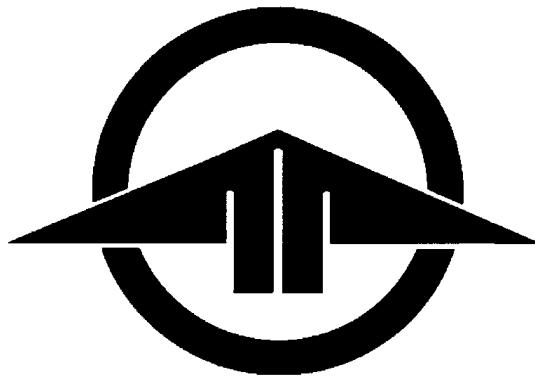


CITY OF KETTERING, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2014



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



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Kettering, Montgomery County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

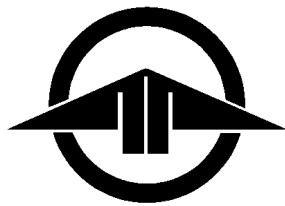
Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Kettering is responsible for compliance with these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

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

Dave Yost
Auditor of State

May 28, 2015

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CITY OF KETTERING

CITY OF KETTERING, OHIO

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COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2014

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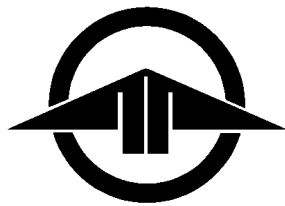
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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014**

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INTRODUCTORY SECTION



CITY OF KETTERING



CITY OF KETTERING

March 23, 2015

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, 2014, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of the presentation including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

HISTORY AND BACKGROUND

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

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

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

The quality of living in any city can be measured best by the satisfaction of the residents with the services they receive. In Kettering, people like what they find. A recent survey showed that 97% of residents are satisfied with Kettering as a place to live.

ECONOMIC CONDITION AND OUTLOOK

Our local economy has been hit hard by declining employment as a result of the recession. This has a direct impact on our largest General Fund revenue, income tax. Fortunately the vote of our residents to increase the income tax rate effective January 1, 2007 increased our General Fund significantly during 2007 and 2008. That vote has put the City in a better position to weather the uncertainties of the current economy. In addition, the City has implemented mandatory filing of municipal income tax for all residents ages eighteen and older. Mandatory filing is effective for tax years beginning January 1, 2012. The expected results are the establishment of a more accurate tax base allowing for more efficient follow up and improved delinquency collections.

Although the City has been negatively impacted by a decline in employment in the area, the overall effect was diminished due to the diversity of the employment base. Kettering's business base ranges from some major employers headquartered in Kettering to many midsize companies specializing in technology or professional services down to smaller family owned businesses. Kettering's largest employers include Kettering Medical Center (KMC),

Synchrony Financial, and Reynolds & Reynolds. KMC employs 3,500 and continued to work on a master plan that includes additional growth on vacant land across the street from the main campus. Reynolds & Reynolds, a fortune 1000 company based in Dayton since 1866, increased employment from 1,150 to 1,300 at its Miami Valley Research Park campus. Synchrony Financial completed \$1.5 million of improvements to their facility at the Kettering Business Park (KBP). These improvements allowed for an increase in employment from 1,450 to 1,800 people. Other major employers in the city include Kettering City Schools, Limited Brands Inc., a catalogue order center for Victoria's Secret, Tenneco Inc., a leading supplier of automobile replacement parts, and a number of engineering firms and computer hardware and software related businesses.

In the area of new employment, Mound Laser and Photonics Center completed a new \$4 million, 21,000 square foot facility. The company created 50 new jobs at their Miami Valley Research Park location. Community Tissue Services purchased an additional 22 acres of property for the purpose of creating a bioscience campus. The Dayton Regional STEM School completed a 50,000 square foot expansion to accommodate increasing student enrollment. The Berry Company, a provider of local search solutions and marketing, relocated their company headquarters to Kettering in 2014. The company moved 250 employees into 55,000 square feet of space at the Miami Valley Research Park. The former Kettering Sports Medicine facility on Far Hills Avenue was completely renovated and is now the Carlyle House, an Assisted Living Community with special Alzheimer's care.

Implementation of the improvements to the city's parks and recreation facilities continued in 2014 but are nearly complete. This program of extensive improvements is the result of passage of the Parks and Recreation Bond Levy by Kettering voters in November 2008. The voters approved a \$12.3 million levy with debt service to be paid from property tax revenues over a period of twenty years beginning in 2009. In addition to the voted portion, the city committed an additional \$5 million of general funds for a total investment of \$17.3 million. In 2014, the use for the remaining funds focused on improvements to the Frazee Pavilion Outdoor Amphitheater, the surrounding Lincoln Park Civic Commons, and the development of the City's new Gentile Park.

Kettering participates in ED/GE, a revenue sharing program that includes about thirty communities in

Montgomery County. Money from the program is distributed to the communities for economic development projects after an application for funds is filed and a board of local officials for the communities reviews and approves the projects. In 2014 Kettering received the remaining \$43,000 of a two year grant for the Mound Laser and Photonics Center, Inc as well as a new grant of \$225,000 for the National Composite Center (NCC) located at the Kettering Business Park. The City has benefited significantly in the past from this program and will continue to apply for future funds as eligible opportunities become available. The ED/GE program was to expire after 2010, but a new agreement has extended the program for an additional nine years.

A significant area of emphasis for this organization is long term financial planning. This includes preparation of a five year capital improvement program and a long range financial forecast. Additional practices are discussed under Long Term Financial Policies in the City's 2015 Budget message. These policies include the development each year of a balanced budget where the appropriations for any given year shall not exceed the sum of available cash balances, less reserves, plus revenues to be received during the year. In addition, current year operating expenditures and debt service obligations shall be covered using current year operating revenues. In the area of debt, the City shall not issue long-term debt to pay for current operations.

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

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

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

OTHER INFORMATION

Independent Audit. The basic financial statements of the City of Kettering were audited by Plattenburg & Associates, Inc. Certified Public Accountants. See page 2 of the Financial Section of this report for their unmodified 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, 2013. 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 32 consecutive years (fiscal years ended 1982-2013). 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, 2014. 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

Bruce E. Duke, Vice Mayor

Tony Klepacz

Bill Lautar

Amy Schrimpf

Rob Scott

Joseph D. Wanamaker

CITY MANAGER

Mark Schwieterman

INDEPENDENT AUDITORS

Plattenburg & Associates, Inc.

Certified Public Accountants

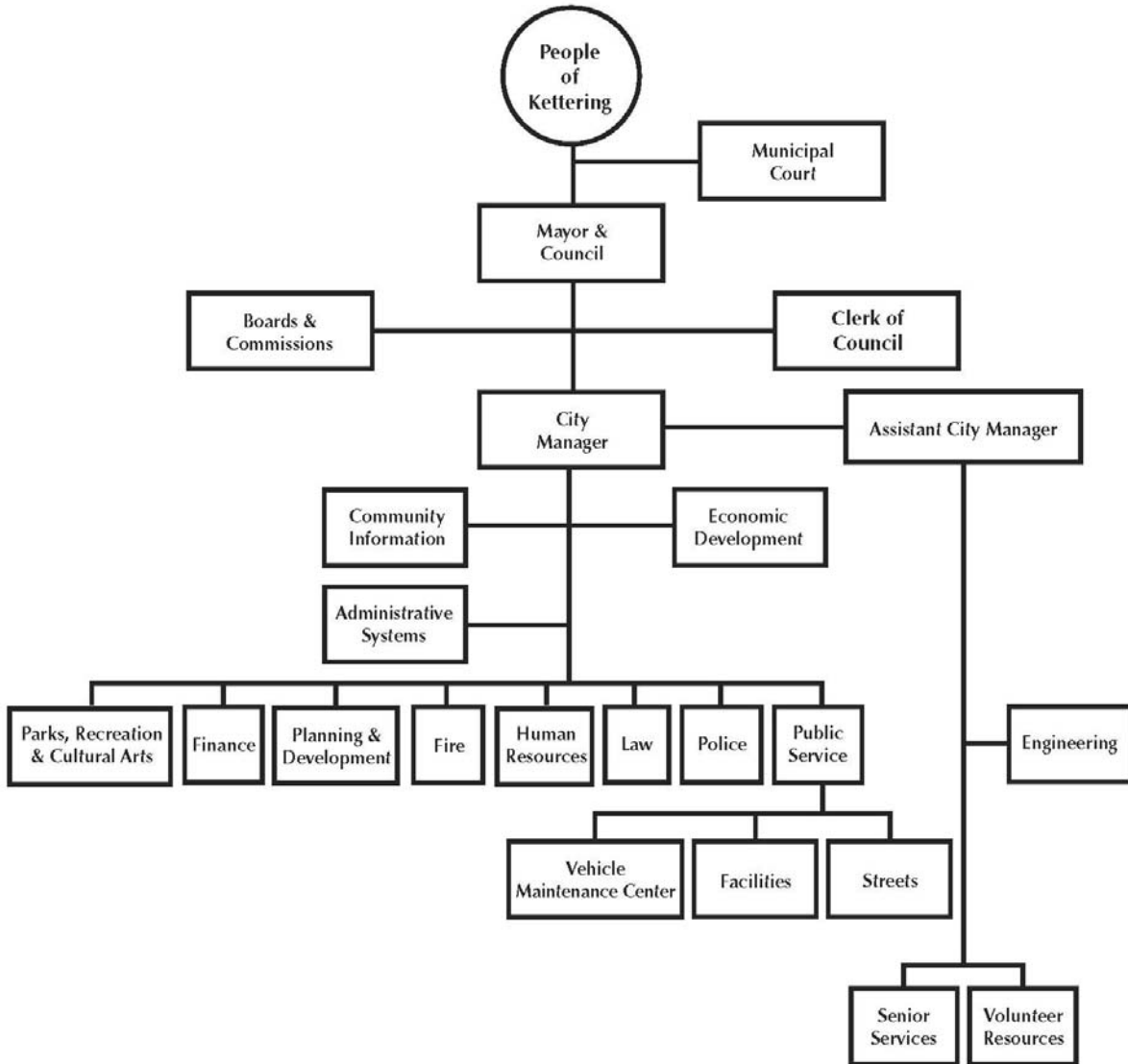
CITY OF KETTERING, OHIO

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 |
| Martin J. Van Oss, CPA | Financial Analyst |
| Justin R. Wiedle, CPA | Financial Analyst |
| Rhonda L. South | Finance Technician II |
| Mary Anne Marshall | Finance Technician II |
| Sharin L. Day | Finance Technician II |
| Lynn A. Blumenschein | Finance Technician II |
| Kimberly M. Koogler | Finance Technician II |
| Rachel F. Dexter, CPA | Finance Technician II |
| Michelle A. Moraites | Finance Technician II |
| Julie M. Byerly | Finance Technician I |
| Joyce A. Foley | Finance Technician I |
| Melissa K. Schultz, CPA inactive | Finance Technician I |
| Kimberly L. Stevens, CPA | Finance Technician I - Part-Time |
| Candace M. Grooms | Finance Clerk - Part-Time |
| Victoria L. Adams | Finance Clerk - Part-Time |

City of Kettering 2014 Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

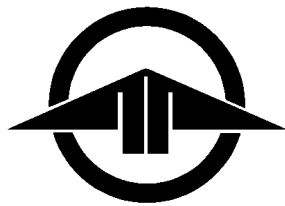
City of Kettering
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO



CITY OF KETTERING

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and the schedule of bonds and notes and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of bonds and notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the schedule of bonds and notes are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Dayton, Ohio

March 23, 2015

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, 2014.

FINANCIAL HIGHLIGHTS

1. Net position increased \$1,657,000 or .7% while unrestricted net position increased \$8,131,000 or 8.5%.
2. Total revenues decreased 35.6% while total expenses increased 3.9%.
3. Operating grants and contributions decreased 19.9% and capital grants and contributions decreased 43.2%.
4. Income taxes increased \$3,665,500 or 9.3%
5. Estate taxes decreased \$42,295,000 or 97.8%.
6. Investment earnings increased \$257,600 or 84.3%
7. Total costs of services increased by 3.95%, while net costs of services increased by 9.7%.
8. The General Fund reported an increase in fund balance of \$147,000.
9. The Fraze Pavilion required no General Fund transfer for the ninth time in its 24-year history.
10. The Emergency Medical Fund transferred \$9,835,000 to the Capital Projects Fund.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

THE CITY AS A WHOLE

For 2014 the City produced a .7% increase in total net position. This compares with an unprecedented 21.8% increase in 2013 because of a large one-time estate tax settlement. Revenues generated were \$74 million and expenses from all programs were \$72.3 million resulting in a surplus for the year of \$1,657,000. The unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — increased \$8,131,000.

