prepaid expenditures	70,439	2,549	11,887	5,753
Inventory		137,046		
Unreserved:				
Designated for subsequent years' expenditures	2,000,000			
Undesignated	19,888,750	10,135	10,108	14,975
Total fund balances	<u>22,867,454</u>	<u>464,935</u>	<u>169,806</u>	<u>106,515</u>
Total liabilities and fund balances	<u>\$37,399,124</u>	<u>\$1,553,097</u>	<u>\$571,801</u>	<u>\$128,296</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
\$66,176	\$2,765,942	\$16,476	\$5,035,666	\$2,362,705	\$34,508,483
					5,455,400
		1,226,000	98,000	380,000	9,110,921
					317,416
37	196,000		50,858	39,638	353,503
		869,807	550,000		1,719,807
1,276,718					1,276,718
					72,625
107,178			919,384	132,509	2,702,865
				4,928	95,556
					137,046
<u>\$1,450,109</u>	<u>\$2,961,942</u>	<u>\$2,112,283</u>	<u>\$6,653,908</u>	<u>\$2,919,780</u>	<u>\$55,750,340</u>
\$70,253	\$16,523		\$1,003,211	\$27,121	3,670,346
				364,338	1,872,737
107,134	105,563	\$2,095,807	955,239	464,497	15,710,211
<u>177,387</u>	<u>122,086</u>	<u>2,095,807</u>	<u>1,958,450</u>	<u>855,956</u>	<u>21,253,294</u>
1,276,718					1,276,718
					72,625
162,628	192,985		4,685,412	259,948	6,685,416
				4,928	95,556
					137,046
					2,000,000
(166,624)	2,646,871	16,476	10,046	1,798,948	24,229,685
<u>1,272,722</u>	<u>2,839,856</u>	<u>16,476</u>	<u>4,695,458</u>	<u>2,063,824</u>	<u>34,497,046</u>
<u>\$1,450,109</u>	<u>\$2,961,942</u>	<u>\$2,112,283</u>	<u>\$6,653,908</u>	<u>\$2,919,780</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	121,170,174
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	2,194,800
Grants and other taxes receivable	2,165,001
Internal service funds are used by management to charge the costs of certain activities. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	963,558
Debt issuance costs and issuance discounts are amortized over the life of the debt, the unamortized portion remains on the Statement of Net Assets.	111,945
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	(8,142,095)
Vacation and sick leave benefits	(3,435,606)
Accrued interest on bonds payable	(28,563)
Net Assets of Governmental Activities	<u>\$149,496,260</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2006

	General Fund	Major		Special
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
REVENUES				
Income taxes	\$31,241,870			
Property taxes	7,607,090			
Licenses and permits	540,137	\$1,320		
Intergovernmental revenue	1,933,599	2,467,167	\$20,128	
Charges for services	207,258		3,308,608	\$2,036,287
Fines and forfeits	1,373,087			
Investment earnings	1,451,579			
Special assessments	354,405			
Refunds and reimbursements	1,278,763	448,491	97,514	2,575
Miscellaneous	15,591	11,441	28,055	244,611
Total revenues	<u>46,003,379</u>	<u>2,928,419</u>	<u>3,454,305</u>	<u>2,283,473</u>
EXPENDITURES				
Current:				
General government	12,077,224			
Police	11,538,306			
Fire	7,983,665			
Public works	2,718,790	4,693,808		
Leisure services			8,301,923	2,419,141
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	<u>34,317,985</u>	<u>4,693,808</u>	<u>8,301,923</u>	<u>2,419,141</u>
Excess (deficiency) of revenues over expenditures	11,685,394	(1,765,389)	(4,847,618)	(135,668)
OTHER FINANCING SOURCES (USES)				
Transfers in		1,986,100	4,890,100	148,000
Transfers out	(10,657,427)			
Sale of city assets	79,080	48,709		
Net change in fund balance	<u>1,107,047</u>	<u>269,420</u>	<u>42,482</u>	<u>12,332</u>
Fund balances--beginning, as restated	21,760,407	195,515	127,324	94,183
Fund balances--ending	<u>\$22,867,454</u>	<u>\$464,935</u>	<u>\$169,806</u>	<u>\$106,515</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
					\$31,241,870
		\$1,304,564	\$120,561	\$400,826	9,433,041
\$1,562,495			4,676,079	499,555	541,457
	\$1,315,725			42,021	11,159,023
				388,988	6,909,899
1,823	117,053	79,207		68,114	1,762,075
		149,592	398,770		1,717,776
175,000		27,345	186,375	102,346	902,767
27,005				213,768	2,318,409
<u>1,766,323</u>	<u>1,432,778</u>	<u>1,560,708</u>	<u>5,381,785</u>	<u>1,715,618</u>	<u>66,526,788</u>
379,061				649,512	13,105,797
				1,363,410	12,901,716
	169,215				8,152,880
				116,095	7,528,693
				4,722	10,725,786
1,337,876			6,493,903	134,795	7,966,574
		1,313,385			1,313,385
		1,178,485			1,178,485
<u>1,716,937</u>	<u>169,215</u>	<u>2,491,870</u>	<u>6,493,903</u>	<u>2,268,534</u>	<u>62,873,316</u>
49,386	1,263,563	(931,162)	(1,112,118)	(552,916)	3,653,472
7,000		932,000	1,705,502	988,725	10,657,427
					(10,657,427)
<u>56,386</u>	<u>1,263,563</u>	<u>838</u>	<u>593,384</u>	<u>435,809</u>	<u>127,789</u>
<u>1,216,336</u>	<u>1,576,293</u>	<u>15,638</u>	<u>4,102,074</u>	<u>1,628,015</u>	<u>3,781,261</u>
<u>\$1,272,722</u>	<u>\$2,839,856</u>	<u>\$16,476</u>	<u>\$4,695,458</u>	<u>\$2,063,824</u>	<u>\$34,497,046</u>
Net change in Fund Balance - Governmental Funds					\$3,781,261
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 7,815,728 Depreciation expense (7,207,129)
In the Statement of Activities, only the gain on the sale of city assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differ from the change in fund balance by the book value of the asset sold.					(192,637)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.					
Income taxes receivable					44,144
Grants receivable					247,433
Property taxes receivable					(41,700)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.					1,313,385
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					(185,686)
Interest payable					(1,524)
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.)					(339,214)
Change in Net Assets on the Statement of Activities					<u>\$5,234,061</u>

BALANCE SHEET
 PROPRIETARY FUNDS
 DECEMBER 31, 2006

	Governmental Activities- Internal Service Funds
ASSETS	
Current assets:	
Pooled cash and investments	\$734,572
Accounts receivable	920
Due from other governments	22,335
Prepaid expenses	4,155
Inventory	295,945
Total current assets	<u>1,057,927</u>
Noncurrent assets:	
Buildings and improvements	790,687
Machinery and equipment	2,039,976
Less: Accumulated depreciation	<u>(2,301,131)</u>
Total noncurrent assets	<u>529,532</u>
Total assets	<u><u>\$1,587,459</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$146,756
Accrued payroll	164,572
Total current liabilities	<u>311,328</u>
Noncurrent liabilities:	
Accrued vacation and sick leave benefits	<u>312,573</u>
Total liabilities	<u>623,901</u>
NET ASSETS	
Invested in capital assets	529,532
Unrestricted	434,026
Total net assets	<u>963,558</u>
Total liabilities and net assets	<u><u>\$1,587,459</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$9,170,981
Total operating revenues	<u>9,170,981</u>
OPERATING EXPENSES	
Personal services	2,863,012
Repairs and maintenance	1,306,414
Contractual services	4,661,598
Other materials and expenses	529,447
Depreciation	199,450
Total operating expenses	<u>9,559,921</u>
Operating income (loss)	<u>(388,940)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	49,726
Change in net assets	(339,214)
Total net assets--beginning, as restated	1,302,772
Total net assets--ending	<u><u>\$963,558</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 Increase (Decrease) in cash

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for services	\$9,187,006
Cash paid to suppliers for goods or services	(6,424,713)
Cash paid to employees for services	(2,798,448)
Net cash provided (used) by operating activities	<u>(36,155)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(25,261)
Sale of capital assets	7,585
Net cash used by capital and related financing activities	<u>(17,676)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	49,726
Net cash provided by investing activities	<u>49,726</u>
Net increase (decrease) in cash	(4,105)
Cash at beginning of year, as restated	738,677
Cash at end of year	<u><u>\$734,572</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	(\$388,940)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	199,450
(Increase) decrease in receivables	17,428
(Increase) decrease in inventories	33,978
Increase (decrease) in accounts payable	33,776
Net (increase) decrease in other operating net assets	68,153
Net cash provided (used) by operating activities	<u><u>(\$36,155)</u></u>

See accompanying notes to the basic financial statements.

FIDUCIARY FUNDS

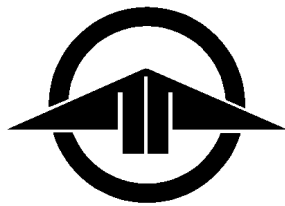
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2006

	Volunteer Firefighter Pension	Deceased Police Dependents Private Purpose Trust	Agency Funds
ASSETS			
Pooled cash and investments		\$74,617	\$426,363
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$1,748,846		
Other investments			337,851
Total assets	<u>1,748,846</u>	<u>74,617</u>	<u>\$764,214</u>
LIABILITIES			
Accounts payable			\$39,614
Withholdings payable			384,327
Undistributed moneys			337,851
Unclaimed moneys			2,422
Total liabilities			<u>\$764,214</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$1,748,846</u>	<u>\$74,617</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

ADDITIONS			
Employer contributions	\$70,294		
Investment earnings (loss)	50,964	\$4,022	
Total additions	<u>121,258</u>	<u>4,022</u>	
DEDUCTIONS			
Pension payments	90,337		
Total deductions	<u>90,337</u>		
Net increase (decrease)	30,921	4,022	
Net assets--beginning of year	1,717,925	70,595	
Net assets--end of year	<u>\$1,748,846</u>	<u>\$74,617</u>	

See accompanying notes to the basic financial statements.



CITY OF KETTERING

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

C. Basis of Accounting

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

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

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

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

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

D. Pooled Cash and Investments and Investment with Fiscal Agent

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

E. Inventory

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

F. Capital Assets

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

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

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

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

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

G. Interfund Transactions and Transfers

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

H. Reserves and Designations

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

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

I. Grants and Other Intergovernmental Revenues

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

J. Use of Estimates

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

2. POOLED CASH AND INVESTMENTS

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

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

Deposits: At year-end, the City's bank balance was \$16,102,015. Of this amount, \$10,154,227 was insured, the remaining \$5,947,788 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 A-1 by Standard & Poors Corporation or P-1 by Moody's Commercial Paper Record, corporate bonds rated A or better by Standard & Poors Corporation or Moody's Bond Rating, bankers acceptances issued by banks ranked nationally as being in the top 50 in asset and deposit size, repurchase and reverse repurchase agreements, money market mutual funds whose portfolio consists of authorized investments, and the state treasurer's investment pool. The policy states that no more than 20% of the City's investment portfolio will be placed with any particular issuer, and unless matched to a specific cash flow requirement, the City will not invest in securities maturing more than five years from the date of purchase. It has been the City's practice to invest in securities maturing no more than two years from the date of purchase, and to hold all investments until maturity. The City has no investment policy for custodial credit risk.

The City's overnight repurchase agreement and corporate bonds, both amounts listed below, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. On December 31, the City had a \$5,789,936 deposit with JP Morgan Chase Bank, a \$2,008,660 corporate bond issued by CIT Group and a \$1,995,105 corporate bond issued by Countrywide Home. These amounts represent 16%, 6%, and 6% respectively of the pooled cash and investments. At year-end, all of the securities in the corporate bond category below are rated "A" or better and all other investment types listed are unrated.

As of December 31, 2006 the City had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-2</u>	<u>3-9</u>	<u>9-10</u>
Overnight Repurchase Agreement	\$674,597	\$674,597			
Corporate Bonds	19,305,274	15,311,397	\$3,993,877		
Pension Plan Pooled Invest Fund	1,748,846				\$1,748,846
Total	<u>\$21,728,717</u>	<u>\$15,985,994</u>	<u>\$3,993,877</u>		<u>\$1,748,846</u>

3. INCOME TAXES

The City levies a 1.75% income tax on substantially all income earned within the City. Additional increases in the income tax rate require voter approval. In 2006, the voters approved an income tax rate increase to 2.25% effective January 1st, 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, public utility and tangible (used in business) property located in the City. Property taxes are levied each December 31 on the assessed value listed as of the prior December 31. Assessed values are established for real property at 35% of true value, for tangible property used in business at 21% of true value, and for tangible property constituting "inventory" at 21% of true value. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2002.

The property tax calendar is as follows:

Levy date	December 31, 2005
Lien date	December 31, 2005
Tax bill mailed	January 20, 2006
First installment payment due	February 15, 2006
Second installment payment due	July 15, 2006

The assessed values for the City at December 31, 2005 were as follows:

	<u>Assessed Value Category</u>
Real Estate	\$1,196,862,530
Public Utility Real Property	11,660
Tangible Personal Property	56,836,028
Public Utility Personal Property	25,857,830
Total	<u>\$1,279,568,048</u>

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

5. OTHER TAXES

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

Estate taxes	\$2,495,439
Sales taxes	1,808,796
Gasoline taxes	1,919,401
Vehicle license taxes	786,311
Miscellaneous other taxes	290,082
	<u>\$7,300,029</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$11,417,054	\$1,120,856	(\$150,200)	\$12,387,710
Subtotal	<u>11,417,054</u>	<u>1,120,856</u>	<u>(150,200)</u>	<u>12,387,710</u>
Capital assets being depreciated:				
Buildings and improvements	42,001,837	179,410	(13,048)	42,168,199
Machinery and equipment	17,370,252	797,874	(803,191)	17,364,935
Infrastructure	131,435,636	5,762,849	(32,029)	137,166,456
Subtotal	<u>190,807,725</u>	<u>6,740,133</u>	<u>(848,268)</u>	<u>196,699,590</u>
Accumulated depreciation:				
Buildings and improvements	(23,849,244)	(1,739,664)	13,048	(25,575,860)
Machinery and equipment	(11,935,729)	(1,243,616)	731,659	(12,447,686)
Infrastructure	(44,972,778)	(4,423,299)	32,029	(49,364,048)
Subtotal	<u>(80,757,751)</u>	<u>(7,406,579) *</u>	<u>776,736</u>	<u>(87,387,594)</u>
Net capital assets being depreciated	<u>110,049,974</u>	<u>(666,446)</u>	<u>(71,532)</u>	<u>109,311,996</u>
Net capital assets	<u>\$121,467,028</u>	<u>\$454,410</u>	<u>(\$221,732)</u>	<u>\$121,699,706</u>

*Depreciation expense was charged to governmental functions as follows:

General government	\$463,697
Police	161,378
Fire	466,631
Public works	4,565,896
Leisure services	1,549,527
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.	199,450
Total depreciation expense	<u>\$7,406,579</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 2031. Fund balance has been reserved for the loans receivable at December 31, 2006, as it does not represent currently available spendable resources. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures.

The City has sold property to several companies and taken a note receivable in exchange. These note receivables are payable in installments to 2007. Fund balance has been reserved for the notes receivable at December 31, 2006, as it does not represent currently available spendable resources.

8. RISK MANAGEMENT

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

Insurance coverage is as follows:

- Property** – \$350,000,000 per occurrence
- Crime** - \$1,000,000 per occurrence
- Liability** - \$10,000,000 per occurrence
- Boiler & Machinery** - \$100,000,000 per occurrence
- Public Official Liability** - \$10,000,000 per occurrence

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

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

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

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

9. PENSION PLAN OBLIGATIONS

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

OHIO POLICE AND FIRE PENSION FUND (OP&F)

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 10% of their annual covered salary and the City is required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to the plan for the years ending December 31, 2004, 2005 and 2006, were \$2,089,820, \$2,068,573 and \$2,146,383 respectively, or 79% of the required contributions for 2004, 88% for 2005, and 79% for 2006.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP and CO. Members of the MD do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 9.0% of their annual covered salary and the City is required to contribute 13.70%. The City's contributions to the plan for the years ending December 31, 2004, 2005 and 2006, were \$2,417,472, \$2,359,517 and \$2,438,270 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, 2006, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	73
Terminated employees entitled to benefits but not yet receiving them	38
Active members	<u>68</u>
Total	<u><u>179</u></u>

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

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

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

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

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

The annual required contribution for the current year was determined as part of the January 1, 2006, actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included a 6.25% investment rate of return and that benefits will not increase after retirement. The actuarial value of assets was determined using the contract basis. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u> <u>December 31</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2001	36,628	36,628	100%
2002	0	0	100%
2003	17,333	17,333	100%
2004	34,397	34,397	100%
2005	40,399	40,399	100%
2006	70,294	70,294	100%

For the fiscal years ended December 31, 2004, 2005 and 2006, the Annual Pension cost (APC) was \$34,397, \$40,399 and \$70,294 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 POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 9, both the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OP&F) provide postretirement health care coverage, commonly referred to OPEB (other postemployment benefits). For both systems, the Ohio Revised Code provides the authority for public employers to fund postretirement health care through their contributions.

OHIO POLICE AND FIRE PENSION FUND OPEB

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

Health care funding and accounting is on a pay-as-you-go basis. The Ohio Revised Code provides that health care costs paid shall be included in the employer's contribution rate. In addition, all retirees and survivors are required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The 2006 employer contribution rate was 19.5% of covered payroll for Police and 24% for Fire of which 7.75% was used to fund health care. The City's contribution for the year ended December 31, 2005 was \$475,645 for Police and \$306,296 for Fire to pay postemployment benefits.

The number of participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for Police and 10,537 for Fire. OP&F's total health care expense for the year ended December 31, 2005 was \$108,039,449, which was net of member contributions of \$55,271,881.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB

OPERS administers three separate pension plans, the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO), all of which are described in note 9. OPERS provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit for members of both the TP and CO plans. Members of the MD plan do not qualify for post-employment health care coverage. Health care coverage for disability recipients and primary survivor recipients is available.

The 2006 employer contribution rate was 13.70%, of which 4.5% was used to fund health care. The City's contribution for the year ended December 31, 2006, was \$800,972 to fund post-employment benefits.

OPEB are advanced-funded on an actuarially determined basis. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation. The investment assumption rate for 2005 was 6.50%. Individual base pay was assumed to increase 4.00% compounded annually with no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from .5% to 6.3%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5% to 6% for the next 9 years. In subsequent years (10 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

The number of active contributing participants to the TP and CO plans was 358,804 as of December 31, 2005; the date the latest actuarial review was performed. OPERS actuarially determined accrued liability for OPEB's at December 31, 2005, are \$31.3 billion with net assets available for OPEB of \$11.1 billion, leaving an unfunded actuarial liability of \$20.2 billion.

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

11. LEASES AND CONSTRUCTION COMMITMENTS

There are no operating leases, in which the City is a lessee, in excess of one year. Operating lease payments in 2006 were \$231,637.

Construction and other commitments at December 31, 2006, were approximately \$4,960,000.

12. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General obligation bonds:					
Improvement bonds-					
Series 1991, 4.5%-6.65%	\$253,873		\$29,681	\$224,192	\$33,341
Improvement bonds-					
Series 1992, 3.25%-6.45%	505,000		60,000	445,000	65,000
Improvement Refunding, 2.65%-5.25%	650,000		650,000	0	
Recreation Center Refunding, 2.65%-16.9%	294,663		114,516	180,147	97,367
Court Facility, 3.0%-4.5%	<u>3,860,000</u>		<u>145,000</u>	<u>3,715,000</u>	<u>150,000</u>
Total general obligation bonds	<u>5,563,536</u>		<u>999,197</u>	<u>4,564,339</u>	<u>345,708</u>
Special assessment bonds:					
Series 1991, 4.5%-6.65%	<u>816,127</u>		<u>95,320</u>	<u>720,807</u>	<u>101,659</u>
Total special assessment bonds	<u>816,127</u>		<u>95,320</u>	<u>720,807</u>	<u>101,659</u>
Other:					
Accrued vacation and sick leave benefits	3,543,299	\$2,055,804	1,850,924	3,748,179	2,173,944
Ohio Public Works Commission Long-Term Promissory Notes, 0-3%	<u>3,075,818</u>		<u>218,869</u>	<u>2,856,949</u>	<u>219,652</u>
Total other	<u>6,619,117</u>	<u>2,055,804</u>	<u>2,069,793</u>	<u>6,605,128</u>	<u>2,393,596</u>
Total long-term liabilities	<u>\$12,998,780</u>	<u>\$2,055,804</u>	<u>\$3,164,310</u>	<u>\$11,890,274</u>	<u>\$2,840,963</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, 11% by the Street Maintenance Fund and the remainder by the other governmental and internal service funds. The City uses the "vesting method" to determine the appropriate liability.