Explanations for the larger fluctuations between years are as follows:

- Operating grants and contributions were higher because of increased Frazee Pavilion sponsorships.
- Capital grants and contributions were much higher last year because of contributed roadways in 2013.
- Income taxes were higher due to an improved economy and increased corporate estimated payments.
- Other taxes decreased substantially due to the one-time estate tax settlement received in 2013.
- Investment earnings increased due to higher portfolio from the one-time estate tax settlement received in 2013.

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

NET POSITION

| | 2014 | 2013 |
|----------------------------------|-----------------------------|-----------------------------|
| Current and other assets | \$129,377,833 | \$131,746,487 |
| Capital assets | 158,984,083 | 155,540,116 |
| Total assets | <u>288,361,916</u> | <u>287,286,603</u> |
| Long-term debt outstanding | (18,088,880) | (19,100,473) |
| Other liabilities | (7,563,061) | (7,103,956) |
| Total liabilities | <u>(25,651,941)</u> | <u>(26,204,429)</u> |
| Deferred inflows of resources | (8,297,968) | (8,326,906) |
| Net position: | | |
| Net investment in capital assets | 145,363,355 | 141,039,021 |
| Restricted | 4,859,128 | 15,657,354 |
| Unrestricted | 104,189,524 | 96,058,893 |
| Total net position | <u><u>\$254,412,007</u></u> | <u><u>\$252,755,268</u></u> |

CHANGES IN NET POSITION

| | 2014 | 2013 |
|-------------------------------------|-----------------------------|-----------------------------|
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$11,524,734 | \$11,102,659 |
| Operating grants and contributions | 1,434,454 | 1,790,624 |
| Capital grants and contributions | 2,995,300 | 5,271,888 |
| General revenues: | | |
| Income taxes | 42,905,808 | 39,240,269 |
| Property taxes | 7,649,073 | 8,044,281 |
| Other taxes | 4,782,894 | 47,022,663 |
| Investment earnings | 563,252 | 305,672 |
| Other general revenue | 2,139,791 | 2,074,040 |
| Total revenues | <u>73,995,306</u> | <u>114,852,096</u> |
| Program expenses | | |
| General government | 15,387,775 | 14,294,069 |
| Police | 15,015,613 | 14,806,948 |
| Fire | 11,574,483 | 11,303,884 |
| Public works | 14,548,773 | 13,726,430 |
| Leisure services | 15,285,794 | 14,949,267 |
| Interest on long-term debt | 526,129 | 547,172 |
| Total expenses | <u>72,338,567</u> | <u>69,627,770</u> |
| Increase (decrease) in net position | 1,656,739 | 45,224,326 |
| Net position beginning | 252,755,268 | 207,530,942 |
| Net position ending | <u><u>\$254,412,007</u></u> | <u><u>\$252,755,268</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 | |
|------------------|------------------------|---------------------|----------------------|---------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Police | \$15,015,613 | \$14,806,948 | \$14,957,063 | \$14,768,131 |
| Fire | 11,574,483 | 11,303,884 | 10,060,676 | 9,858,972 |
| Public works | 14,548,773 | 13,726,430 | 11,616,128 | 8,703,648 |
| Leisure services | 15,285,794 | 14,949,267 | 6,893,407 | 6,854,050 |
| All others | 15,387,775 | 14,294,069 | 12,330,676 | 10,730,626 |
| | <u>\$71,812,438</u> | <u>\$69,080,598</u> | <u>\$55,857,950</u> | <u>\$50,915,427</u> |

Total costs of services for 2014 increased by \$2,731,840 while net costs of services increased by \$4,942,523. Total costs increased due to economic development expenses and weather related expenses. Net costs of services increased because of the contribution of roadway that was received in 2013.

The capital asset activity for the year was normal. Capital asset additions totaled \$13.1 million compared to \$11.2 million in 2013. 2014's larger additions included over \$6.5 million in street improvements, \$1.5 million for new fire station, and \$1.5 million for new fire apparatus. Total net capital assets for 2014 were \$158,984,083. Of this total, \$13,254,293 was not being depreciated and the capital assets being depreciated totaled \$280,631,204 with accumulated depreciation of \$134,901,414.

At December 31, 2014, the City had various debt issues outstanding, which included \$12,055,000 of general obligation bonds and \$1,407,493 of promissory notes. As of December 31, 2014, the City's net general obligation bonded debt of \$11,153,160 was well below the legal limit of \$116,866,227 and debt per capita equaled \$198.59.

For more detail on capital asset and long-term debt activity, refer to note 7 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 sheets on pages 12 and 13) reported a combined fund balance of \$103.6 million, which is 3.2% lower than last year's total of \$107.05 million.

In 2013 the City received a one-time estate tax distribution of over \$42 million dollars. This estate tax distribution consisted of 2 large estates one being the largest estate ever settled in Montgomery County Ohio. In the past, The City has relied on revenues derived from Ohio's estate tax to pay for capital improvements in the city. The Ohio General Assembly abolished the estate tax effective in 2013. In prior years, on average, the City received \$3,000,000 per year that was placed in the Capital Projects Fund. Consistent with established policy and past practice of using estate tax revenues to fund capital projects and in response to the abolishment of the estate tax, City Council passed legislation in 2013 to commit the \$40 million to the Capital Projects Fund. The legislation states that the funds are to be expended for future capital improvement projects at a rate of \$3,000,000 per year until the \$40 million is exhausted.

The City's General Fund experienced a \$2,525,300, or 4.9% overall increase in revenues for 2014. At the same time expenditures increased by \$1,360,600 or 3.6%, and transfers out increased by \$3,919,500 or 37.6%. The City's General Fund balance increased in 2014 for the fourth year in a row. Income taxes increased in 2014 due to an improving economy and increased corporate estimated tax payments. Investment earnings increased for the year due to higher rates of return. Transfers out increased to the Capital Projects Fund due to lower estate tax revenues and reduced grant funding. Total revenues for the General Fund were \$53.95 million while total expenditures were \$39.54 million. Transfers to other funds totaled \$14.4 million resulting in the \$147,000, or .3% increase to the General Fund balance.

The Emergency Medical Fund transferred \$9,835,300 out to the Capital Projects Fund in 2014. This money will be used to help fund the construction and equipping of 4 new fire stations, one of which is under construction in 2014 and another is under contract.

The Frazee Pavilion, an outdoor amphitheater accounted for in a major special revenue fund, has produced a surplus only six times since it began operations in 1991. In 2014 it produced its seventh surplus of \$497,100. Increased ticket and concession revenue as well as expenditure control are responsible for the surplus. There were no other material changes to the major funds in 2014.

There was a significant variance between actual expenditures and final budgeted expenditures for "Transfers to other funds". Because of lower than expected expenditures in the Capital Projects Fund, the required transfers were reduced. Capital Project Fund expenditures were lower due to the City planning many new capital projects, which, in hindsight, proved to be an overly optimistic number to accomplish in one year.

As mentioned above, 2014 produced a slight increase to the General Fund balance. This increase can be attributed primarily to decreased transfers to other funds. The City was fortunate this year to have increased income tax revenues. The improving economy should help to increase future income tax revenues as well as improve property tax valuations in the long run. The City is still dealing with the State's elimination of tangible property tax, the State reducing the local share of sales tax distributions, and finally the State's total elimination of the estate tax in 2013.

STATEMENT OF NET POSITION
DECEMBER 31, 2014

| | |
|---|----------------------|
| ASSETS | |
| Pooled cash and investments (note 2) | \$106,472,510 |
| Receivables: | |
| Income taxes (net of allowance for \$1,033,123) | 8,916,700 |
| Property taxes | 8,019,368 |
| Interest | 759,246 |
| Accounts | 694,126 |
| Special assessments | 790,000 |
| Loans (net of allowance for \$28,716) | 826,731 |
| Due from other governments | 2,063,420 |
| Prepaid expenses | 54,713 |
| Inventory | 781,019 |
| Capital assets not being depreciated (note 7) | 13,254,293 |
| Capital assets being depreciated, net (note 7) | 145,729,790 |
| Total assets | <u>288,361,916</u> |
| LIABILITIES | |
| Accounts payable | 2,978,653 |
| Salary and benefits payable | 1,957,184 |
| Accrued interest payable | 46,843 |
| Accrued health claims | 479,452 |
| Unearned revenue | 2,100,929 |
| Noncurrent liabilities (note 12) | |
| Due within one year | 3,616,518 |
| Due in more than one year | 14,472,362 |
| Total liabilities | <u>25,651,941</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property taxes | 8,297,968 |
| Total deferred inflows | <u>8,297,968</u> |
| NET POSITION | |
| Net investment in capital assets | 145,363,355 |
| Restricted for: | |
| Debt service | 901,840 |
| Social services | 1,364,088 |
| Public safety | 770,562 |
| Road construction/Public works | 152,478 |
| Leisure services | 32,138 |
| Municipal court activities | 1,638,022 |
| Unrestricted | 104,189,524 |
| Total net position | <u>\$254,412,007</u> |

See accompanying notes to the basic financial statements.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| Functions/Programs | Expenses | Program Revenues | | | Total Net (Expense) Revenue and Changes in Net Position |
|----------------------------|---------------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| General government | \$15,387,775 | \$2,321,931 | \$662,233 | \$72,935 | (\$12,330,676) |
| Police | 15,015,613 | 37,262 | 21,288 | | (14,957,063) |
| Fire | 11,574,483 | 1,511,654 | 2,153 | | (10,060,676) |
| Public works | 14,548,773 | 10,280 | | 2,922,365 | (11,616,128) |
| Leisure services | 15,285,794 | 7,643,607 | 748,780 | | (6,893,407) |
| Interest on long-term debt | 526,129 | | | | (526,129) |
| Total | \$72,338,567 | \$11,524,734 | \$1,434,454 | \$2,995,300 | (56,384,079) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| | | | | | 42,905,808 |
| | | | | | 6,763,220 |
| | | | | | 885,853 |
| | | | | | 947,540 |
| | | | | | 756,552 |
| | | | | | 1,919,957 |
| | | | | | 766,476 |
| | | | | | 128,871 |
| | | | | | 263,498 |
| | | | | | 563,252 |
| | | | | | 1,936,888 |
| | | | | | 202,903 |
| | | | | | <u>58,040,818</u> |
| | | | | | 1,656,739 |
| | | | | | <u>252,755,268</u> |
| | | | | | <u>\$254,412,007</u> |