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

The annual requirements to pay principal and interest on long-term obligations at December 31, 2006, are as follows:

	General Obligation Bonds		Promissory Notes		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	345,708	1,079,259	219,652	17,002	101,659	47,933
2008	339,361	1,082,937	194,960	16,200	108,419	41,173
2009	264,371	169,296	170,290	15,377	115,629	33,964
2010	276,682	157,296	171,134	14,533	123,318	26,274
2011	293,482	144,491	171,999	13,668	131,518	18,073
2012-2016	1,074,735	546,485	855,026	54,541	140,264	9,328
2017-2021	1,155,000	322,841	798,366	29,228	-	-
2022-2025	815,000	71,464	275,522	4,348	-	-
	<u>\$4,564,339</u>	<u>\$3,574,069</u>	<u>\$2,856,949</u>	<u>\$164,897</u>	<u>\$720,807</u>	<u>\$176,745</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, 2006, the City had a legal debt margin for total debt of \$129,806,782 and a legal debt margin for unvoted debt of \$66,008,527.

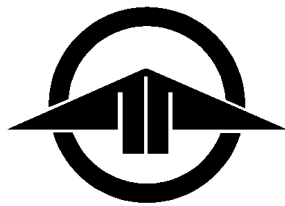
13. CONTINGENT LIABILITIES

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. BEGINNING FUND BALANCES

On January 1, 2006 the City eliminated the Photo Lab internal service fund, which was a component of the Administrative Operations internal service fund. Since the vast majority of its services were performed for the Police Department, it was moved to the General fund where the Police Department is accounted for. The General fund beginning fund balance and pooled cash and investments was increased by \$153,685. The Administrative Operations internal service fund beginning fund balance was decreased by \$156,514 and the pooled cash and investments was decreased by \$153,685. The \$2,829 difference was the investment in capital assets in the Photo Lab on January 1, 2006.



CITY OF KETTERING

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1, as restated	\$21,760,407	\$21,760,407	\$21,760,407	
Resources (inflows)				
Income taxes	28,503,000	28,503,000	31,241,870	\$2,738,870
Property taxes	6,996,000	7,071,000	7,607,090	536,090
Licenses and permits	498,000	501,000	540,137	39,137
Intergovernmental revenue	1,897,000	1,930,000	1,933,599	3,599
Charges for services	216,000	208,000	207,258	(742)
Fines and forfeits	1,511,000	1,411,000	1,373,087	(37,913)
Investment earnings	850,000	850,000	1,451,579	601,579
Special assessments	300,000	340,000	354,405	14,405
Refunds and reimbursements	1,010,000	1,010,000	1,278,763	268,763
Miscellaneous	25,000	10,000	15,591	5,591
Sale of city assets	50,000	61,000	79,080	18,080
Amounts available for appropriation	63,616,407	63,655,407	67,842,866	4,187,459
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	207,100	218,300	216,611	1,689
Operating expenditures	85,387	84,605	73,487	11,118
Capital outlay				
Total mayor and council	292,487	302,905	290,098	12,807
Municipal court:				
Personal services	839,500	847,200	838,125	9,075
Operating expenditures	245,353	246,193	157,435	88,758
Capital outlay				
Total municipal court	1,084,853	1,093,393	995,560	97,833
Clerk of courts:				
Personal services	762,500	767,500	752,880	14,620
Operating expenditures	142,540	614,455	571,466	42,989
Capital outlay				
Total clerk of courts	905,040	1,381,955	1,324,346	57,609
Office of City Manager:				
Personal services	557,260	567,260	503,829	63,431
Operating expenditures	49,640	56,211	48,902	7,309
Capital outlay				
Total office of city manager	606,900	623,471	552,731	70,740
Law department:				
Personal services	648,800	665,500	634,752	30,748
Operating expenditures	142,297	197,297	180,452	16,845
Capital outlay				
Total law department	791,097	862,797	815,204	47,593
Finance department:				
Personal services:	1,354,100	1,390,200	1,312,738	77,462
Operating expenditures	492,581	491,702	399,602	92,100
Capital outlay				
Total finance department	1,846,681	1,881,902	1,712,340	169,562
Administrative support:				
Personal services	320,910	339,210	326,585	12,625
Operating expenditures	76,770	84,070	79,002	5,068
Capital outlay	7,300			
Total administrative support	404,980	423,280	405,587	17,693

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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$567,600	\$583,000	\$562,509	\$20,491
Operating expenditures	273,413	273,407	189,125	84,282
Capital outlay				
Total human resources department	841,013	856,407	751,634	104,773
Planning and development:				
Personal services	1,863,400	1,911,900	1,725,940	185,960
Operating expenditures	441,340	469,312	274,731	194,581
Capital outlay				
Total planning and development	2,304,740	2,381,212	2,000,671	380,541
Economic development:				
Personal services	106,800	110,100	110,018	82
Operating expenditures	2,010,563	2,395,443	2,387,795	7,648
Capital outlay				
Total economic development	2,117,363	2,505,543	2,497,813	7,730
Miscellaneous:				
Operating expenditures	807,496	1,065,326	731,240	334,086
Total miscellaneous	807,496	1,065,326	731,240	334,086
Total general government	12,002,650	13,378,191	12,077,224	1,300,967
Police:				
Personal services	8,771,700	9,090,100	9,088,062	2,038
Operating expenditures	2,767,046	2,792,788	2,183,694	609,094
Capital outlay	738,494	738,494	266,550	471,944
Total police	12,277,240	12,621,382	11,538,306	1,083,076
Fire:				
Personal services	6,088,100	6,201,400	6,201,368	32
Operating expenditures	1,993,526	2,009,287	1,782,297	226,990
Capital outlay	653,890	611,890		611,890
Total fire	8,735,516	8,822,577	7,983,665	838,912
Public works:				
Engineering department:				
Personal services	1,762,100	1,808,800	1,762,293	46,507
Operating expenditures	447,855	454,548	402,246	52,302
Capital outlay	144,930	144,930	59,998	84,932
Total engineering department	2,354,885	2,408,278	2,224,537	183,741
Street lighting:				
Operating expenditures	561,000	561,000	494,253	66,747
Total street lighting	561,000	561,000	494,253	66,747
Total public works	2,915,885	2,969,278	2,718,790	250,488
Transfers to other funds	10,211,231	13,969,166	10,657,427	3,311,739
Total charges to appropriations	46,142,522	51,760,594	44,975,412	6,785,182
Fund balance, December 31	\$17,473,885	\$11,894,813	\$22,867,454	\$10,972,641

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - STREET MAINTENANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$195,515	\$195,515	\$195,515	
Resources (inflows)				
Licenses and permits	10,000	10,000	1,320	(\$8,680)
Intergovernmental revenue	2,494,000	2,504,000	2,467,167	(36,833)
Refunds and reimbursements	406,000	350,000	448,491	98,491
Miscellaneous	5,000	29,000	11,441	(17,559)
Sale of city assets			48,709	48,709
Transfer from the general fund	2,340,000	2,418,590	1,986,100	(432,490)
Amounts available for appropriation	<u>5,450,515</u>	<u>5,507,105</u>	<u>5,158,743</u>	<u>(348,362)</u>
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	3,464,600	3,539,900	3,362,338	177,562
Operating expenditures	1,402,459	1,405,749	989,299	416,450
Capital outlay	434,700	434,700	342,171	92,529
Total charges to appropriations	<u>5,301,759</u>	<u>5,380,349</u>	<u>4,693,808</u>	<u>686,541</u>
Fund balance, December 31	<u>\$148,756</u>	<u>\$126,756</u>	<u>\$464,935</u>	<u>\$338,179</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, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$127,324	\$127,324	\$127,324	
Resources (inflows)				
Intergovernmental revenue	28,000	20,000	20,128	\$128
Charges for services	3,331,000	3,191,000	3,308,608	117,608
Refunds and reimbursements	126,000	131,000	97,514	(33,486)
Miscellaneous	23,000	11,000	28,055	17,055
Transfer from the general fund	5,210,000	5,413,120	4,890,100	(523,020)
Amounts available for appropriation	<u>8,845,324</u>	<u>8,893,444</u>	<u>8,471,729</u>	<u>(421,715)</u>
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	4,966,700	4,900,500	4,743,064	157,436
Operating expenditures	3,769,803	3,779,273	3,502,965	276,308
Capital outlay	86,500	72,875	55,894	16,981
Total charges to appropriations	<u>8,823,003</u>	<u>8,752,648</u>	<u>8,301,923</u>	<u>450,725</u>
Fund balance, December 31	<u>\$22,321</u>	<u>\$140,796</u>	<u>\$169,806</u>	<u>\$29,010</u>

See accompanying notes to the required supplementary information.

38 CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$94,183	\$94,183	\$94,183	
Resources (inflows)				
Charges for services	1,890,000	1,989,000	2,036,287	\$47,287
Refunds and reimbursements	5,000	1,000	2,575	1,575
Miscellaneous	225,000	243,000	244,611	1,611
Transfer from the general fund	525,000	573,670	148,000	(425,670)
Amounts available for appropriation	<u>2,739,183</u>	<u>2,900,853</u>	<u>2,525,656</u>	<u>(375,197)</u>
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	579,100	583,220	535,131	48,089
Operating expenditures	2,128,071	2,171,718	1,884,010	287,708
Capital outlay	10,000	10,000		10,000
Total charges to appropriations	<u>2,717,171</u>	<u>2,764,938</u>	<u>2,419,141</u>	<u>345,797</u>
Fund balance, December 31	<u>\$22,012</u>	<u>\$135,915</u>	<u>\$106,515</u>	<u>(\$29,400)</u>

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
**BUDGET (GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -
 COMMUNITY DEVELOPMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,216,336	\$1,216,336	\$1,216,336	
Resources (inflows)				
Intergovernmental revenue	2,003,573	2,203,573	1,562,495	(\$641,078)
Investment earnings			1,823	1,823
Refunds and reimbursements	312,500	312,500	175,000	(137,500)
Miscellaneous	37,750	37,850	27,005	(10,845)
Sale of city assets	50,000	50,000		(50,000)
Transfer from the general fund	7,000	7,000	7,000	
Amounts available for appropriation	<u>3,627,159</u>	<u>3,827,259</u>	<u>2,989,659</u>	<u>(837,600)</u>
Charges to appropriations (outflows)				
General government	801,820	823,407	379,061	444,346
Capital improvements	1,556,737	1,644,150	1,337,876	306,274
Total charges to appropriations	<u>2,358,557</u>	<u>2,467,557</u>	<u>1,716,937</u>	<u>750,620</u>
Fund balance, December 31	<u>\$1,268,602</u>	<u>\$1,359,702</u>	<u>\$1,272,722</u>	<u>(\$86,980)</u>

See accompanying notes to the required supplementary information.