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2014

| | General Fund | Major Special | | |
|---|---------------------|-----------------------|---|--------------------|
| | | Street Maintenance | Parks, Recreation & Cultural Arts | Fraze Pavilion |
| ASSETS | | | | |
| Pooled cash and investments | \$46,075,539 | \$682,005 | \$418,148 | \$2,438,723 |
| Receivables: | | | | |
| Income taxes (net of allowance for \$1,033,123) | 8,916,700 | | | |
| Property taxes | 6,436,368 | | | |
| Interest | 759,246 | | | |
| Accounts | 22,313 | 3,060 | 51,758 | 376 |
| Special assessments | 400,000 | | | |
| Loans (net of allowance for \$28,716) | 252,305 | | | |
| Due from other governments | 550,960 | 1,212,000 | 482 | |
| Prepaid expenditures | 3,761 | 429 | 967 | 49,556 |
| Inventory | | 442,518 | | |
| Total assets | <u>\$63,417,192</u> | <u>\$2,340,012</u> | <u>\$471,355</u> | <u>\$2,488,655</u> |
| LIABILITIES | | | | |
| Accounts payable | \$802,118 | \$208,145 | \$177,398 | \$20,770 |
| Accrued payroll | 1,247,883 | 128,242 | 185,253 | 14,828 |
| Unearned revenue | 1,759,930 | | 64,527 | 276,472 |
| Total liabilities | <u>3,809,931</u> | <u>336,387</u> | <u>427,178</u> | <u>312,070</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Income taxes | 5,200,915 | | | |
| Property taxes | 6,836,368 | | | |
| Grants and other taxes | 348,215 | 877,700 | | |
| Total deferred inflows of resources | <u>12,385,498</u> | <u>877,700</u> | | |
| FUND BALANCES | | | | |
| Nonspendable: Inventory, prepaids and loans | 256,066 | 442,947 | 967 | 49,556 |
| Restricted for: | | | | |
| Debt service | | | | |
| Social services | | | | |
| Public safety | | | | |
| Road construction / Public works | | | | |
| Leisure services | | | | |
| Municipal court activities | | | | |
| Committed to: | | | | |
| Social services | 59,104 | | | |
| Public safety | 368,497 | | | |
| Road construction / Public works | 51,620 | 682,978 | | |
| Leisure services | | | 43,210 | 2,127,029 |
| Economic development | 1,392,707 | | | |
| Other purposes | 698,667 | | | |
| Unassigned: | 44,395,102 | | | |
| Total fund balances | <u>47,221,763</u> | <u>1,125,925</u> | <u>44,177</u> | <u>2,176,585</u> |
| Total liabilities, deferred inflows & fund balances | <u>\$63,417,192</u> | <u>\$2,340,012</u> | <u>\$471,355</u> | <u>\$2,488,655</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 |
| \$417,930 | \$451,336 | \$808,237 | \$48,116,110 | \$3,967,926 | \$103,375,954 |
| | | | | | 8,916,700 |
| | | 883,000 | 380,000 | 320,000 | 8,019,368 |
| | | | | | 759,246 |
| | 85,667 | 257,002 | | 821 | 420,997 |
| | | | 390,000 | | 790,000 |
| 826,731 | | | | | 1,079,036 |
| 124,362 | | | 31,185 | 144,432 | 2,063,421 |
| | | | | | 54,713 |
| | | | | | 442,518 |
| <u>\$1,369,023</u> | <u>\$537,003</u> | <u>\$1,948,239</u> | <u>\$48,917,295</u> | <u>\$4,433,179</u> | <u>\$125,921,953</u> |
| \$116,119 | \$14,145 | \$452 | \$1,291,858 | \$88,447 | \$2,719,452 |
| | | | | 257,793 | 1,833,999 |
| | | | | | 2,100,929 |
| <u>116,119</u> | <u>14,145</u> | <u>452</u> | <u>1,291,858</u> | <u>346,240</u> | <u>6,654,380</u> |
| | | | | | 5,200,915 |
| | | 883,000 | 770,000 | 320,000 | 8,809,368 |
| 124,362 | 54,316 | 162,947 | 7,291 | 87,611 | 1,662,442 |
| <u>124,362</u> | <u>54,316</u> | <u>1,045,947</u> | <u>777,291</u> | <u>407,611</u> | <u>15,672,725</u> |
| | | | | | 749,536 |
| | | 901,840 | | | 901,840 |
| 1,239,726 | | | | | 1,239,726 |
| | | | | 716,246 | 716,246 |
| | | | | 81,278 | 81,278 |
| | | | | 18,142 | 18,142 |
| | | | | 1,638,022 | 1,638,022 |
| | | | | 5,114 | 64,218 |
| | 468,542 | | 20,660,015 | 12,480 | 21,509,534 |
| | | | 436,552 | | 1,171,150 |
| | | | 1,417,851 | 1,134,374 | 4,722,464 |
| | | | | | 1,392,707 |
| | | | 24,333,728 | 73,672 | 25,106,067 |
| (111,184) | | | | | 44,283,918 |
| <u>1,128,542</u> | <u>468,542</u> | <u>901,840</u> | <u>46,848,146</u> | <u>3,679,328</u> | <u>103,594,848</u> |
| <u>\$1,369,023</u> | <u>\$537,003</u> | <u>\$1,948,239</u> | <u>\$48,917,295</u> | <u>\$4,433,179</u> | |

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

| | |
|---|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 157,904,975 |
| Other noncurrent assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | |
| Income taxes receivable | 5,200,915 |
| Grants and other taxes receivable | 2,173,843 |
| Internal service funds are used by management to charge the costs of certain activities. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. | 3,204,482 |
| The following noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Bonds and notes payable | (13,620,728) |
| Vacation and sick leave benefits | (3,999,485) |
| Accrued interest on bonds payable | (46,843) |
| Net Position of Governmental Activities | <u>\$254,412,007</u> |

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2014**

| | General Fund | Street Maintenance | Major Parks, Recreation & Cultural Arts | Special Frazee Pavilion |
|---|---------------------|-----------------------|--|-------------------------------|
| REVENUES | | | | |
| Income taxes | \$41,624,574 | | | |
| Property taxes | 6,383,176 | | | |
| Licenses and permits | 514,255 | \$10,280 | | |
| Intergovernmental revenue | 1,003,956 | 2,507,547 | \$19,914 | |
| Charges for services | 181,506 | | 3,280,940 | \$4,362,667 |
| Fines and forfeits | 1,137,979 | | | |
| Investment earnings | 770,437 | | | |
| Special assessments | 407,844 | | | |
| Refunds and reimbursements | 1,900,495 | 576,357 | 100,846 | 8,062 |
| Miscellaneous | 24,088 | 13,859 | 35,231 | 574,444 |
| Total revenues | <u>53,948,310</u> | <u>3,108,043</u> | <u>3,436,931</u> | <u>4,945,173</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 12,430,770 | | | |
| Police | 13,434,912 | | | |
| Fire | 11,070,796 | | | |
| Public works | 2,601,098 | 6,324,579 | | |
| Leisure services | | | 9,231,566 | 4,448,044 |
| Capital improvements | | | | |
| Debt service: | | | | |
| Principal | | | | |
| Interest | | | | |
| Total expenditures | <u>39,537,576</u> | <u>6,324,579</u> | <u>9,231,566</u> | <u>4,448,044</u> |
| Excess (deficiency) of revenues over expenditures | 14,410,734 | (3,216,536) | (5,794,635) | 497,129 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | | 3,828,500 | 5,777,000 | |
| Transfers out | (14,354,474) | | | |
| Sale of city assets | 90,765 | 42,942 | 29,057 | |
| Net change in fund balance | 147,025 | 654,906 | 11,422 | 497,129 |
| Fund balances--beginning | 47,074,738 | 471,019 | 32,755 | 1,679,456 |
| Fund balances--ending | <u>\$47,221,763</u> | <u>\$1,125,925</u> | <u>\$44,177</u> | <u>\$2,176,585</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 |
| | | \$885,853 | \$36,977 | \$343,067 | \$41,624,574 |
| \$775,521 | | | 3,021,484 | 453,185 | 7,649,073 |
| | \$1,353,270 | 94,055 | | 76,564 | 524,535 |
| 2,424 | 101,990 | 15,709 | (348,612) | 448,889 | 7,781,607 |
| | | | 526,619 | 21,304 | 9,349,002 |
| 20 | | 46,344 | 28,341 | 14,176 | 1,586,868 |
| 10,392 | | | | 154,409 | 563,252 |
| <u>788,357</u> | <u>1,455,260</u> | <u>1,041,961</u> | <u>3,264,809</u> | <u>1,511,594</u> | <u>812,423</u> |
| | | | | | 73,500,438 |
| 699,718 | | 452 | | 732,351 | 13,863,291 |
| | | | | 1,683,013 | 15,117,925 |
| | 1,576,264 | | | 1,800 | 12,648,860 |
| | | | | 146,400 | 9,072,077 |
| | | | | 47,607 | 13,727,217 |
| 135,155 | | | 10,491,326 | 716,063 | 11,342,544 |
| | | 869,735 | | | 869,735 |
| | | 539,555 | | | 539,555 |
| <u>834,873</u> | <u>1,576,264</u> | <u>1,409,742</u> | <u>10,491,326</u> | <u>3,327,234</u> | <u>77,181,204</u> |
| (46,516) | (121,004) | (367,781) | (7,226,517) | (1,815,640) | (3,680,766) |
| 32,583 | | 435,000 | 12,831,561 | 1,285,142 | 24,189,786 |
| | (9,835,312) | | | | (24,189,786) |
| <u>7,239</u> | | | | <u>54,535</u> | <u>224,538</u> |
| (6,694) | (9,956,316) | 67,219 | 5,605,044 | (475,963) | (3,456,228) |
| <u>1,135,236</u> | <u>10,424,858</u> | <u>834,621</u> | <u>41,243,102</u> | <u>4,155,291</u> | <u>107,051,076</u> |
| <u>\$1,128,542</u> | <u>\$468,542</u> | <u>\$901,840</u> | <u>\$46,848,146</u> | <u>\$3,679,328</u> | <u>\$103,594,848</u> |
| Net change in Fund Balance - Governmental Funds | | | | | (3,456,228) |
| 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 | 12,496,167 |
| | | | | Depreciation expense | (8,986,898) |
| In the Statement of Activities, only the gain on the sale of city assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differ from the change in fund balance by the book value of the asset sold. | | | | | (559,567) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | | | | |
| | | | | Income taxes receivable | 1,281,234 |
| | | | | Grants receivable | (169,322) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Position. | | | | | 869,735 |
| 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 | 160,341 |
| | | | | Interest payable | 13,426 |
| 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.) | | | | | 7,851 |
| Change in Net Position on the Statement of Activities | | | | | <u>\$1,656,739</u> |

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

| | Governmental Activities- Internal Service Funds |
|--|--|
| ASSETS | |
| Current Assets: | |
| Pooled cash and investments | \$3,096,557 |
| Accounts receivable | 20,822 |
| Prepaid expenses | |
| Inventory | 338,501 |
| Total current assets | <u>3,455,880</u> |
| Noncurrent Assets: | |
| Capital assets: | |
| Buildings and improvements | 757,936 |
| Machinery and equipment | 2,395,495 |
| Less: Accumulated depreciation | <u>(2,074,323)</u> |
| Total noncurrent assets | <u>1,079,108</u> |
| Total assets | <u>4,534,988</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable | 259,201 |
| Accrued payroll | 123,186 |
| Accrued health claims | 479,452 |
| Total current liabilities | <u>861,839</u> |
| Noncurrent liabilities: | |
| Accrued vacation and sick benefits due within one year | 285,887 |
| Accrued vacation and sick benefits due within more than one year | <u>182,780</u> |
| Total noncurrent liabilities | <u>468,667</u> |
| Total liabilities | <u>1,330,506</u> |
| NET POSITION | |
| Net investment in capital assets | 1,079,108 |
| Unrestricted | <u>2,125,374</u> |
| Total net position | <u>\$3,204,482</u> |

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Governmental Activities- Internal Service Funds |
|----------------------------------|--|
| OPERATING REVENUES | |
| Charges for services | <u>\$12,884,530</u> |
| Total operating revenues | <u>12,884,530</u> |
| OPERATING EXPENSES | |
| Personal services | 3,516,676 |
| Repairs and maintenance | 1,782,062 |
| Contractual services | 7,027,272 |
| Other materials and expenses | 460,472 |
| Depreciation | <u>122,776</u> |
| Total operating expenses | <u>12,909,258</u> |
| Operating income (loss) | <u>(24,728)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | <u>32,579</u> |
| Change in net position | 7,851 |
| Total net position--beginning | <u>3,196,631</u> |
| Total net position--ending | <u><u>\$3,204,482</u></u> |

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
Increase (Decrease) in cash

| | Governmental Activities- Internal <u>Service Funds</u> |
|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received for services | \$12,861,039 |
| Cash paid to suppliers for goods or services | (9,175,451) |
| Cash paid to employees for services | (3,488,622) |
| Net cash provided (used) by operating activities | <u>196,966</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of capital assets | (625,447) |
| Sale of capital assets | <u>2,039</u> |
| Net cash used by capital and related financing activities | <u>(623,408)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment earnings | <u>32,579</u> |
| Net cash provided by investing activities | <u>32,579</u> |
| Net increase (decrease) in cash | (393,863) |
| Cash at beginning of year | <u>3,490,420</u> |
| Cash at end of year | <u><u>\$3,096,557</u></u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | |
| Operating income (loss) | (\$24,728) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 122,776 |
| (Increase) decrease in receivables | (19,646) |
| (Increase) decrease in inventories | (1,944) |
| Increase (decrease) in accounts payable | 74,661 |
| Increase (decrease) in accrued health claims | 17,186 |
| Net (increase) decrease in other operating net position | <u>28,661</u> |
| Net cash provided (used) by operating activities | <u><u>\$196,966</u></u> |

See accompanying notes to the basic financial statements.

FIDUCIARY FUNDS

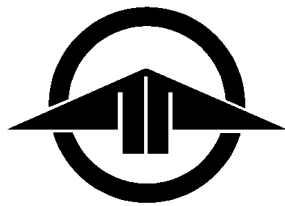
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2014

| | Volunteer Firefighter Pension | Deceased Police Dependents Private Purpose Trust | Agency Funds |
|--|-------------------------------------|---|------------------|
| ASSETS | | | |
| Pooled cash and investments | | \$92,518 | \$633,521 |
| Investments with fiscal agent, at fair value: | | | |
| Unallocated insurance contracts | \$2,128,086 | | |
| Other investments | | | 296,180 |
| Total assets | <u>2,128,086</u> | <u>92,518</u> | <u>\$929,701</u> |
| LIABILITIES | | | |
| Accounts payable | | | \$992 |
| Withholdings payable | | | 628,479 |
| Undistributed moneys | | | 296,180 |
| Unclaimed moneys | | | 4,050 |
| Total liabilities | | | <u>\$929,701</u> |
| NET POSITION | | | |
| Restricted for pension benefits and other purposes | <u>\$2,128,086</u> | <u>\$92,518</u> | |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

| | | | |
|---------------------------------|--------------------|-----------------|--|
| ADDITIONS | | | |
| Employer contributions | \$63,285 | | |
| Investment earnings (loss) | 98,269 | \$958 | |
| Total additions | <u>161,554</u> | <u>958</u> | |
| DEDUCTIONS | | | |
| Pension payments | 117,273 | | |
| Total deductions | <u>117,273</u> | | |
| Net increase (decrease) | 44,281 | 958 | |
| Net position--beginning of year | <u>2,083,805</u> | <u>91,560</u> | |
| Net position--end of year | <u>\$2,128,086</u> | <u>\$92,518</u> | |

See accompanying notes to the basic financial statements.