40 CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - EMERGENCY MEDICAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,576,293	\$1,576,293	\$1,576,293	
Resources (inflows)				
Charges for services	1,200,000	1,200,000	1,315,725	\$115,725
Investment earnings	50,000	50,000	117,053	67,053
Amounts available for appropriation	2,826,293	2,826,293	3,009,071	182,778
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	138,235	132,701	169,215	(36,514)
Capital outlay	1,178,000	1,178,000		1,178,000
Total fire	1,316,235	1,310,701	169,215	1,141,486
Capital Improvements				
Total charges to appropriations	1,316,235	1,310,701	169,215	1,141,486
Fund balance, December 31	\$1,510,058	\$1,515,592	\$2,839,856	\$1,324,264

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. BUDGETS AND BUDGETARY ACCOUNTING

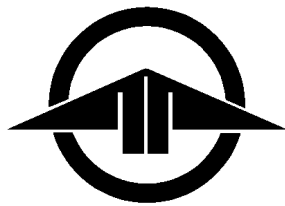
An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings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

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

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

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

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



CITY OF KETTERING

**FINANCIAL STATEMENTS
OF
INDIVIDUAL FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET DECEMBER 31, 2006

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
ASSETS						
Pooled cash and investments	\$281,056	\$328,300	\$368,832	\$41,956	\$1,342,561	\$2,362,705
Receivables:						
Property taxes			380,000			380,000
Accounts				3,238	36,400	39,638
Due from other governments	83,465		379		48,665	132,509
Prepaid expenditures					4,928	4,928
Total assets	<u>\$364,521</u>	<u>\$328,300</u>	<u>\$749,211</u>	<u>\$45,194</u>	<u>\$1,432,554</u>	<u>\$2,919,780</u>
LIABILITIES						
Accounts payable	\$1,798	\$600	\$40	\$7,464	\$17,219	\$27,121
Accrued payroll			358,710		5,628	364,338
Deferred revenue	69,900		380,000	313	14,284	464,497
Total liabilities	<u>71,698</u>	<u>600</u>	<u>738,750</u>	<u>7,777</u>	<u>37,131</u>	<u>855,956</u>
FUND BALANCES						
Reserved for:						
Encumbrances	119,973			26,450	113,525	259,948
Prepaid expenditures					4,928	4,928
Unreserved	172,850	\$327,700	10,461	10,967	1,276,970	1,798,948
Total fund balances	<u>292,823</u>	<u>327,700</u>	<u>10,461</u>	<u>37,417</u>	<u>1,395,423</u>	<u>2,063,824</u>
Total liabilities and fund balances	<u>\$364,521</u>	<u>\$328,300</u>	<u>\$749,211</u>	<u>\$45,194</u>	<u>\$1,432,554</u>	<u>\$2,919,780</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, 2006

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes						
Intergovernmental revenue	\$156,000	\$167,744	\$11,744			
Charges for services				\$9,000	\$11,715	\$2,715
Fines and forfeits						
Investment earnings	10,000	15,905	5,905	11,000	17,610	6,610
Refunds and reimbursements						
Miscellaneous				2,000	1,560	(440)
Total revenues	<u>166,000</u>	<u>183,649</u>	<u>17,649</u>	<u>22,000</u>	<u>30,885</u>	<u>8,885</u>
EXPENDITURES						
Current:						
General government				19,600	12,170	7,430
Police						
Fire						
Public works	137,500	68,667	68,833			
Leisure services						
Capital improvements	241,815	70,295	171,520			
Total expenditures	<u>379,315</u>	<u>138,962</u>	<u>240,353</u>	<u>19,600</u>	<u>12,170</u>	<u>7,430</u>
Excess (deficiency) of revenues over expenditures	(213,315)	44,687	258,002	2,400	18,715	16,315
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out						
Net change in fund balance	(213,315)	44,687	258,002	2,400	18,715	16,315
Fund balances--beginning	248,136	248,136		308,985	308,985	
Fund balances--ending	<u>\$34,821</u>	<u>\$292,823</u>	<u>\$258,002</u>	<u>\$311,385</u>	<u>\$327,700</u>	<u>\$16,315</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, 2006

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$376,000	\$400,826	\$24,826			
Intergovernmental revenue						
Charges for services				\$30,000	\$30,306	\$306
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				38,000	37,127	(873)
Miscellaneous						
Total revenues	<u>376,000</u>	<u>400,826</u>	<u>24,826</u>	<u>68,000</u>	<u>67,433</u>	<u>(567)</u>
EXPENDITURES						
Current:						
General government				302,775	235,460	67,315
Police	1,236,700	1,200,291	36,409			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,236,700</u>	<u>1,200,291</u>	<u>36,409</u>	<u>302,775</u>	<u>235,460</u>	<u>67,315</u>
Excess (deficiency) of revenues over expenditures	(860,700)	(799,465)	61,235	(234,775)	(168,027)	66,748
OTHER FINANCING SOURCES (USES)						
Transfers in	876,700	799,500	(77,200)	225,000	188,000	(37,000)
Transfers out						
Net change in fund balance	<u>16,000</u>	<u>35</u>	<u>(15,965)</u>	<u>(9,775)</u>	<u>19,973</u>	<u>29,748</u>
Fund balances--beginning	10,426	10,426		17,444	17,444	
Fund balances--ending	<u>\$26,426</u>	<u>\$10,461</u>	<u>(\$15,965)</u>	<u>\$7,669</u>	<u>\$37,417</u>	<u>\$29,748</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, 2006

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes				\$376,000	\$400,826	\$24,826
Intergovernmental revenue	\$637,731	\$331,811	(\$305,920)	793,731	499,555	(294,176)
Charges for services				39,000	42,021	3,021
Fines and forfeits	376,000	388,988	12,988	376,000	388,988	12,988
Investment earnings	12,500	34,599	22,099	33,500	68,114	34,614
Refunds and reimbursements	51,575	65,219	13,644	89,575	102,346	12,771
Miscellaneous	174,498	212,208	37,710	176,498	213,768	37,270
Total revenues	<u>1,252,304</u>	<u>1,032,825</u>	<u>(219,479)</u>	<u>1,884,304</u>	<u>1,715,618</u>	<u>(168,686)</u>
EXPENDITURES						
Current:						
General government	810,782	401,882	408,900	1,133,157	649,512	483,645
Police	201,191	163,119	38,072	1,437,891	1,363,410	74,481
Fire	3,000		3,000	3,000		3,000
Public works	70,478	47,428	23,050	207,978	116,095	91,883
Leisure services	13,021	4,722	8,299	13,021	4,722	8,299
Capital improvements	151,784	64,500	87,284	393,599	134,795	258,804
Total expenditures	<u>1,250,256</u>	<u>681,651</u>	<u>568,605</u>	<u>3,188,646</u>	<u>2,268,534</u>	<u>920,112</u>
Excess (deficiency) of revenues over expenditures	2,048	351,174	349,126	(1,304,342)	(552,916)	751,426
OTHER FINANCING SOURCES (USES)						
Transfers in	25,086	1,225	(23,861)	1,126,786	988,725	(138,061)
Transfers out						
Net change in fund balance	27,134	352,399	325,265	(177,556)	435,809	613,365
Fund balances--beginning	1,043,024	1,043,024		1,628,015	1,628,015	
Fund balances--ending	<u>\$1,070,158</u>	<u>\$1,395,423</u>	<u>\$325,265</u>	<u>\$1,450,459</u>	<u>\$2,063,824</u>	<u>\$613,365</u>

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$1,249,000	\$1,304,564	\$55,564
Investment earnings	40,000	79,207	39,207
Special assessments	149,000	149,592	592
Refunds and reimbursements	27,000	27,345	345
Total revenues	<u>1,465,000</u>	<u>1,560,708</u>	<u>95,708</u>
EXPENDITURES			
Current:			
General government	5,000		5,000
Debt service:			
Principal	1,313,385	1,313,385	
Interest	1,178,485	1,178,485	
Total expenditures	<u>2,491,870</u>	<u>2,491,870</u>	<u>5,000</u>
Deficiency of revenues over expenditures	(1,031,870)	(931,162)	100,708
OTHER FINANCING SOURCES (USES)			
Transfers in	1,100,000	932,000	(168,000)
Net change in fund balance	68,130	838	(67,292)
Fund balances--beginning	15,638	15,638	
Fund balances--ending	<u>\$83,768</u>	<u>\$16,476</u>	<u>(\$67,292)</u>

CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$120,000	\$120,561	\$561
Intergovernmental	6,751,000	4,676,079	(2,074,921)
Special assessments	425,000	398,770	(26,230)
Refunds and reimbursements	184,000	186,375	2,375
Total revenues	<u>7,480,000</u>	<u>5,381,785</u>	<u>(2,098,215)</u>
EXPENDITURES			
Capital improvements	12,195,334	6,493,903	5,701,431
Total expenditures	<u>12,195,334</u>	<u>6,493,903</u>	<u>5,701,431</u>
Deficiency of revenues over expenditures	(4,715,334)	(1,112,118)	3,603,216
OTHER FINANCING SOURCES (USES)			
Transfers in	3,330,000	1,705,502	(1,624,498)
Net change in fund balance	(1,385,334)	593,384	1,978,718
Fund balances--beginning	4,102,074	4,102,074	
Fund balances--ending	<u>\$2,716,740</u>	<u>\$4,695,458</u>	<u>\$1,978,718</u>

CAPITAL PROJECTS FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$141,029	\$63,245	\$77,784
Street construction	10,738,047	5,528,860	5,209,187
Drainage	235,303	60,984	174,319
Parks and recreation	74,000	69,735	4,265
Tree planting and landscaping	40,000	39,465	535
Other	966,955	731,614	235,341
Total capital projects fund	<u>\$12,195,334</u>	<u>\$6,493,903</u>	<u>\$5,701,431</u>