CITY OF KETTERING

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

C. Basis of Accounting

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

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

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

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

D. Pooled Cash and Investments and Investment with Fiscal Agent

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

E. Inventory

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

F. Capital Assets

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

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

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

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

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

G. Interfund Transactions and Transfers

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

H. Fund Balance Classifications

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

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

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

I. Grants and Other Intergovernmental Revenues

All reimbursement-type grants are recorded as intergovernmental receivables and revenues or deferred inflows of resources 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 \$7,953,681. Of this amount, \$2,239,005 was insured; the remaining \$5,714,676 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name per Ohio Revised Code Section 135.181. This statute requires all financial institutions acting as public depositories to pledge a pool of collateral with a market value of at least 105% of the total amount of public deposits secured. The City has no deposit policy for custodial credit risk.

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

The City's investments in corporate bonds, listed below, are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name. On December 31, the City had \$12,732,238 in corporate bonds issued by GE, \$9,449,528 in corporate bonds issued by Caterpillar, \$8,238,090 in corporate bonds issued by American Express, \$7,079,008 in corporate bonds issued by John Deere, \$6,581,491 in corporate bonds issued by Wells Fargo and \$6,172,232 issued by AT&T. These amounts represent 12.2%, 9.1%, 7.9%, 6.8%, 6.3% and 5.9% respectively of the pooled cash and investments. At year-end, \$1,383,978 of the securities in the corporate bond category below are rated "BAA1", the remaining \$94,719,813 are rated "A" or better and all other investment types listed are unrated.

As of December 31, 2014 the City had the following investments and maturities.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in Years)</u> | | | |
|---------------------------------|---------------------|---|---------------------|------------|--------------------|
| | | <u>Less than 1</u> | <u>1-3</u> | <u>3-6</u> | <u>6-7</u> |
| Corporate Bonds | \$96,103,791 | \$40,052,253 | \$56,051,538 | | |
| Pension Plan Pooled Invest Fund | 2,128,086 | | | | \$2,128,086 |
| Total | \$98,231,877 | \$40,052,253 | \$56,051,538 | | \$2,128,086 |

3. INCOME TAXES

The City levies a 2.25% income tax on substantially all income earned within the City. Additional increases in the income tax rate require voter approval. In 2006, the voters approved an income tax rate increase to 2.25% from 1.75% effective January 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 and public utility property located in the City. Property taxes are levied each December 31 on the assessed value listed as of the prior December 31. Assessed values are established for real property at 35% of true value. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2008.

The property tax calendar is as follows:

| | |
|--------------------------------|-------------------|
| Levy date | December 31, 2013 |
| Lien date | December 31, 2013 |
| Tax bill mailed | January 20, 2014 |
| First installment payment due | February 15, 2014 |
| Second installment payment due | July 15, 2014 |

The assessed values for the City at December 31, 2013 were as follows:

| | Assessed Value |
|----------------------------------|------------------------|
| | Category |
| Real Estate | \$1,039,317,400 |
| Public Utility Real Property | 17,220 |
| Public Utility Personal Property | 22,006,090 |
| Total | <u>\$1,061,340,710</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. 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 2039. Fund balance has been classified as restricted for the loans receivable at December 31, 2014. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures. The City made several loans from the General Fund for economic development purposes. Fund balance has been classified as nonspendable for the loans receivable at December 31, 2014.

6. INTERFUND TRANSFERS

All transfers for 2014 were out of the General Fund and into all other funds listed on the Statement of Revenues, Expenditures, and Changes in Fund Balances except for the \$9,835,311 transferred out of the Emergency Medical Fund. This amount was transferred into the Capital Projects fund to build new fire stations in accordance with the committed purpose for the funds, which is to be used for capital and operating fire expenditures.

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|---------------------|--------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$12,460,778 | \$581,493 | (\$367,082) | \$12,675,189 |
| Right of Way | 524,859 | 54,245 | | 579,104 |
| Subtotal | <u>12,985,637</u> | <u>635,738</u> | <u>(367,082)</u> | <u>13,254,293</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 54,733,215 | 2,417,841 | (247,953) | 56,903,103 |
| Machinery and equipment | 18,570,295 | 2,919,371 | (2,387,441) | 19,102,225 |
| Infrastructure | 200,495,879 | 7,163,570 | (3,033,573) | 204,625,876 |
| Subtotal | <u>273,799,389</u> | <u>12,500,782</u> | <u>(5,668,967)</u> | <u>280,631,204</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | (32,803,308) | (1,646,643) | 247,953 | (34,201,998) |
| Machinery and equipment | (13,895,526) | (1,023,998) | 2,271,670 | (12,647,854) |
| Infrastructure | (84,546,076) | (6,439,034) | 2,933,548 | (88,051,562) |
| Subtotal | <u>(131,244,910)</u> | <u>(9,109,675)*</u> | <u>5,453,171</u> | <u>(134,901,414)</u> |
| Net capital assets being depreciated | <u>142,554,479</u> | <u>3,391,107</u> | <u>(215,796)</u> | <u>145,729,790</u> |
| Net capital assets | <u>\$155,540,116</u> | <u>\$4,026,845</u> | <u>(\$582,878)</u> | <u>\$158,984,083</u> |

*Depreciation expense was charged to governmental functions as follows:

| | |
|---|--------------------|
| General government | \$667,753 |
| Police | 241,128 |
| Fire | 378,821 |
| Public works | 6,188,170 |
| Leisure services | 1,511,027 |
| In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets. | <u>122,776</u> |
| Total depreciation expense | <u>\$9,109,675</u> |

8. RISK MANAGEMENT

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

Insurance coverage is as follows:

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

The deductible per occurrence for all types is \$2,500. Pool coverage is \$2,500 - \$350,000 for boiler and machinery, \$2,501 - \$50,000 for crime, \$2,501 - \$250,000 for property, and \$2,501 - \$500,000 for liability. Excess insurance coverage, provided by commercial companies, is the amount in excess of pool coverage to the limits stated above. The City pays an annual premium to MVRMA that is intended to cover administrative expenses and any claims covered by the pool. MVRMA has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. An actuarial opinion issued as of December 31, 2013, indicates reserves in excess of anticipated claims.

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 the above insurance coverages 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.

Employee health insurance is provided through a self-insured plan and is accounted for and financed through an internal service fund. The City has purchased commercial stop-loss insurance for individual claims over \$125,000 and annual aggregate claims in excess of 120% of the expected total claims for the year. The health insurance claim liability of \$479,452 recorded at year-end was calculated by the City's health care broker based on the City's claims experience over the past twelve months.

| | Beginning of Year Liability | Current Year Claims & Changes in Estimate | Claim Payments | Balance at Year-End |
|------|--------------------------------|--|----------------|---------------------|
| 2013 | \$442,419 | \$5,446,584 | \$5,426,737 | \$462,266 |
| 2014 | 462,266 | 6,245,481 | 6,228,295 | 479,452 |

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. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting their website at www.op-f.org.

The Ohio Revised Code provides statutory authority for employee and employer contributions. During 2014 from Jan. 1 thru July 1, and from July 2 thru Dec. 31 plan members were required to contribute 10.75% and 11.5% of their annual covered salary respectively. Throughout all of 2014 the City was 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, 2012, 2013 and 2014, were \$2,658,962, \$2,723,226 and \$2,728,747 respectively, equal to the required contributions for the year.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members were required to contribute 10% of their annual covered salary and the City was required to contribute 14%. The City's contributions to the plan for the years ending December 31, 2012, 2013 and 2014, were \$2,736,865, \$2,791,845, and \$2,841,465 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, 2014, the plan's membership consisted of the following:

| | |
|--|-------------------|
| Retirees and beneficiaries currently receiving benefits | 79 |
| Terminated employees entitled to benefits but not yet receiving them | 26 |
| Active members | <u>32</u> |
| Total | <u><u>137</u></u> |

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

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

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

The annual required contribution for the current year was determined as part of the January 1, 2014, actuarial valuation using the projected unit credit cost method. The actuarial assumptions included a general inflation rate assumption of 2.25%, a 4.5% investment rate of return and that benefits will not increase after retirement.

The actuarial value of assets was determined using the contract basis. The funded status of the plan as of January 1, 2014, the most recent actuarial valuation date is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|--|--|------------------------------------|-------------------------|----------------------------|--|
| 1/1/2012 | \$2,090,377 | \$2,381,620 | \$291,243 | 87.8% | \$673,704 | 43.2% |
| 1/1/2013 | 2,091,874 | 2,357,457 | 265,583 | 88.7% | 701,807 | 37.8% |
| 1/1/2014 | 2,106,423 | 2,364,076 | 257,653 | 89.1% | 981,123 | 26.3% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended December 31 | Annual Required Contribution (ARC) | Actual Contribution | Percent Contributed |
|-----------------------------------|---|--------------------------------|--------------------------------|
| 2009 | \$91,662 | \$91,662 | 100% |
| 2010 | 59,726 | 59,726 | 100% |
| 2011 | 45,905 | 45,905 | 100% |
| 2012 | 38,176 | 44,427 | 116% |
| 2013 | 34,813 | 59,581 | 171% |
| 2014 | 57,413 | 63,285 | 110% |

For the fiscal years ended December 31, 2012, 2013 and 2014, the Annual Pension cost (APC) was \$38,176, \$35,304 and \$59,897 respectively; the percentage of APC contributed was 116% in 2012, 169% in 2013, and 106% in 2014. The net pension obligation (NPO) was (\$33,916) calculated as follows using a level dollar amortization method, and a 10 year amortization period that is open:

| Year | Amort Period | ARC | Interest on NPO | ARC Adjustment | APC | Actual Deposit | Change in NPO | NPO Balance |
|-------------|-------------------------|------------|----------------------------|---------------------------|------------|---------------------------|--------------------------|------------------------|
| 2012 | 10 yrs | \$38,176 | \$0 | \$0 | 38,176 | \$44,427 | (\$6,251) | (\$6,251) |
| 2013 | 10 yrs | 34,813 | (328) | (819) | 35,304 | 59,581 | (24,277) | (30,528) |
| 2014 | 10 yrs | 57,413 | (1,374) | (3,858) | 59,897 | 63,285 | (3,388) | (33,916) |

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

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 8, both the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OP&F) provide post retirement health care coverage, which meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. For both systems, the Ohio Revised Code (ORC) permits, but does not mandate, OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in the ORC Chapter 145 for OPERS and Chapter 742 for OP&F.

OHIO POLICE AND FIRE PENSION FUND OPEB

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

The ORC provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OP&F. A portion of each employer's contribution is set aside for the funding of post retirement health care benefits. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% and 24.0% of covered payroll for police and fire employers respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the ORC to the OP&F board of trustees. The board of trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 155 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2014, the employer contribution allocated to the healthcare plan was .5% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h). The OP&F board of trustees is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions to OP&F allocated to the healthcare plan for 2012, 2013 and 2014 were \$839,888, \$462,535 and \$64,612 respectively, equal to the required contributions for the year.

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB

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

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

OPERS post employment healthcare plan was established and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2014, the employer contribution allocated to the health care plan was 2.0% for both the TP and CO. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions to OPERS allocated to fund post employment benefits for 2012, 2013 and 2014 were \$781,922, \$199,338 and \$405,761 respectively, equal to the required contributions for the year. Changes to the health care plan were adopted in 2012 with a transition plan beginning in 2014. Because of these changes and the recent passage of pension legislation, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

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

11. LEASES AND CONSTRUCTION COMMITMENTS

There are no operating leases, in which the City is a lessee, in excess of one year. Operating lease payments in 2014 were \$299,298.

Significant commitments and encumbrances at December 31, 2014 included:

Capital Projects Fund \$12,769,000

12. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2014, 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: | | | | | |
| Court Facility, 3.0%-4.5% | \$2,560,000 | | \$190,000 | \$2,370,000 | \$195,000 |
| Court Facility discount | (15,240) | | 1,355 | (13,885) | |
| Recreation & Parks Improvements 3.0%-5.0% | 10,190,000 | | 505,000 | 9,685,000 | 525,000 |
| Recreation & Parks premium | 184,107 | | 11,987 | 172,120 | |
| Total general obligation bonds | <u>12,918,867</u> | | <u>708,342</u> | <u>12,213,235</u> | <u>720,000</u> |
| Other: | | | | | |
| Accrued vacation and sick leave benefits | 4,599,378 | \$2,795,420 [■] | 2,926,646 | 4,468,152 [■] | 2,725,573 [■] |
| Ohio Public Works Commission Long-Term Promissory Notes, 0-3% | 1,582,228 | | 174,735 | 1,407,493 | 170,945 |
| Total other | <u>6,181,606</u> | <u>2,795,420</u> | <u>3,101,381</u> | <u>5,875,645</u> | <u>2,896,518</u> |
| Total noncurrent liabilities | <u>\$19,100,473</u> | <u>\$2,795,420</u> | <u>\$3,809,723</u> | <u>\$18,088,880</u> | <u>\$3,616,518</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 77% has been paid by the General Fund, 9% 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.

From time to time the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year-end there was one Industrial Revenue Bond series outstanding, with an aggregate principal amount payable of \$3.9 million.

The annual requirements to pay principal and interest on noncurrent obligations at December 31, 2014, are as follows:

| | General Obligation Bonds | | Promissory Notes | |
|-----------|-----------------------------|--------------------|---------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2015 | \$720,000 | \$500,823 | \$170,944 | \$9,973 |
| 2016 | 750,000 | 471,048 | 162,660 | 8,988 |
| 2017 | 785,000 | 440,198 | 157,542 | 7,977 |
| 2018 | 815,000 | 403,098 | 158,580 | 6,939 |
| 2019 | 855,000 | 367,773 | 159,645 | 5,874 |
| 2020-2024 | 4,795,000 | 1,304,651 | 577,267 | 12,629 |
| 2025-2028 | 3,335,000 | 364,091 | 20,855 | 157 |
| | <u>\$12,055,000</u> | <u>\$3,851,682</u> | <u>\$1,407,493</u> | <u>\$52,537</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, 2014 the City had a legal debt margin for total debt of \$105,713,067 and a legal debt margin for unvoted debt of \$59,747,483.

13. CONTINGENT LIABILITIES

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

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

14. SUBSEQUENT EVENTS

In February of 2015 the City issued \$15,500,000 in general obligation bonds for the purpose of building and equipping new fire stations.

In February of 2015 the City also issued \$2,215,000 in general obligation bonds for the purpose of refunding the Court Facility general obligation bonds outstanding on December 31, 2014. The outstanding Court Facility bonds have a call provision that will be exercised on December 1, 2015, thereby retiring the issue.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|--------------------|--------------------|--------------------|-------------------------------|
| | Original | Final | | |
| Fund balance, January 1 | \$47,074,738 | \$47,074,738 | \$47,074,738 | |
| Resources (inflows) | | | | |
| Income taxes | 41,692,000 | 41,000,000 | 41,624,574 | \$624,574 |
| Property taxes | 6,450,000 | 6,450,000 | 6,383,176 | (66,824) |
| Licenses and permits | 492,000 | 527,000 | 514,255 | (12,745) |
| Intergovernmental revenue | 926,000 | 1,183,000 | 1,003,956 | (179,044) |
| Charges for services | 153,000 | 178,000 | 181,506 | 3,506 |
| Fines and forfeits | 1,320,000 | 1,200,000 | 1,137,979 | (62,021) |
| Investment earnings | 400,000 | 340,000 | 770,437 | 430,437 |
| Special assessments | 400,000 | 408,000 | 407,844 | (156) |
| Refunds and reimbursements | 1,650,000 | 1,900,000 | 1,900,495 | 495 |
| Miscellaneous | 10,000 | 16,000 | 24,088 | 8,088 |
| Sale of city assets | 25,000 | 59,000 | 90,765 | 31,765 |
| Amounts available for appropriation | <u>100,592,738</u> | <u>100,335,738</u> | <u>101,113,813</u> | <u>778,075</u> |
| Charges to appropriations (outflows) | | | | |
| General government: | | | | |
| Mayor and Council: | | | | |
| Personal services | 183,500 | 183,500 | 182,446 | 1,054 |
| Operating expenditures | 88,567 | 88,567 | 74,148 | 14,419 |
| Capital outlay | | | | |
| Total mayor and council | <u>272,067</u> | <u>272,067</u> | <u>256,594</u> | <u>15,473</u> |
| Municipal court: | | | | |
| Personal services | 956,300 | 956,300 | 925,459 | 30,841 |
| Operating expenditures | 259,200 | 259,200 | 250,202 | 8,998 |
| Capital outlay | | | | |
| Total municipal court | <u>1,215,500</u> | <u>1,215,500</u> | <u>1,175,661</u> | <u>39,839</u> |
| Clerk of courts: | | | | |
| Personal services | 948,300 | 948,300 | 919,491 | 28,809 |
| Operating expenditures | 147,005 | 147,005 | 124,745 | 22,260 |
| Capital outlay | | | | |
| Total clerk of courts | <u>1,095,305</u> | <u>1,095,305</u> | <u>1,044,236</u> | <u>51,069</u> |
| Office of City Manager: | | | | |
| Personal services | 680,700 | 680,700 | 633,698 | 47,002 |
| Operating expenditures | 86,585 | 86,431 | 78,571 | 7,860 |
| Capital outlay | | | | |
| Total office of city manager | <u>767,285</u> | <u>767,131</u> | <u>712,269</u> | <u>54,862</u> |
| Law department: | | | | |
| Personal services | 878,600 | 858,600 | 806,293 | 52,307 |
| Operating expenditures | 182,495 | 306,787 | 255,937 | 50,850 |
| Capital outlay | | | | |
| Total law department | <u>1,061,095</u> | <u>1,165,387</u> | <u>1,062,230</u> | <u>103,157</u> |
| Finance department: | | | | |
| Personal services | 1,904,600 | 1,904,600 | 1,849,211 | 55,389 |
| Operating expenditures | 556,075 | 553,017 | 413,372 | 139,645 |
| Capital outlay | | | | |
| Total finance department | <u>2,460,675</u> | <u>2,457,617</u> | <u>2,262,583</u> | <u>195,034</u> |
| Administrative support: | | | | |
| Personal services | 632,200 | 633,700 | 633,351 | 349 |
| Operating expenditures | 744,794 | 743,294 | 252,608 | 490,686 |
| Capital outlay | | | | |
| Total administrative support | <u>1,376,994</u> | <u>1,376,994</u> | <u>885,959</u> | <u>491,035</u> |

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|----------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| General government: | | | | |
| Human resources department: | | | | |
| Personal services | \$782,200 | \$782,200 | \$711,697 | \$70,503 |
| Operating expenditures | 438,335 | 437,709 | 276,621 | 161,088 |
| Capital outlay | | | | |
| Total human resources department | <u>1,220,535</u> | <u>1,219,909</u> | <u>988,318</u> | <u>231,591</u> |
| Planning and development: | | | | |
| Personal services | 2,005,800 | 2,005,800 | 1,907,094 | 98,706 |
| Operating expenditures | 568,652 | 556,673 | 297,256 | 259,417 |
| Capital outlay | | | | |
| Total planning and development | <u>2,574,452</u> | <u>2,562,473</u> | <u>2,204,350</u> | <u>358,123</u> |
| Economic development: | | | | |
| Personal services | 140,200 | 140,200 | 139,838 | 362 |
| Operating expenditures | 739,795 | 1,085,657 | 1,004,399 | 81,258 |
| Capital outlay | | | | |
| Total economic development | <u>879,995</u> | <u>1,225,857</u> | <u>1,144,237</u> | <u>81,620</u> |
| Miscellaneous: | | | | |
| Operating expenditures | 791,138 | 871,138 | 694,333 | 176,805 |
| Total miscellaneous | <u>791,138</u> | <u>871,138</u> | <u>694,333</u> | <u>176,805</u> |
| Total general government | <u>13,715,041</u> | <u>14,229,378</u> | <u>12,430,770</u> | <u>1,798,608</u> |
| Police: | | | | |
| Personal services | 11,632,600 | 11,632,600 | 11,222,469 | 410,131 |
| Operating expenditures | 2,207,231 | 2,283,618 | 1,979,119 | 304,499 |
| Capital outlay | 288,546 | 305,946 | 233,324 | 72,622 |
| Total police | <u>14,128,377</u> | <u>14,222,164</u> | <u>13,434,912</u> | <u>787,252</u> |
| Fire: | | | | |
| Personal services | 9,507,900 | 9,507,900 | 9,431,368 | 76,532 |
| Operating expenditures | 1,924,189 | 2,028,335 | 1,639,428 | 388,907 |
| Capital outlay | | | | |
| Total fire | <u>11,432,089</u> | <u>11,536,235</u> | <u>11,070,796</u> | <u>465,439</u> |
| Public works: | | | | |
| Engineering department: | | | | |
| Personal services | 1,921,400 | 1,921,400 | 1,785,607 | 135,793 |
| Operating expenditures | 512,884 | 512,884 | 358,493 | 154,391 |
| Capital outlay | 20,000 | 20,000 | | 20,000 |
| Total engineering department | <u>2,454,284</u> | <u>2,454,284</u> | <u>2,144,100</u> | <u>310,184</u> |
| Street lighting: | | | | |
| Operating expenditures | 495,000 | 495,000 | 456,998 | 38,002 |
| Total street lighting | <u>495,000</u> | <u>495,000</u> | <u>456,998</u> | <u>38,002</u> |
| Total public works | <u>2,949,284</u> | <u>2,949,284</u> | <u>2,601,098</u> | <u>348,186</u> |
| Transfers to other funds | 19,019,000 | 18,588,216 | 14,354,474 | 4,233,742 |
| Total charges to appropriations | <u>61,243,791</u> | <u>61,525,277</u> | <u>53,892,050</u> | <u>7,633,227</u> |
| Fund balance, December 31 | <u>\$39,348,947</u> | <u>\$38,810,461</u> | <u>\$47,221,763</u> | <u>\$8,411,302</u> |

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, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|------------------|------------------|--------------------|-------------------------------|
| | Original | Final | | |
| Fund balance, January 1 | \$471,019 | \$471,019 | \$471,019 | |
| Resources (inflows) | | | | |
| Licenses and permits | 5,000 | 6,000 | 10,280 | \$4,280 |
| Intergovernmental revenue | 2,490,000 | 2,490,000 | 2,507,547 | 17,547 |
| Refunds and reimbursements | 175,000 | 520,000 | 576,357 | 56,357 |
| Miscellaneous | 10,000 | 12,000 | 13,859 | 1,859 |
| Sale of city assets | 15,000 | 35,000 | 42,942 | 7,942 |
| Transfer from the general fund | 3,517,000 | 4,593,000 | 3,828,500 | (764,500) |
| Amounts available for appropriation | <u>6,683,019</u> | <u>8,127,019</u> | <u>7,450,504</u> | <u>(676,515)</u> |
| Charges to appropriations (outflows) | | | | |
| Public works: | | | | |
| Street department: | | | | |
| Personal services | 3,742,600 | 3,882,600 | 3,689,839 | 192,761 |
| Operating expenditures | 1,682,184 | 2,618,184 | 2,142,420 | 475,764 |
| Capital outlay | 1,045,370 | 1,045,370 | 492,320 | 553,050 |
| Total charges to appropriations | <u>6,470,154</u> | <u>7,546,154</u> | <u>6,324,579</u> | <u>1,221,575</u> |
| Fund balance, December 31 | <u>\$212,865</u> | <u>\$580,865</u> | <u>\$1,125,925</u> | <u>\$545,060</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, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|-----------|-----------|-------------------------------|
| | Original | Final | | |
| Fund balance, January 1 | \$32,755 | \$32,755 | \$32,755 | |
| Resources (inflows) | | | | |
| Intergovernmental revenue | 25,000 | 20,000 | 19,914 | (\$86) |
| Charges for services | 3,640,000 | 3,303,000 | 3,280,940 | (22,060) |
| Refunds and reimbursements | 50,000 | 49,000 | 100,846 | 51,846 |
| Miscellaneous | 34,000 | 68,000 | 35,231 | (32,769) |
| Sale of city assets | | 29,000 | 29,057 | 57 |
| Transfer from the general fund | 6,295,000 | 6,295,000 | 5,777,000 | (518,000) |
| Amounts available for appropriation | 10,076,755 | 9,796,755 | 9,275,743 | (521,012) |
| Charges to appropriations (outflows) | | | | |
| Leisure services: | | | | |
| Parks, recreation and cultural arts department: | | | | |
| Personal services | 5,852,400 | 5,609,300 | 5,321,452 | 287,848 |
| Operating expenditures | 4,118,305 | 4,042,856 | 3,852,060 | 190,796 |
| Capital outlay | 93,000 | 93,000 | 58,054 | 34,946 |
| Total charges to appropriations | 10,063,705 | 9,745,156 | 9,231,566 | 513,590 |
| Fund balance, December 31 | \$13,050 | \$51,599 | \$44,177 | (\$7,422) |