INTERNAL SERVICE FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2006

	Administrative Operations	Health Insurance	Totals
ASSETS			
Current assets:			
Pooled cash and investments	\$702,224	\$32,348	\$734,572
Accounts receivable	920		920
Due from other governments	22,335		22,335
Prepaid expenses	4,155		4,155
Inventory	295,945		295,945
Total current assets	<u>1,025,579</u>	<u>32,348</u>	<u>1,057,927</u>
Noncurrent assets:			
Buildings and improvements	790,687		790,687
Machinery and equipment	2,039,976		2,039,976
Less: Accumulated depreciation	(2,301,131)		(2,301,131)
Total noncurrent assets	<u>529,532</u>		<u>529,532</u>
Total assets	<u><u>\$1,555,111</u></u>	<u><u>\$32,348</u></u>	<u><u>\$1,587,459</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$146,756		\$146,756
Accrued payroll	164,572		164,572
Total current liabilities	<u>311,328</u>		<u>311,328</u>
Noncurrent liabilities:			
Accrued vacation and sick leave benefits	312,573		312,573
Total liabilities	<u>623,901</u>		<u>623,901</u>
NET ASSETS			
Invested in capital assets	529,532		529,532
Unrestricted	401,678	\$32,348	434,026
Total net assets	<u>931,210</u>	<u>32,348</u>	<u>963,558</u>
Total liabilities and net assets	<u><u>\$1,555,111</u></u>	<u><u>\$32,348</u></u>	<u><u>\$1,587,459</u></u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Administrative Operations	Health Insurance	Totals
OPERATING REVENUES			
Charges for services	\$5,103,365	\$4,067,616	\$9,170,981
Total operating revenues	<u>5,103,365</u>	<u>4,067,616</u>	<u>9,170,981</u>
OPERATING EXPENSES			
Personal services	2,863,012		2,863,012
Repairs and maintenance	1,306,414		1,306,414
Contractual services	586,543	4,075,055	4,661,598
Other materials and expenses	529,447		529,447
Depreciation	199,450		199,450
Total operating expenses	<u>5,484,866</u>	<u>4,075,055</u>	<u>9,559,921</u>
Operating income (loss)	<u>(381,501)</u>	<u>(7,439)</u>	<u>(388,940)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	49,165	561	49,726
Change in net assets	(332,336)	(6,878)	(339,214)
Total net assets--beginning, as restated	<u>1,263,546</u>	<u>39,226</u>	<u>1,302,772</u>
Total net assets--ending	<u>\$931,210</u>	<u>\$32,348</u>	<u>\$963,558</u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 Increase (Decrease) in cash

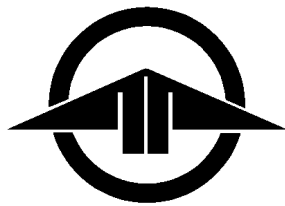
	Administrative Operations	Health Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for services	\$5,119,390	\$4,067,616	\$9,187,006
Cash paid to suppliers for goods or services	(2,349,658)	(4,075,055)	(6,424,713)
Cash paid to employees for services	(2,798,448)		(2,798,448)
Net cash provided (used) by operating activities	<u>(28,716)</u>	<u>(7,439)</u>	<u>(36,155)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(25,261)		(25,261)
Sale of capital assets	7,585		7,585
Net cash used by capital and related financing activities	<u>(17,676)</u>		<u>(17,676)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	49,165	561	49,726
Net cash provided by investing activities	<u>49,165</u>	<u>561</u>	<u>49,726</u>
Net increase (decrease) in cash	2,773	(6,878)	(4,105)
Cash at beginning of year, as restated	699,451	39,226	738,677
Cash at end of year	<u>\$702,224</u>	<u>\$32,348</u>	<u>\$734,572</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	(\$381,501)	(\$7,439)	(\$388,940)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	199,450		199,450
(Increase) decrease in receivables	17,428		17,428
(Increase) decrease in inventories	33,978		33,978
Increase (decrease) in accounts payable	33,776		33,776
Net (increase) decrease in other operating net assets	68,153		68,153
Net cash provided (used) by operating activities	<u>(\$28,716)</u>	<u>(7,439)</u>	<u>(\$36,155)</u>

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Balance December 31 2005	Additions	Deductions	Balance December 31 2006
<u>PAYROLL WITHHOLDING FUND</u>				
ASSETS - Cash	\$389,090	\$9,022,354	\$9,027,117	\$384,327
LIABILITIES - Withholdings payable	\$389,090	\$9,022,354	\$9,027,117	\$384,327
<u>MUNICIPAL COURT FUND</u>				
ASSETS - Investments with fiscal agent	\$317,698	\$4,611,650	\$4,591,497	\$337,851
LIABILITIES - Undistributed moneys	\$317,698	\$4,611,650	\$4,591,497	\$337,851
<u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u>				
ASSETS - Cash	\$12,897	\$75,277	\$46,138	\$42,036
LIABILITIES				
Accounts payable	\$8,717	\$71,173	\$40,276	\$39,614
Unclaimed moneys	4,180	4,104	5,862	2,422
Total liabilities	\$12,897	\$75,277	\$46,138	\$42,036
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$401,987	\$9,097,631	\$9,073,255	\$426,363
Investments with fiscal agent	317,698	4,611,650	4,591,497	337,851
Total assets	\$719,685	\$13,709,281	\$13,664,752	\$764,214
LIABILITIES				
Accounts payable	\$8,717	\$71,173	\$40,276	\$39,614
Withholdings payable	389,090	9,022,354	9,027,117	384,327
Undistributed moneys	317,698	4,611,650	4,591,497	337,851
Unclaimed moneys	4,180	4,104	5,862	2,422
Total liabilities	\$719,685	\$13,709,281	\$13,664,752	\$764,214

DEBT SCHEDULE
DECEMBER 31, 2006

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2007	
						Principal	Interest
General Obligation Bonds:							
Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	\$524,921	\$224,192	\$33,341	\$14,909
Improvement bonds-series 1992	11/1/1992	3.25-6.45	12/1/2012	994,303	445,000	65,000	28,703
Recreation center refunding	8/1/1993	2.65-16.9	12/1/2008	9,289,352	180,147	97,367	887,633
Court facility	3/29/2005	3.0-4.5	12/1/2024	3,950,000	3,715,000	150,000	148,015
Total general obligation bonds					4,564,339	345,708	1,079,260
Special Assessment Bonds:							
Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	1,665,079	720,807	101,659	47,934
Total special assessment bonds					720,807	101,659	47,934
Promissory Notes:							
Ohio public works commission:							
Bridge replacements	12/1/1994	0.00	7/1/2015	280,393	121,427	14,020	0
Rushland drive improvement	7/1/1996	0.00	7/1/2016	122,577	61,289	6,129	0
Dorothy lane resurfacing	1/1/1998	0.00	1/1/2008	509,850	76,478	50,985	0
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	1,216,575	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	452,403	20,750	13,418
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	566,031	34,305	0
Ridgeway Bridge Rehab	12/31/2004	1.00	7/1/2025	380,000	362,746	17,427	3,584
Total promissory notes					2,856,949	219,652	17,002
Total					\$8,142,095	\$667,019	\$1,144,196



CITY OF KETTERING

STATISTICAL SECTION

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

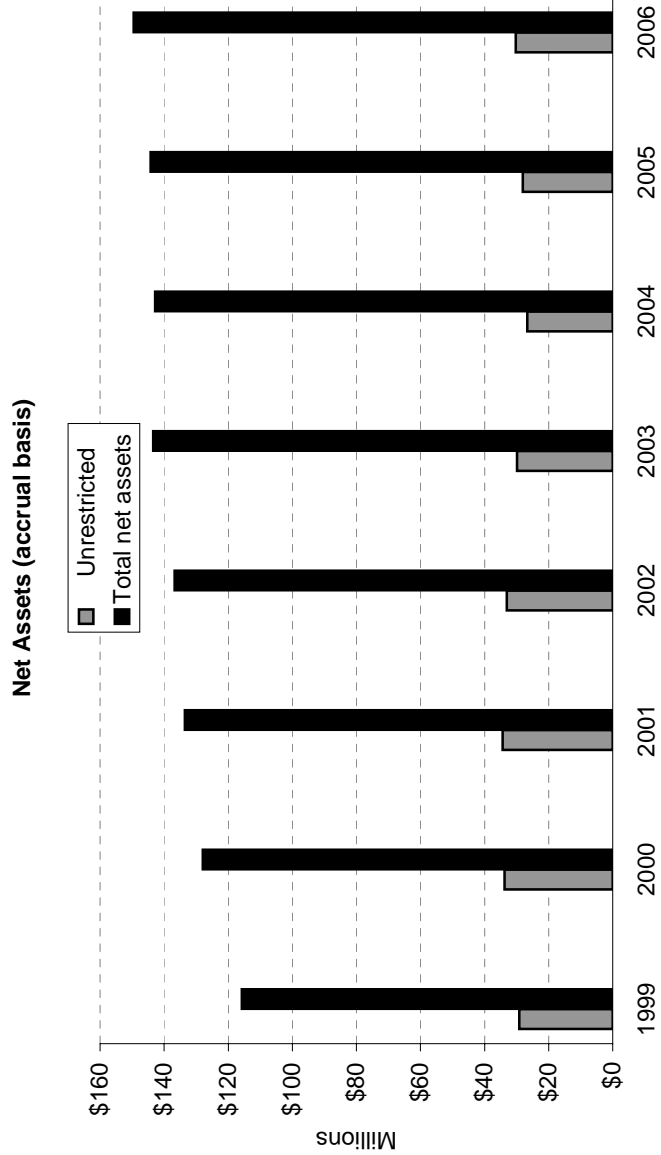
<u>Category</u>	<u>Schedule #s</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1, 2, 3 & 4
Revenue Capacity These schedules contain information to help the reader assess the City's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

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

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

	1999	2000	2001	2002	2003	2004	2005	2006
Governmental activities								
Invested in capital assets, net of related debt	\$83,168,667	\$91,355,281	\$95,986,319	\$100,065,903	\$109,267,077	\$112,412,581	\$112,076,412	\$113,557,610
Restricted for:								
Debt service	153,118	172,832	38,533	46,554	34,549	15,178	15,638	16,476
Community development block grant	2,285,033	2,168,695	2,035,858	2,080,807	1,863,768	1,043,771	1,255,296	1,379,856
Emergency medical					912,249	1,194,939	1,654,299	2,945,419
Municipal court activities	418,917	338,740	559,340	742,720	957,095	1,112,424	660,228	764,100
Other purposes	584,034	155,634	597,899	732,386	495,406	471,289	546,270	602,395
Unrestricted	29,181,595	33,743,585	34,320,366	33,037,037	29,905,347	26,619,777	28,054,056	30,230,404
Total net assets	\$115,791,364	\$127,934,767	\$133,538,315	\$136,705,407	\$143,435,491	\$142,869,959	\$144,262,199	\$149,496,260