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, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|------------------|-------------|-------------|-------------------------------|
| | Original | Final | | |
| Fund balance, January 1 | \$1,679,456 | \$1,679,456 | \$1,679,456 | |
| Resources (inflows) | | | | |
| Charges for services | 3,530,000 | 4,329,000 | 4,362,667 | \$33,667 |
| Refunds and reimbursements | 5,000 | | 8,062 | 8,062 |
| Miscellaneous | 375,000 | 571,000 | 574,444 | 3,444 |
| Amounts available for appropriation | 5,589,456 | 6,579,456 | 6,624,629 | 45,173 |
| Charges to appropriations (outflows) | | | | |
| Leisure services: | | | | |
| Fraze pavilion: | | | | |
| Personal services | 991,100 | 991,100 | 952,534 | 38,566 |
| Operating expenditures | 3,233,909 | 3,983,218 | 3,495,510 | 487,708 |
| Total charges to appropriations | 4,225,009 | 4,974,318 | 4,448,044 | 526,274 |
| Fund balance, December 31 | \$1,364,447 | \$1,605,138 | \$2,176,585 | \$571,447 |

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, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|------------------|------------------|--------------------|-------------------------------|
| | Original | Final | | |
| Fund balance, January 1 | \$1,135,236 | \$1,135,236 | \$1,135,236 | |
| Resources (inflows) | | | | |
| Intergovernmental revenue | 934,433 | 1,007,730 | 775,521 | (\$232,209) |
| Investment earnings | 1,000 | 1,000 | 2,424 | 1,424 |
| Refunds and reimbursements | | | 20 | 20 |
| Miscellaneous | 5,600 | 5,600 | 10,392 | 4,792 |
| Sale of city assets | 121,000 | 121,000 | 7,239 | (113,761) |
| Transfer from the general fund | | 32,583 | 32,583 | 0 |
| Amounts available for appropriation | <u>2,197,269</u> | <u>2,303,149</u> | <u>1,963,415</u> | <u>(339,734)</u> |
| Charges to appropriations (outflows) | | | | |
| General government | 1,175,485 | 1,233,484 | 699,718 | 533,766 |
| Capital improvements | 569,006 | 642,913 | 135,155 | 507,758 |
| Total charges to appropriations | <u>1,744,491</u> | <u>1,876,397</u> | <u>834,873</u> | <u>1,041,524</u> |
| Fund balance, December 31 | <u>\$452,778</u> | <u>\$426,752</u> | <u>\$1,128,542</u> | <u>\$701,790</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, 2014**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---------------------------------------|------------------|--------------|--------------|-------------------------------|
| | Original | Final | | |
| Fund balance, January 1 | \$10,424,858 | \$10,424,858 | \$10,424,858 | |
| Resources (inflows) | | | | |
| Charges for services | 1,500,000 | 1,450,000 | 1,353,270 | (\$96,730) |
| Investment earnings | 75,000 | 75,000 | 101,990 | 26,990 |
| Transfer from the general fund | 1,542,000 | | | |
| Amounts available for appropriation | 13,541,858 | 11,949,858 | 11,880,118 | (69,740) |
| Charges to appropriations (outflows) | | | | |
| Fire: | | | | |
| Operating expenditures | 85,000 | 110,000 | 86,003 | 23,997 |
| Capital outlay | 1,705,497 | 1,705,497 | 1,490,261 | 215,236 |
| Total fire | 1,790,497 | 1,815,497 | 1,576,264 | 239,233 |
| Capital Improvements | 591,138 | | | |
| Transfer to the capital projects fund | | 10,000,000 | 9,835,312 | 164,688 |
| Total charges to appropriations | 2,381,635 | 11,815,497 | 11,411,576 | 239,233 |
| Fund balance, December 31 | \$11,160,223 | \$134,361 | \$468,542 | \$169,493 |

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. BUDGETS AND BUDGETARY ACCOUNTING

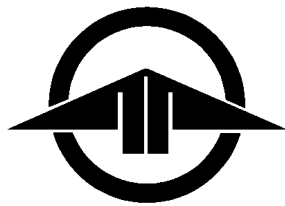
An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings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

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

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

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

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



CITY OF KETTERING

FINANCIAL STATEMENTS
OF
INDIVIDUAL FUNDS

**NONMAJOR SPECIAL REVENUE FUNDS
 COMBINING BALANCE SHEET DECEMBER 31, 2014**

| | State Highway | Cemetery | Police Pension | DESC Reuse | Special Safety Grants & Programs | Total Governmental Funds |
|---------------------------------------|------------------|------------------|-------------------|-----------------|--|--------------------------------|
| ASSETS | | | | | | |
| Pooled cash and investments | \$67,344 | \$422,360 | \$260,328 | \$88,615 | \$3,129,279 | \$3,967,926 |
| Receivables: | | | | | | |
| Property taxes | | | 320,000 | | | 320,000 |
| Accounts | | | | 821 | | 821 |
| Due from other governments | 85,346 | | | | 59,086 | 144,432 |
| Prepaid expenditures | | | | | | |
| Total assets | <u>\$152,690</u> | <u>\$422,360</u> | <u>\$580,328</u> | <u>\$89,436</u> | <u>\$3,188,365</u> | <u>\$4,433,179</u> |
| LIABILITIES | | | | | | |
| Accounts payable | \$212 | \$650 | | \$15,764 | \$71,821 | \$88,447 |
| Accrued payroll | | | \$249,853 | | 7,940 | 257,793 |
| Total liabilities | <u>212</u> | <u>650</u> | <u>249,853</u> | <u>15,764</u> | <u>79,761</u> | <u>346,240</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Property taxes | | | 320,000 | | | 320,000 |
| Grants and other taxes | 71,200 | | | | 16,411 | 87,611 |
| Total deferred inflows of resources | <u>71,200</u> | | <u>320,000</u> | | <u>16,411</u> | <u>407,611</u> |
| FUND BALANCES | | | | | | |
| Nonspendable: Prepaids | | | | | | |
| Restricted for: | | | | | | |
| Public safety | | | 10,475 | | 705,771 | 716,246 |
| Road construction / Public works | 81,278 | | | | | 81,278 |
| Leisure services | | | | | 18,142 | 18,142 |
| Municipal court activities | | | | | 1,638,022 | 1,638,022 |
| Committed to: | | | | | | |
| Social services | | | | | 5,114 | 5,114 |
| Public safety | | | | | 12,480 | 12,480 |
| Leisure services | | \$421,710 | | | 712,664 | 1,134,374 |
| Other purposes | | | | 73,672 | | 73,672 |
| Total fund balances | <u>81,278</u> | <u>421,710</u> | <u>10,475</u> | <u>73,672</u> | <u>3,092,193</u> | <u>3,679,328</u> |
| Total liab, defer inflows & fund bals | <u>\$152,690</u> | <u>\$422,360</u> | <u>\$580,328</u> | <u>\$89,436</u> | <u>\$3,188,365</u> | <u>\$4,433,179</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, 2014

| | State Highway | | | Cemetery | | |
|--|-----------------|-----------------|-----------------|------------------|------------------|----------------|
| | Final Budget | Actual | Variance | Final Budget | Actual | Variance |
| REVENUES | | | | | | |
| Property taxes | | | | | | |
| Intergovernmental revenue | \$167,000 | \$170,785 | \$3,785 | | | |
| Charges for services | | | | \$7,000 | \$7,984 | \$984 |
| Fines and forfeits | | | | | | |
| Investment earnings | 3,000 | 1,047 | (1,953) | 8,000 | 4,406 | (3,594) |
| Refunds and reimbursements | | | | | | |
| Miscellaneous | | | | 3,000 | 3,080 | 80 |
| Total revenues | <u>170,000</u> | <u>171,832</u> | <u>1,832</u> | <u>18,000</u> | <u>15,470</u> | <u>(2,530)</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | | | | 20,000 | 11,546 | 8,454 |
| Police | | | | | | |
| Fire | | | | | | |
| Public works | 165,000 | 131,107 | 33,893 | | | |
| Leisure services | | | | | | |
| Capital improvements | 55,000 | 38,635 | 16,365 | | | |
| Total expenditures | <u>220,000</u> | <u>169,742</u> | <u>50,258</u> | <u>20,000</u> | <u>11,546</u> | <u>8,454</u> |
| Excess (deficiency) of revenues over expenditures | (50,000) | 2,090 | 52,090 | (2,000) | 3,924 | 5,924 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | | | | | | |
| Transfers out | | | | | | |
| Sale of city assets | | | | | | |
| Net change in fund balance | (50,000) | 2,090 | 52,090 | (2,000) | 3,924 | 5,924 |
| Fund balances--beginning | 79,188 | 79,188 | | 417,786 | 417,786 | |
| Fund balances--ending | <u>\$29,188</u> | <u>\$81,278</u> | <u>\$52,090</u> | <u>\$415,786</u> | <u>\$421,710</u> | <u>\$5,924</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, 2014**

| | Police Pension | | | DESC Reuse | | |
|--|------------------|------------------|----------------|-----------------|-----------------|-----------------|
| | Final Budget | Actual | Variance | Final Budget | Actual | Variance |
| REVENUES | | | | | | |
| Property taxes | \$335,000 | \$343,067 | \$8,067 | | | |
| Intergovernmental revenue | | | | | | |
| Charges for services | | | | \$68,000 | \$68,580 | \$580 |
| Fines and forfeits | | | | | | |
| Investment earnings | | | | | | |
| Refunds and reimbursements | | | | 14,000 | 14,013 | 13 |
| Miscellaneous | | | | | | |
| Total revenues | <u>335,000</u> | <u>343,067</u> | <u>8,067</u> | <u>82,000</u> | <u>82,593</u> | <u>593</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | | | | 346,025 | 262,630 | 83,395 |
| Police | 1,502,900 | 1,464,461 | 38,439 | | | |
| Fire | | | | | | |
| Public works | | | | | | |
| Leisure services | | | | | | |
| Capital improvements | | | | | | |
| Total expenditures | <u>1,502,900</u> | <u>1,464,461</u> | <u>38,439</u> | <u>346,025</u> | <u>262,630</u> | <u>83,395</u> |
| Excess (deficiency) of revenues over expenditures | (1,167,900) | (1,121,394) | 46,506 | (264,025) | (180,037) | 83,988 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 1,168,000 | 1,121,100 | (46,900) | 254,000 | 160,000 | (94,000) |
| Transfers out | | | | | | |
| Sale of city assets | | | | | 54,535 | 54,535 |
| Net change in fund balance | <u>100</u> | <u>(294)</u> | <u>(394)</u> | <u>(10,025)</u> | <u>34,498</u> | <u>44,523</u> |
| Fund balances--beginning | 10,769 | 10,769 | | 39,174 | 39,174 | |
| Fund balances--ending | <u>\$10,869</u> | <u>\$10,475</u> | <u>(\$394)</u> | <u>\$29,149</u> | <u>\$73,672</u> | <u>\$44,523</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, 2014

| | Special Safety Grants & Programs | | | Total | | |
|--|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Final Budget | Actual | Variance | Final Budget | Actual | Variance |
| REVENUES | | | | | | |
| Property taxes | | | | \$335,000 | \$343,067 | \$8,067 |
| Intergovernmental revenue | \$383,350 | \$282,400 | (\$100,950) | 550,350 | 453,185 | (97,165) |
| Charges for services | | | | 75,000 | 76,564 | 1,564 |
| Fines and forfeits | 402,000 | 448,889 | 46,889 | 402,000 | 448,889 | 46,889 |
| Investment earnings | 9,000 | 15,851 | 6,851 | 20,000 | 21,304 | 1,304 |
| Refunds and reimbursements | | 163 | 163 | 14,000 | 14,176 | 176 |
| Miscellaneous | 118,000 | 151,329 | 33,329 | 121,000 | 154,409 | 33,409 |
| Total revenues | <u>912,350</u> | <u>898,632</u> | <u>(13,718)</u> | <u>1,517,350</u> | <u>1,511,594</u> | <u>(5,756)</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 672,512 | 458,175 | 214,337 | 1,038,537 | 732,351 | 306,186 |
| Police | 500,921 | 218,552 | 282,369 | 2,003,821 | 1,683,013 | 320,808 |
| Fire | 3,500 | 1,800 | 1,700 | 3,500 | 1,800 | 1,700 |
| Public works | 15,293 | 15,293 | 0 | 180,293 | 146,400 | 33,893 |
| Leisure services | 80,842 | 47,607 | 33,235 | 80,842 | 47,607 | 33,235 |
| Capital improvements | 1,301,941 | 677,428 | 624,513 | 1,356,941 | 716,063 | 640,878 |
| Total expenditures | <u>2,575,009</u> | <u>1,418,855</u> | <u>1,156,154</u> | <u>4,663,934</u> | <u>3,327,234</u> | <u>1,336,700</u> |
| Excess (deficiency) of revenues over expenditures | (1,662,659) | (520,223) | 1,142,436 | (3,146,584) | (1,815,640) | 1,330,944 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 25,677 | 4,042 | (21,635) | 1,447,677 | 1,285,142 | (162,535) |
| Transfers out | | | | | | |
| Sale of city assets | | | | | 54,535 | 54,535 |
| Net change in fund balance | (1,636,982) | (516,181) | 1,120,801 | (1,698,907) | (475,963) | 1,222,944 |
| Fund balances--beginning | 3,608,374 | 3,608,374 | | 4,155,291 | 4,155,291 | |
| Fund balances--ending | <u>\$1,971,392</u> | <u>\$3,092,193</u> | <u>\$1,120,801</u> | <u>\$2,456,384</u> | <u>\$3,679,328</u> | <u>\$1,222,944</u> |

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2014

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|---------------------|------------------|------------------|
| REVENUES | | | |
| Property taxes | \$883,000 | \$885,853 | \$2,853 |
| Charges for services | | 94,055 | 94,055 |
| Investment earnings | 11,000 | 15,709 | 4,709 |
| Refunds and reimbursements | 46,000 | 46,344 | 344 |
| Total revenues | <u>940,000</u> | <u>1,041,961</u> | <u>101,961</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 2,000 | 452 | 1,548 |
| Debt service: | | | |
| Principal | 869,735 | 869,735 | |
| Interest | 539,555 | 539,555 | |
| Total expenditures | <u>1,411,290</u> | <u>1,409,742</u> | <u>1,548</u> |
| Deficiency of revenues over expenditures | (471,290) | (367,781) | 103,509 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 435,000 | 435,000 | |
| Net change in fund balance | (36,290) | 67,219 | 103,509 |
| Fund balances--beginning | 834,621 | 834,621 | |
| Fund balances--ending | <u>\$798,331</u> | <u>\$901,840</u> | <u>\$103,509</u> |

CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 2014

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|----------------------------|----------------------------|---------------------------|
| REVENUES | | | |
| Property taxes | \$36,000 | \$36,977 | \$977 |
| Intergovernmental | 3,057,000 | 3,021,484 | (35,516) |
| Investment earnings | 244,000 | (348,612) | (592,612) |
| Special assessments | 527,000 | 526,619 | (381) |
| Refunds and reimbursements | 30,000 | 28,341 | (1,659) |
| Miscellaneous | | | |
| Total revenues | <u>3,894,000</u> | <u>3,264,809</u> | <u>(629,191)</u> |
| EXPENDITURES | | | |
| Capital improvements | <u>23,880,993</u> | <u>10,491,326</u> | <u>13,389,667</u> |
| Total expenditures | <u>23,880,993</u> | <u>10,491,326</u> | <u>13,389,667</u> |
| Deficiency of revenues over expenditures | (19,986,993) | (7,226,517) | 12,760,476 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 16,284,956 | 12,831,561 | (3,453,395) |
| Sale of City Assets | | | |
| Net change in fund balance | <u>(3,702,037)</u> | <u>5,605,044</u> | <u>9,307,081</u> |
| Fund balances--beginning | <u>41,243,102</u> | <u>41,243,102</u> | |
| Fund balances--ending | <u><u>\$37,541,065</u></u> | <u><u>\$46,848,146</u></u> | <u><u>\$9,307,081</u></u> |

CAPITAL PROJECTS FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2014

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------------------------|---------------------|---------------------|---------------------|
| Capital improvements: | | | |
| Traffic controls | \$500,000 | \$277,317 | \$222,683 |
| Street construction | 7,033,182 | 6,425,941 | 607,241 |
| Drainage | 226,446 | 173,945 | 52,501 |
| Parks and recreation | 1,553,513 | 505,475 | 1,048,038 |
| Tree planting and landscaping | 200,455 | 94,237 | 106,218 |
| Other | 14,367,397 | 3,014,411 | 11,352,986 |
| Total capital projects fund | <u>\$23,880,993</u> | <u>\$10,491,326</u> | <u>\$13,389,667</u> |

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF NET POSITION
 DECEMBER 31, 2014

| | Administrative Operations | Health Insurance | Totals |
|--|------------------------------|---------------------|--------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Pooled cash and investments | \$389,013 | \$2,707,544 | \$3,096,557 |
| Accounts receivable | 19,620 | 1,202 | 20,822 |
| Prepaid expenses | | | |
| Inventory | 338,501 | | 338,501 |
| Total current assets | <u>747,134</u> | <u>2,708,746</u> | <u>3,455,880</u> |
| Noncurrent Assets: | | | |
| Capital assets: | | | |
| Buildings and improvements | 757,936 | | 757,936 |
| Machinery and equipment | 2,395,495 | | 2,395,495 |
| Less: Accumulated depreciation | <u>(2,074,323)</u> | | <u>(2,074,323)</u> |
| Total noncurrent assets | <u>1,079,108</u> | | <u>1,079,108</u> |
| Total assets | <u>1,826,242</u> | <u>2,708,746</u> | <u>4,534,988</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 257,040 | 2,161 | 259,201 |
| Accrued payroll | 123,186 | | 123,186 |
| Accrued health claims | | 479,452 | 479,452 |
| Total current liabilities | <u>380,226</u> | <u>481,613</u> | <u>861,839</u> |
| Noncurrent liabilities: | | | |
| Accrued vacation and sick benefits due within 1 year | 285,887 | | 285,887 |
| Accrued vacation and sick benefits due in more than 1 year | <u>182,780</u> | | <u>182,780</u> |
| Total noncurrent liabilities | <u>468,667</u> | | <u>468,667</u> |
| Total liabilities | <u>848,893</u> | <u>481,613</u> | <u>1,330,506</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,079,108 | | 1,079,108 |
| Unrestricted | <u>(101,759)</u> | <u>2,227,133</u> | <u>2,125,374</u> |
| Total net position | <u>\$977,349</u> | <u>\$2,227,133</u> | <u>\$3,204,482</u> |

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Administrative Operations | Health Insurance | Totals |
|---|------------------------------|---------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for services | <u>\$6,698,794</u> | <u>\$6,185,736</u> | <u>\$12,884,530</u> |
| Total operating revenues | <u>6,698,794</u> | <u>6,185,736</u> | <u>12,884,530</u> |
| OPERATING EXPENSES | | | |
| Personal services | 3,516,676 | | 3,516,676 |
| Repairs and maintenance | 1,782,062 | | 1,782,062 |
| Contractual services | 781,792 | 6,245,480 | 7,027,272 |
| Other materials and expenses | 460,472 | | 460,472 |
| Depreciation | 122,776 | | 122,776 |
| Total operating expenses | <u>6,663,778</u> | <u>6,245,480</u> | <u>12,909,258</u> |
| Operating income (loss) | <u>35,016</u> | <u>(59,744)</u> | <u>(24,728)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment earnings | <u>6,842</u> | <u>25,737</u> | <u>32,579</u> |
| Change in net position | 41,858 | (34,007) | 7,851 |
| Total net position--beginning | <u>935,491</u> | <u>2,261,140</u> | <u>3,196,631</u> |
| Total net position--ending | <u>\$977,349</u> | <u>\$2,227,133</u> | <u>\$3,204,482</u> |

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 Increase (Decrease) in cash

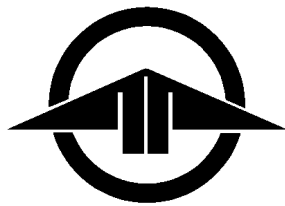
| | Administrative Operations | Health Insurance | Totals |
|---|------------------------------|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received for services | \$6,675,780 | \$6,185,259 | \$12,861,039 |
| Cash paid to suppliers for goods or services | (2,948,659) | (6,226,792) | (9,175,451) |
| Cash paid to employees for services | (3,488,622) | | (3,488,622) |
| Net cash provided (used) by operating activities | <u>238,499</u> | <u>(41,533)</u> | <u>196,966</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition of capital assets | (625,447) | | (625,447) |
| Sale of capital assets | 2,039 | | 2,039 |
| Net cash used by capital and related financing activities | <u>(623,408)</u> | | <u>(623,408)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment earnings | 6,842 | 25,737 | 32,579 |
| Net cash provided by investing activities | <u>6,842</u> | <u>25,737</u> | <u>32,579</u> |
| Net increase (decrease) in cash | (378,067) | (15,796) | (393,863) |
| Cash at beginning of year | 767,080 | 2,723,340 | 3,490,420 |
| Cash at end of year | <u>\$389,013</u> | <u>\$2,707,544</u> | <u>\$3,096,557</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$35,016 | (\$59,744) | (\$24,728) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 122,776 | | 122,776 |
| (Increase) decrease in receivables | (19,169) | (477) | (19,646) |
| (Increase) decrease in inventories | (1,944) | | (1,944) |
| Increase (decrease) in accounts payable | 73,159 | 1,502 | 74,661 |
| Increase (decrease) in accrued health claims | | 17,186 | 17,186 |
| Net (increase) decrease in other operating net position | <u>28,661</u> | | <u>28,661</u> |
| Net cash provided (used) by operating activities | <u>\$238,499</u> | <u>(\$41,533)</u> | <u>\$196,966</u> |

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Balance December 31 2013 | Additions | Deductions | Balance December 31 2014 |
|---|--------------------------------|--------------|--------------|--------------------------------|
| <u>PAYROLL WITHHOLDING FUND</u> | | | | |
| ASSETS - Cash | \$788,089 | \$11,380,461 | \$11,540,071 | \$628,479 |
| LIABILITIES - Withholdings payable | \$788,089 | \$11,380,461 | \$11,540,071 | \$628,479 |
| <u>MUNICIPAL COURT FUND</u> | | | | |
| ASSETS - Investments with fiscal agent | \$281,625 | \$3,598,356 | \$3,583,801 | \$296,180 |
| LIABILITIES - Undistributed moneys | \$281,625 | \$3,598,356 | \$3,583,801 | \$296,180 |
| <u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u> | | | | |
| ASSETS - Cash | \$9,025 | \$30,474 | \$34,457 | \$5,042 |
| LIABILITIES | | | | |
| Accounts payable | \$1,915 | \$26,346 | \$27,269 | \$992 |
| Unclaimed moneys | 7,110 | 4,128 | 7,188 | 4,050 |
| Total liabilities | \$9,025 | \$30,474 | \$34,457 | \$5,042 |
| <u>TOTALS - ALL AGENCY FUNDS</u> | | | | |
| ASSETS | | | | |
| Cash | \$797,114 | \$11,410,935 | \$11,574,528 | \$633,521 |
| Investments with fiscal agent | 281,625 | 3,598,356 | 3,583,801 | 296,180 |
| Total assets | \$1,078,739 | \$15,009,291 | \$15,158,329 | \$929,701 |
| LIABILITIES | | | | |
| Accounts payable | \$1,915 | \$26,346 | \$27,269 | \$992 |
| Withholdings payable | 788,089 | 11,380,461 | 11,540,071 | 628,479 |
| Undistributed moneys | 281,625 | 3,598,356 | 3,583,801 | 296,180 |
| Unclaimed moneys | 7,110 | 4,128 | 7,188 | 4,050 |
| Total liabilities | \$1,078,739 | \$15,009,291 | \$15,158,329 | \$929,701 |