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



CITY OF KETTERING, OHIO

SCHEDULE 2

CHANGES IN NET ASSETS

LAST EIGHT YEARS (accrual basis of accounting)

	1999	2000	2001	2002	2003	2004	2005	2006
Expenses								
General government	\$8,882,212	\$10,324,836	\$10,716,604	\$11,179,273	\$12,142,127	\$13,210,288	\$12,339,967	\$14,150,379
Police	9,163,871	9,413,721	10,270,530	10,626,973	10,840,287	11,282,263	11,530,015	12,914,191
Fire	6,374,476	6,356,550	7,349,117	7,569,675	7,768,263	8,768,088	8,380,554	8,709,771
Public works	9,366,194	9,791,899	9,812,828	10,803,744	11,236,775	11,926,820	11,813,178	11,360,485
Leisure services	10,427,534	10,231,388	10,832,180	11,665,610	11,479,183	11,834,644	11,873,881	12,416,056
Interest on long term debt	749,636	619,018	541,085	458,517	386,200	292,918	1,168,357	1,180,009
Total expenses	44,963,923	46,737,412	49,522,344	52,303,792	53,852,835	57,315,021	57,105,952	60,730,891
Program Revenues								
Charges for services:								
General government	1,678,418	1,686,309	2,015,725	2,353,231	2,344,241	2,436,404	2,704,373	2,496,686
Fire	3,823,331	3,907,797	4,098,781	4,508,945	1,144,791	986,737	1,156,577	1,343,281
Leisure services		2,660	880	205	4,398,036	5,085,696	5,379,969	5,344,896
Other activities	1,959,598	1,860,874	1,216,785	1,743,952	67,602	62,639	55,265	56,126
Operating grants and contributions					1,388,760	1,623,605	1,563,184	1,253,950
Capital grants and contributions:								
Public works	1,229,161	4,449,371	4,284,996	3,779,248	6,560,882	2,583,208	2,187,075	3,216,110
Other activities	27,225	25,000	367,750		58,653	29,216	203,067	904,254
Total program revenues	8,717,733	11,932,011	11,984,917	12,385,581	15,962,965	12,807,505	13,249,510	14,615,303
Net (Expense)/Revenue¹								
General government	(6,233,861)	(7,896,810)	(7,591,743)	(7,615,770)	(8,920,581)	(9,489,609)	(8,400,440)	(9,876,734)
Police	(9,121,479)	(9,349,083)	(10,198,837)	(10,534,263)	(10,692,821)	(11,201,292)	(11,402,343)	(12,759,270)
Fire	(6,372,176)	(6,355,945)	(7,319,277)	(7,569,335)	(6,568,248)	(7,763,976)	(7,217,962)	(7,366,390)
Public works	(7,381,653)	(4,422,113)	(5,477,029)	(6,971,161)	(4,519,146)	(9,261,925)	(9,459,374)	(8,138,835)
Leisure services	(6,387,385)	(6,162,432)	(6,409,456)	(6,769,165)	(6,802,874)	(6,497,796)	(6,207,966)	(6,794,350)
Interest on long term debt	(749,636)	(619,018)	(541,085)	(458,517)	(386,200)	(292,918)	(1,168,357)	(1,180,009)
Total net expense	(36,246,190)	(34,805,401)	(37,537,427)	(39,918,211)	(37,889,870)	(44,507,516)	(43,856,442)	(46,115,588)
General Revenues								
Taxes								
Income taxes	22,512,947	23,379,834	23,660,299	25,341,919	25,607,227	27,526,627	26,832,269	31,286,014
Property taxes, levied for general purposes	6,164,671	6,533,352	6,618,088	6,706,279	7,025,307	7,134,615	7,533,530	8,086,778
Property taxes, levied for debt service	1,198,897	1,206,793	1,169,189	1,192,441	1,183,447	1,205,190	1,279,605	1,304,564
Other taxes	6,181,380	8,184,945	6,992,076	6,432,237	8,302,792	6,259,478	6,829,478	7,300,029
Investment earnings	2,256,674	2,400,657	2,071,226	1,381,779	780,231	513,456	983,308	1,717,776
Refunds & reimbursements	1,061,974	1,161,602	2,212,010	1,306,890	1,284,483	1,182,084	1,547,397	1,327,366
Miscellaneous	4,576,102	330,138	418,087	723,758	436,467	120,421	243,095	327,122
Total general revenues	43,952,645	43,197,321	43,140,975	43,085,303	44,619,954	43,941,984	45,248,682	51,349,649
Change in Net Assets	\$7,706,455	\$8,391,920	\$5,603,548	\$3,167,092	\$6,730,084	(\$565,532)	\$1,392,240	\$5,234,061

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

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

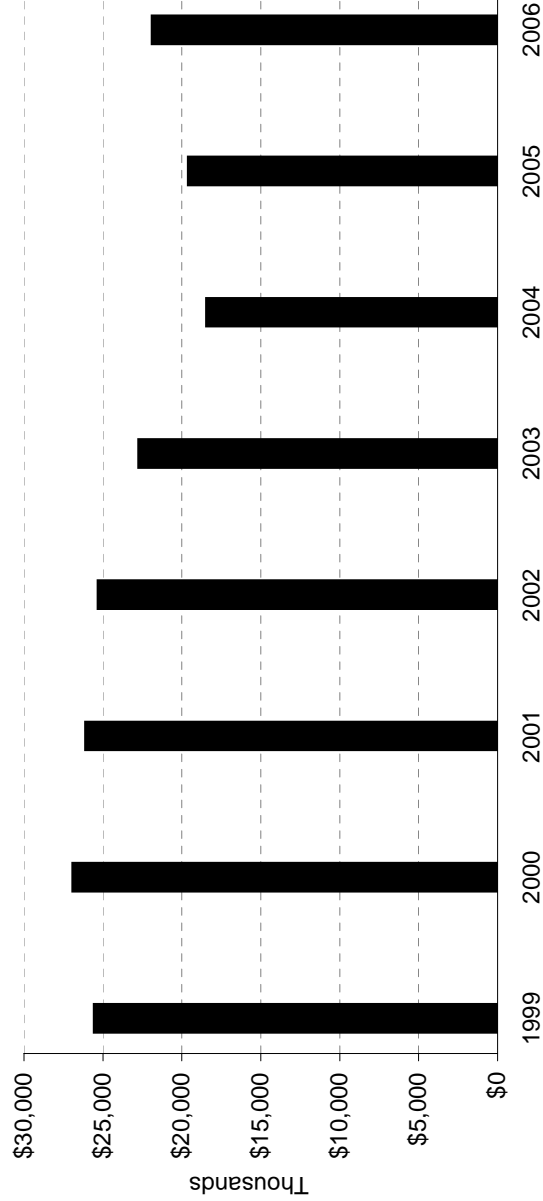
SCHEDULE 3

FUND BALANCES, GOVERNMENTAL FUNDS

LAST EIGHT YEARS (modified accrual basis of accounting)

	Year							
	1999	2000	2001	2002	2003	2004	2005	2006
General Fund								
Reserved	\$2,190,996	\$2,405,099	\$2,004,958	\$1,658,540	\$1,919,131	\$2,310,521	\$2,001,802	\$978,704
Unreserved	25,570,928	26,921,571	26,116,746	25,320,039	22,751,848	18,448,822	19,604,920	21,888,750
Total general fund	<u>\$27,761,924</u>	<u>\$29,326,670</u>	<u>\$28,121,704</u>	<u>\$26,978,579</u>	<u>\$24,670,979</u>	<u>\$20,759,343</u>	<u>\$21,606,722</u>	<u>\$22,867,454</u>
All Other Governmental Funds								
Reserved	\$7,112,526	\$4,353,076	\$6,995,171	\$6,723,658	\$5,796,672	\$5,176,218	\$5,944,495	\$7,288,657
Unreserved, reported in:								
Special revenue funds	355,843	68,155	1,140,426	1,662,040	2,360,777	2,481,977	2,767,404	4,314,413
Debt service fund	153,118	117,532	38,533	46,554	34,549	15,178	15,638	16,476
Capital project fund	210,977	1,076,034	10,445	10,305	18,903	10,463	227,841	10,046
Total all other governmental funds	<u>\$7,832,464</u>	<u>\$5,614,797</u>	<u>\$8,184,575</u>	<u>\$8,442,557</u>	<u>\$8,210,901</u>	<u>\$7,683,836</u>	<u>\$8,955,378</u>	<u>\$11,629,592</u>

Unreserved General Fund Balance



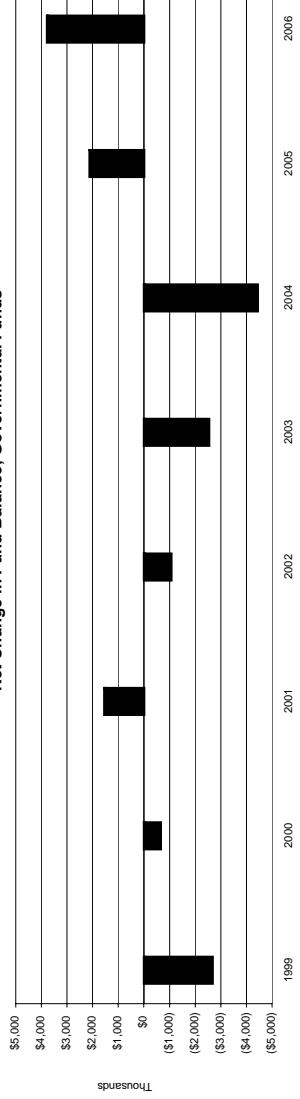
CITY OF KETTERING, OHIO

SCHEDULE 4

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

	1999	2000	2001	2002	2003	2004	2005	2006
REVENUES								
Income taxes	\$22,550,447	\$23,566,678	\$23,866,680	\$25,095,930	\$26,033,273	\$26,783,319	\$27,221,521	\$31,241,870
Property taxes	7,486,668	7,740,145	7,788,476	7,896,919	8,175,853	8,339,304	8,811,235	9,433,041
Licenses and permits	395,804	459,632	392,917	506,429	567,654	606,617	488,598	541,457
Intergovernmental revenue	7,800,085	10,035,712	10,276,158	10,043,805	14,669,208	8,597,471	9,156,001	11,159,023
Charges for services	4,021,532	4,001,529	4,223,430	4,615,432	5,448,625	6,436,412	6,925,229	6,909,899
Fines and forfeits	1,084,413	1,135,404	1,499,038	1,740,344	1,674,642	1,681,735	1,914,989	1,762,075
Investment earnings	2,011,338	2,645,992	2,071,226	1,381,779	780,228	513,456	983,308	1,717,776
Special assessments	1,168,726	1,418,452	1,251,362	1,308,754	1,024,871	1,203,717	1,402,805	902,767
Refunds and reimbursements	1,371,191	1,500,421	2,576,280	1,626,962	1,861,388	1,743,828	3,078,251	2,318,409
Miscellaneous	653,120	522,141	538,633	676,389	669,066	551,897	503,483	540,471
Total revenues	48,543,324	53,026,306	54,484,200	54,892,743	60,904,808	56,457,756	60,485,420	66,526,788
EXPENDITURES								
Current:								
General government	9,031,363	9,501,717	9,768,669	10,980,711	11,320,369	12,664,622	11,687,503	13,105,797
Police	9,315,128	9,353,231	10,064,525	10,429,392	10,786,712	11,230,625	11,308,886	12,901,716
Fire	6,099,968	7,125,540	7,224,511	7,275,877	7,831,880	8,585,929	8,328,226	8,152,880
Public works	6,701,394	7,053,955	6,897,648	7,952,650	8,173,691	8,529,615	7,674,931	7,528,693
Leisure services	8,876,221	8,774,617	9,335,122	10,283,469	10,438,031	10,352,928	10,602,498	10,725,786
Capital improvements	8,978,298	9,988,482	9,642,134	8,405,483	12,781,912	7,778,704	10,294,799	7,966,574
Debt service:								
Principal	1,523,134	1,583,134	1,648,134	1,718,134	1,952,988	2,057,118	1,387,380	1,313,385
Interest	697,513	625,480	547,930	465,787	386,244	301,213	1,153,773	1,178,485
Total expenditures	51,223,019	54,006,156	55,128,673	57,511,503	63,671,827	61,500,754	62,437,996	62,873,316
Excess (deficiency) of revenues over expenditures	(2,679,695)	(979,850)	(644,473)	(2,618,760)	(2,767,019)	(5,042,998)	(1,952,576)	3,653,472
OTHER FINANCING SOURCES (USES)								
Transfers in	14,371,198	9,543,432	11,583,704	10,879,070	11,332,160	12,455,731	8,980,139	10,657,427
Transfers out	(14,371,198)	(9,543,432)	(11,583,704)	(10,879,070)	(11,332,160)	(12,455,731)	(8,980,139)	(10,657,427)
General obligation debt issuance			1,930,633	987,255	11,140	303,995	3,987,766	
Sale of city assets		326,929	258,652	566,362	216,623	300,302	83,731	127,789
Net change in fund balance	(\$2,679,695)	(\$652,921)	\$1,544,812	(\$1,065,143)	(\$2,539,256)	(\$4,438,701)	\$2,118,921	\$3,781,261
Debt service as a percentage of noncapital expenditures	5.38%	5.25%	4.91%	4.55%	4.72%	4.50%	4.97%	4.60%

Net Change in Fund Balance, Governmental Funds

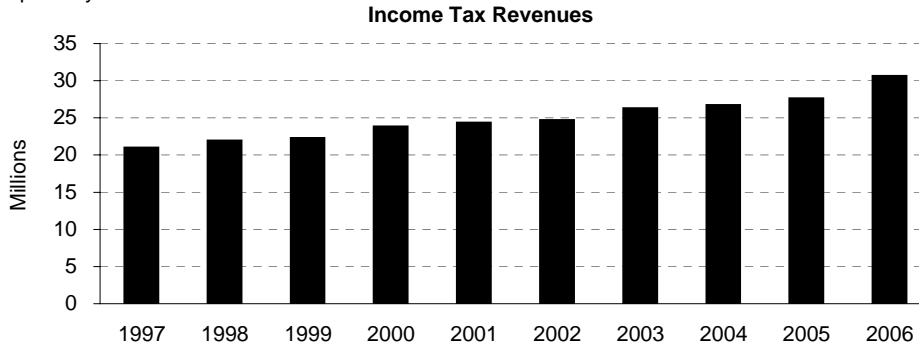


**INCOME TAX BY PAYER TYPE AND INCOME TAX RATE
LAST TEN YEARS (cash basis of accounting)**

Year	Individual		Total			Total	Income Tax Rate
	Withholding	Non-withholding	Individual	Corporate	Partnership		
1997	17,543,850	2,326,899	19,870,749	841,651	247,524	20,959,924	1.75%
1998	18,205,947	2,612,716	20,818,663	827,096	283,688	21,929,447	1.75%
1999	18,718,313	2,465,811	21,184,124	777,641	305,342	22,267,107	1.75%
2000	19,796,097	2,589,602	22,385,699	892,553	514,878	23,793,130	1.75%
2001	20,598,600	2,533,287	23,131,887	773,634	411,093	24,316,614	1.75%
2002	20,777,431	2,494,477	23,271,908	973,956	437,015	24,682,879	1.75%
2003	21,881,920	2,781,028	24,662,948	854,079	754,846	26,271,873	1.75%
2004	22,392,839	2,396,909	24,789,748	1,177,124	708,022	26,674,894	1.75%
2005	23,197,704	2,562,530	25,760,234	1,322,451	526,016	27,608,701	1.75%
2006	25,095,721	2,648,736	27,744,457	1,938,223	935,584	30,618,264	1.75%

Source: City of Kettering, Ohio, Finance Department

The City levies a 1.75% income tax on substantially all income earned within the City. Additional increases in the income tax rate require voter approval. City residents pay City income tax on income earned outside the City, however; a credit is allowed for income taxes paid to other municipalities. Employers within the City withhold income tax on employee compensation and remit at least quarterly.



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

2006		1996		
Rank	Name	2006 Rank	Rank	Name
1	Reynolds & Reynolds Company	3 ¹	1	General Motors Corporation
2	Kettering Medical Center	5	2	Federal Government
3	Delphi Automotive Systems Services LLC	2	3	Kettering Medical Center
4	GE Money	6	4	Kettering Board of Education
5	Federal Government	7 ¹	5	Scitex Digital Printing Inc.
6	Kettering Board of Education	8	6	City of Kettering
7	Eastman Kodak Company	-	7	Valeo Electrical Systems Inc.
8	City of Kettering	-	8	Reed Elsevier Inc.
9	Intimate Brands Inc.	-	9	Meijer Inc.
10	Time Warner Entertainment Inc.	9 ¹	10	Victoria's Secret Catalogue Inc.

Combined percentage of
Total Income taxes 38.4%

Combined percentage of
Total Income taxes 39.4%

Source: City of Kettering, Ohio, Finance Department

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

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

CITY OF KETTERING, OHIO

SCHEDULE 7

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Obligation Bonds	\$13,098,471	\$11,784,316	\$10,418,777	\$8,997,168	\$7,514,792	\$5,966,977	\$4,349,119	\$2,643,554	\$5,563,536	\$4,564,339
Percent of estimated actual property value	0.45%	0.41%	0.35%	0.28%	0.24%	0.19%	0.13%	0.08%	0.16%	0.12%
Per capita	216	195	172	156	131	104	76	46	97	79
Special Assessment Bonds	1,547,881	1,465,036	1,378,574	1,288,184	1,193,560	1,094,375	990,233	905,798	816,127	720,807
Promissory Notes	364,052	828,261	757,129	685,994	2,545,494	3,461,615	3,241,766	3,278,644	3,075,818	2,856,949
Total Gross Indebtedness	15,010,404	14,077,613	12,554,480	10,971,346	11,253,846	10,522,967	8,581,118	6,827,996	9,455,481	8,142,095
Percentage of personal income	0.99%	0.91%	0.80%	0.71%	0.70%	0.65%	0.50%	0.40%	0.53%	0.42%
Per capita	248	232	207	191	196	183	149	119	164	142
Less debt outside limitations:										
Special Assessment Debt	1,547,881	1,465,036	1,378,574	1,288,184	1,193,560	1,094,375	990,233	905,798	816,127	720,807
Promissory Notes	364,052	828,261	757,129	685,994	2,545,494	3,461,615	3,241,766	3,278,644	3,075,818	2,856,949
Less debt service fund balance	129,069	161,955	153,118	117,532	38,533	46,554	34,549	15,178	15,638	16,476
Net debt within limitations for both Voted and Unvoted debt	12,969,402	11,622,361	10,265,659	8,879,636	7,476,259	5,920,423	4,314,570	2,628,376	5,547,898	4,547,863
Debt limitation for both Voted and Unvoted debt										
10.5% of assessed valuation	105,503,172	106,250,644	107,882,576	115,575,064	115,633,711	114,650,117	124,670,352	122,665,459	122,629,124	134,354,645
Legal debt margin for Voted and Unvoted debt	\$92,533,770	\$94,628,283	\$97,616,917	\$106,695,428	\$108,157,452	\$108,729,694	\$120,355,782	\$120,037,083	\$117,081,226	\$129,806,782
Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit	12.29%	10.94%	9.52%	7.68%	6.47%	5.16%	3.46%	2.14%	4.52%	3.38%
Net debt within limitations for both Voted and Unvoted limitation										
Voted and Unvoted debt	\$12,969,402	\$11,622,361	\$10,265,659	\$8,879,636	\$7,476,259	\$5,920,423	\$4,314,570	\$2,628,376	\$5,547,898	\$4,547,863
Less voted debt	6,159,352	5,444,352	4,699,352	3,924,352	3,114,352	2,264,352	1,369,352	429,352	294,663	180,147
Net debt within limitations for Unvoted debt	6,810,050	6,178,009	5,566,307	4,955,284	4,361,907	3,656,071	2,945,218	2,199,024	5,253,235	4,367,716
Debt limitation for Unvoted debt										
5.5% of assessed valuation	55,263,567	55,655,099	56,509,921	60,539,319	60,570,039	60,054,823	65,303,518	64,253,336	64,234,303	70,376,243
Legal debt margin for Unvoted debt	\$48,453,517	\$49,477,090	\$50,943,614	\$55,584,035	\$56,208,132	\$56,398,752	\$62,358,300	\$62,054,312	\$58,981,068	\$66,008,527
Net debt within limitations for Unvoted debt as a percentage of debt limit	12.32%	11.10%	9.85%	8.19%	7.20%	6.09%	4.51%	3.42%	8.18%	6.21%

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2006

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Kettering ¹	Amount Applicable to City of Kettering
State of Ohio			
City of Kettering	\$7,404,812	100.0%	\$7,404,812
Kettering City School District	97,767,902	92.1%	90,044,238
Montgomery County	46,399,375	11.9%	5,521,526
Beavercreek Local School District	33,169,779	1.0%	331,698
Total	\$184,741,868		\$103,302,274

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 ¹	Personal Income ²	Per capita Personal Income ^{1,2}	Unemployment Rate ³	Avg Sale Price for a Single Family Home ⁴	Total Assessed Property Value ⁵	Estimated Actual Property Value ⁵
1997	60,569	1,511,075,412	24,948	2.1%	109,792	1,004,792,119	2,884,674,180
1998	60,569	1,541,299,343	25,447	2.1%	116,461	1,011,910,890	2,906,512,889
1999	60,569	1,572,128,964	25,956	1.9%	116,524	1,027,453,106	2,944,151,764
2000	57,502	1,553,071,518	27,009	2.3%	121,534	1,100,714,894	3,169,669,776
2001	57,502	1,604,823,318	27,909	2.7%	123,524	1,101,273,442	3,174,922,055
2002	57,502	1,614,541,156	28,078	3.6%	132,529	1,091,905,872	3,167,681,964
2003	57,502	1,711,087,014	29,757	5.2%	138,690	1,187,336,684	3,433,251,092
2004	57,502	1,719,884,820	29,910	5.5%	135,081	1,168,242,464	3,453,224,812
2005	57,502	1,787,162,160	31,080	5.4%	141,345	1,167,896,415	3,423,470,549
2006	57,502	1,924,821,948	33,474	4.8%	137,664	1,279,568,048	3,789,173,634

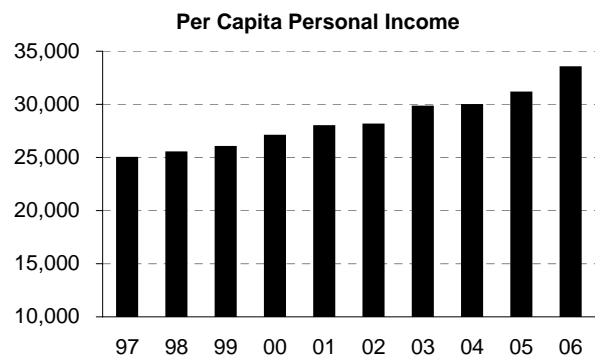
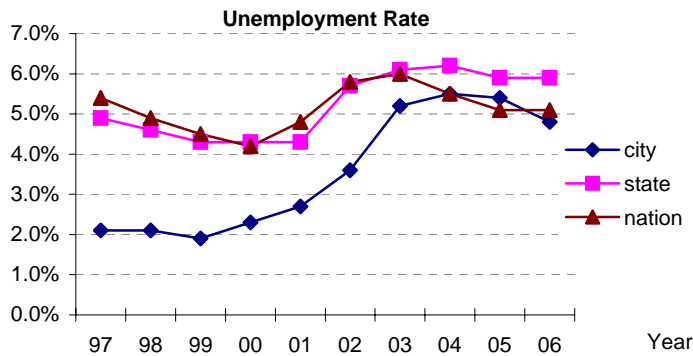
(1) 1990 & 2000 United States Census Bureau.

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

(3) Ohio Bureau of Employment Services.

(4) Dayton Area Board of Realtors, Dayton, Ohio (2006 price range: \$28,500 - \$830,000).

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



PRINCIPAL EMPLOYERS
CURRENT YEAR AND SIXTEEN YEARS AGO

Employer	2006		1990 ¹	
	Employees	% of Total City Employment	Employees	% of Total City Employment
Kettering Medical Center	3,100	10.51%	General Motors Corporation ²	4,405 13.39%
GE Money	1,700	5.76%	Kettering Medical Center	2,975 9.04%
Delphi Automotive Systems Services, LLC ²	1,300	4.41%	Defense Electronics Supply Center	2,500 7.60%
Reynolds & Reynolds Company	950	3.22%	Kroger Company	1,313 3.99%
Intimate Brands Inc.	900	3.05%	Kettering City Schools	1,033 3.14%
Kettering City Schools	900	3.05%	Meijer Inc	900 2.74%
City of Kettering	900	3.05%	City of Kettering	800 2.43%
Kodak Versamark	640	2.17%	Eastman Kodak Company ²	350 1.06%
Meijer Inc.	550	1.86%	Ohio Bell Telephone Company	292 0.89%
Total	10,940	37.08%	Total	14,568 44.28%

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

(1) Past information is available every 10 years.

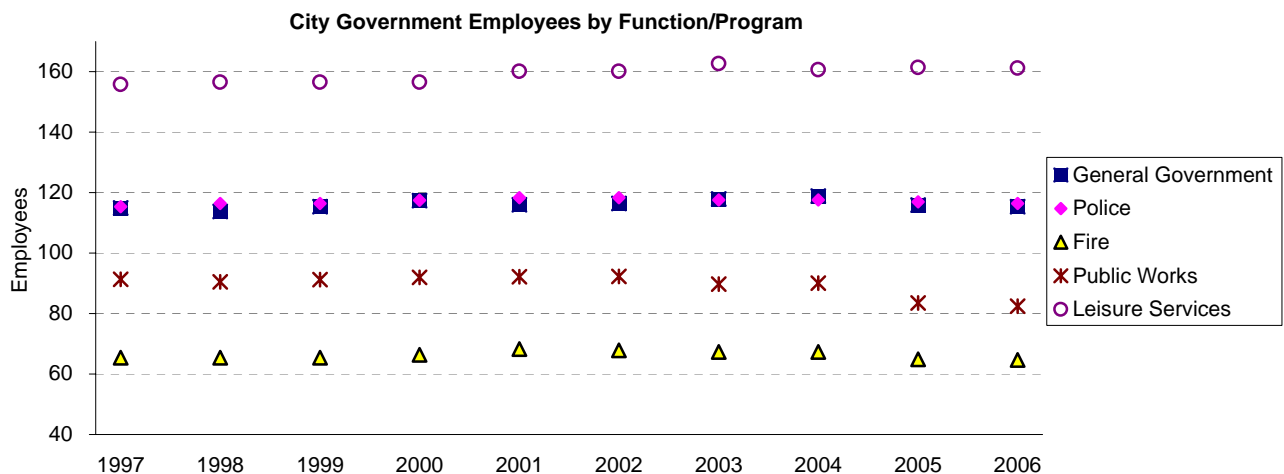
(2) Delphi Automotive Systems Services, LLC is a spinoff of General Motors Corp.; Kodak Versamark is a division of Eastman Kodak Co.

SCHEDULE 11

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

Function/program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government	115.0	113.8	115.4	117.4	116.0	116.4	117.9	118.9	115.9	115.4
Police	115.4	116.5	116.5	117.5	118.4	118.4	117.6	117.6	117.0	116.4
Fire	65.4	65.4	65.4	66.4	68.3	67.8	67.3	67.3	64.9	64.6
Public Works	91.3	90.4	91.2	91.9	92.2	92.3	89.8	90.1	83.5	82.5
Leisure Services	155.8	156.5	156.5	156.5	160.2	160.2	162.7	160.7	161.5	161.2
Total	542.9	542.6	545.0	549.7	555.1	555.1	555.3	554.5	542.8	540.1

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS

<u>Function/program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government										
Positions filled ¹	26	20	16	27	19	17	17	5	5	7
Permits issued ²	4,657	4,483	4,248	4,295	3,861	3,705	3,824	3,217	3,301	3,053
Inspections performed ²	9,862	11,520	7,071	8,971	6,828	7,144	7,435	6,974	5,845	6,175
CDBG loan applications ³	23	23	24	21	14	5	10	18	24	25
Payroll checks processed ⁴	19,986	20,332	20,387	20,375	20,852	20,898	20,648	21,710	20,569	20,003
Purchase orders issued ⁵	1,614	1,431	1,474	1,557	2,068	1,816	2,002	2,120	2,063	2,069
Ordinances & resolutions ⁶	178	181	214	238	230	234	243	206	227	220
Court cases ⁷	21,800	25,333	21,839	20,913	19,979	19,865	18,742	18,358	22,593	21,727
Police										
Criminal arrests ⁸	3,248	3,354	3,216	2,925	3,263	3,112	2,854	2,813	3,085	3,030
Calls for service ⁹	74,845	78,095	70,156	64,472	65,130	67,320	71,524	69,621	72,643	67,394
Fire										
Fire alarms ¹⁰	1,406	1,385	1,224	1,273	1,397	1,421	2,393	1,604	1,324	1,337
Medic alarms ¹⁰	3,962	4,029	4,445	4,495	4,551	4,601	5,120	4,881	5,214	5,445
Public Works										
Asphalt resurfacing (miles) ¹¹	12	16	15	13	13	14	16	10	4	6
Truckloads of leaves picked-up ¹²	2,222	2,038	2,100	1,735	1,740	2,206	2,062	1,988	1,895	2,050
Tons of snow melting salt used ¹²	2,953	1,992	5,500	9,118	2,147	3,000	5,452	4,654	6,465	1,560
Leisure Services										
Recreation complex attendance ¹³	949,000	933,000	920,270	900,910	879,000	918,560	931,040	1,016,576	1,010,804	1,119,884
Fraze Pavilion tickets sold ¹³	69,225	72,886	72,167	74,153	71,018	75,942	77,727	80,480	78,540	72,383

(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>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Government										
Square footage occupied ¹	25,582	25,582	25,582	25,582	25,582	25,582	25,582	25,582	43,108	43,108
Police										
Stations ¹	1	1	1	1	1	1	1	1	1	1
Square footage of building ¹	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515
Fire										
Stations ¹	7	7	7	7	7	7	7	7	7	7
Public Works										
Miles of roads ²	244	244	244	244	246	246	246	246	246	246
Miles of storm sewer/channel ²	170	171	172	172	173	174	174	175	175	175
Leisure Services										
Number of parks ³	21	21	21	21	21	21	21	21	21	21
Area of parks (acres) ³	408	408	408	408	408	419	419	419	419	419
Recreation complexes square ft ¹	145,000	145,000	145,000	145,000	145,000	145,000	145,000	145,000	153,512	153,512

(1) City of Kettering, Facilities Department

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

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



Mary Taylor, CPA
Auditor of State

CITY OF KETTERING

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 29, 2007**