**DEBT SCHEDULE
DECEMBER 31, 2014**

| PURPOSE | Schedule of Bonds and Notes | | | | | | |
|-----------------------------------|-----------------------------|---------------|---------------|---------------|---------------------|----------------------|------------------|
| | Date Issued | Interest Rate | Maturity Date | Amount Issued | Amount Outstanding | Payments Due in 2015 | |
| | | | | | | Principal | Interest |
| General Obligation Bonds: | | | | | | | |
| Court facility | 3/29/2005 | 3.0-4.5 | 12/1/2024 | \$3,950,000 | \$2,370,000 | \$195,000 | \$100,680 |
| Court facility discount | | | | | (13,885) | | |
| Recreation & parks improvement | 5/28/2009 | 3.0-5.0 | 12/1/2028 | 12,300,000 | 9,685,000 | 525,000 | 400,142 |
| Recreation & parks improv premium | | | | | 172,120 | | |
| Total general obligation bonds | | | | | <u>12,213,235</u> | <u>720,000</u> | <u>500,822</u> |
| Promissory Notes: | | | | | | | |
| Ohio public works commission: | | | | | | | |
| Bridge replacements | 12/1/1994 | 0.00 | 7/1/2015 | 280,393 | 9,270 | 9,270 | 0 |
| Rushland drive improvement | 7/1/1996 | 0.00 | 7/1/2016 | 122,577 | 12,257 | 6,129 | 0 |
| Spaulding Road | 12/1/2001 | 0.00 | 7/1/2022 | 1,520,719 | 608,287 | 76,036 | 0 |
| Bigger Road | 12/1/2001 | 3.00 | 7/1/2023 | 511,071 | 267,744 | 26,331 | 7,836 |
| County Line Widening | 12/31/2002 | 0.00 | 1/1/2023 | 686,098 | 291,592 | 34,305 | 0 |
| Ridgeway Bridge Rehab | 12/31/2004 | 1.00 | 7/1/2025 | 380,000 | 218,343 | 18,874 | 2,136 |
| Total promissory notes | | | | | <u>1,407,493</u> | <u>170,945</u> | <u>9,972</u> |
| Total | | | | | <u>\$13,620,728</u> | <u>\$890,945</u> | <u>\$510,794</u> |



CITY OF KETTERING

STATISTICAL SECTION

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

| <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 |

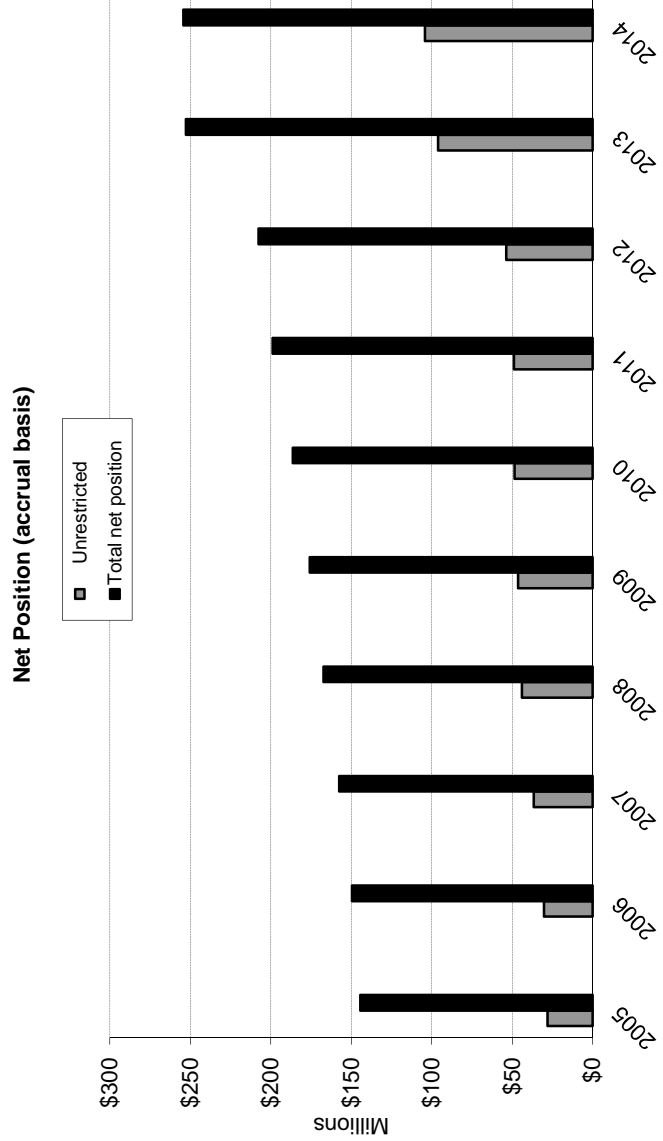
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

SCHEDULE 1

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

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$112,076,412 | \$113,557,610 | \$113,438,967 | \$113,942,666 | \$105,196,955 | \$124,238,000 | \$134,783,717 | \$138,528,286 | \$141,039,021 | \$145,363,355 |
| Restricted for: | | | | | | | | | | |
| Debt service | 15,638 | 16,476 | 16,697 | 12,367 | 715,127 | 797,685 | 872,911 | 867,379 | 834,621 | 901,840 |
| Social services | 1,255,296 | 1,379,856 | 1,495,228 | 1,409,593 | 1,691,954 | 1,913,673 | 1,858,591 | 1,412,417 | 1,654,973 | 1,364,088 |
| Public safety | 1,756,451 | 3,124,736 | 4,550,806 | 6,472,806 | 8,422,177 | 9,189,154 | 10,725,180 | 11,231,818 | 11,346,847 | 770,562 |
| Leisure services | 36,232 | 43,756 | 64,198 | 58,234 | 12,064,953 | 86,165 | 16,073 | 35,726 | 46,416 | 32,138 |
| Municipal court activities | 660,228 | 764,100 | 876,020 | 1,054,048 | 1,236,513 | 1,399,197 | 1,537,730 | 1,632,059 | 1,624,709 | 1,638,022 |
| Other purposes | 407,886 | 379,322 | 327,576 | 279,542 | 171,133 | 204,394 | 158,709 | 98,742 | 149,788 | 152,478 |
| Unrestricted | 28,054,056 | 30,230,404 | 36,673,435 | 44,019,123 | 46,312,490 | 48,507,291 | 48,971,606 | 53,724,515 | 96,058,893 | 104,189,524 |
| Total net position | \$144,262,199 | \$149,496,260 | \$157,442,927 | \$167,248,379 | \$175,811,302 | \$186,335,559 | \$198,924,517 | \$207,530,942 | \$252,755,268 | \$254,412,007 |

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



CITY OF KETTERING, OHIO

SCHEDULE 2

CHANGES IN NET POSITION

LAST TEN YEARS (accrual basis of accounting)

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Expenses | | | | | | | | | | |
| General government | \$12,339,967 | \$14,150,379 | \$17,232,295 | \$13,755,091 | \$13,175,646 | \$12,813,463 | \$13,824,699 | \$14,533,955 | \$14,294,069 | \$15,387,775 |
| Police | 11,530,015 | 12,914,191 | 12,849,315 | 13,760,327 | 13,658,265 | 14,161,364 | 14,346,393 | 14,631,811 | 14,806,948 | 15,015,613 |
| Fire | 8,380,554 | 8,709,771 | 8,932,687 | 9,666,999 | 9,968,087 | 10,504,095 | 10,533,420 | 10,903,086 | 11,303,884 | 11,574,483 |
| Public works | 11,813,178 | 11,360,485 | 12,263,789 | 13,404,095 | 12,901,084 | 13,425,510 | 13,388,960 | 14,186,561 | 13,726,430 | 14,548,773 |
| Leisure services | 11,873,881 | 12,416,056 | 12,234,615 | 13,254,478 | 12,836,109 | 13,038,928 | 13,840,098 | 14,030,681 | 14,949,267 | 15,285,794 |
| Interest on long term debt | 1,168,357 | 1,180,009 | 1,148,457 | 1,144,457 | 504,262 | 671,334 | 635,755 | 585,092 | 547,172 | 526,129 |
| Total expenses | 57,105,952 | 60,730,891 | 64,661,158 | 64,985,473 | 63,043,453 | 64,614,694 | 66,569,325 | 68,871,186 | 69,627,770 | 72,338,567 |
| Program Revenues | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 2,704,373 | 2,496,686 | 2,623,279 | 2,644,901 | 2,443,428 | 2,475,623 | 2,428,295 | 2,530,640 | 2,377,070 | 2,321,931 |
| Fire | 1,156,577 | 1,343,281 | 1,433,964 | 1,522,104 | 1,430,458 | 1,407,084 | 1,638,795 | 1,529,866 | 1,444,912 | 1,511,654 |
| Leisure services | 5,379,969 | 5,344,896 | 5,852,344 | 6,439,659 | 6,001,520 | 6,142,517 | 6,650,937 | 6,999,653 | 7,222,684 | 7,643,607 |
| Other activities | 55,265 | 56,126 | 64,520 | 85,171 | 63,138 | 42,761 | 40,415 | 48,366 | 57,993 | 47,542 |
| Operating grants and contributions | 1,563,184 | 1,253,950 | 1,225,065 | 2,367,960 | 1,484,287 | 1,594,869 | 725,501 | 1,431,456 | 1,790,624 | 1,434,454 |
| Capital grants and contributions: | | | | | | | | | | |
| Public works | 2,187,075 | 3,216,110 | 3,286,179 | 1,677,377 | 3,692,950 | 4,944,692 | 9,465,720 | 4,812,912 | 5,000,557 | 2,922,365 |
| Other activities | 203,067 | 904,254 | 302,002 | 36,521 | 163,106 | 1,286,315 | 584,159 | 771,398 | 271,331 | 72,935 |
| Total program revenues | 13,249,510 | 14,615,303 | 14,787,353 | 14,773,693 | 15,278,887 | 17,893,861 | 21,533,822 | 18,124,291 | 18,165,171 | 15,954,488 |
| Net (Expense)/Revenue¹ | | | | | | | | | | |
| General government | (8,400,440) | (9,876,734) | (13,528,315) | (10,308,033) | (9,710,841) | (7,945,813) | (10,483,009) | (10,504,831) | (10,730,626) | (12,330,676) |
| Police | (11,402,343) | (12,759,270) | (12,776,771) | (13,656,869) | (13,526,758) | (14,120,321) | (14,293,832) | (14,558,780) | (14,768,131) | (14,957,063) |
| Fire | (7,217,962) | (7,366,390) | (7,495,208) | (8,144,890) | (8,537,529) | (9,096,708) | (8,894,525) | (9,373,220) | (9,858,972) | (10,060,676) |
| Public works | (9,459,374) | (8,138,835) | (8,935,470) | (10,692,207) | (9,200,350) | (8,464,176) | (3,917,494) | (9,360,343) | (8,703,648) | (11,616,128) |
| Leisure services | (6,207,966) | (6,794,350) | (5,989,584) | (6,285,298) | (6,284,826) | (6,422,481) | (6,810,888) | (6,364,629) | (6,854,050) | (6,893,407) |
| Interest on long term debt | (1,168,357) | (1,180,009) | (1,148,457) | (1,144,483) | (504,262) | (671,334) | (635,755) | (585,092) | (547,172) | (526,129) |
| Total net expense | (43,856,442) | (46,115,588) | (49,873,805) | (50,211,780) | (47,764,566) | (46,720,833) | (45,035,503) | (50,746,895) | (51,462,599) | (56,384,079) |
| General Revenues | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Income taxes | 26,832,269 | 31,286,014 | 37,037,639 | 38,381,641 | 34,846,179 | 37,352,248 | 36,303,996 | 42,345,005 | 39,240,269 | 42,905,808 |
| Property taxes, levied for general purposes | 7,533,530 | 8,086,778 | 8,054,971 | 8,220,419 | 8,094,861 | 8,117,860 | 7,920,953 | 7,278,599 | 7,161,176 | 6,763,220 |
| Property taxes, levied for debt service | 1,279,605 | 1,304,564 | 1,288,494 | 1,303,288 | 1,252,025 | 1,276,080 | 975,771 | 897,462 | 883,105 | 885,853 |
| Other taxes | 6,829,478 | 7,300,029 | 7,849,842 | 8,607,168 | 7,464,283 | 7,630,175 | 10,292,717 | 6,253,383 | 47,022,663 | 4,782,894 |
| Investment earnings | 983,308 | 1,717,776 | 2,094,842 | 1,954,419 | 2,963,720 | 1,173,152 | 629,983 | 791,959 | 305,672 | 563,252 |
| Refunds & reimbursements | 1,547,397 | 1,327,366 | 1,249,838 | 1,296,369 | 1,484,720 | 1,516,425 | 1,271,393 | 1,801,694 | 1,938,118 | 1,936,888 |
| Miscellaneous | 243,095 | 327,122 | 244,846 | 253,928 | 221,701 | 179,150 | 229,648 | 186,924 | 135,922 | 202,903 |
| Total general revenues | 45,248,682 | 51,349,649 | 57,820,472 | 60,017,232 | 56,327,489 | 57,245,090 | 57,624,461 | 59,555,026 | 96,686,925 | 58,040,818 |
| Change in Net Position | \$1,392,240 | \$5,234,061 | \$7,946,667 | \$9,805,452 | \$8,562,923 | \$10,524,257 | \$12,588,958 | \$8,808,131 | \$45,224,326 | \$1,656,739 |

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

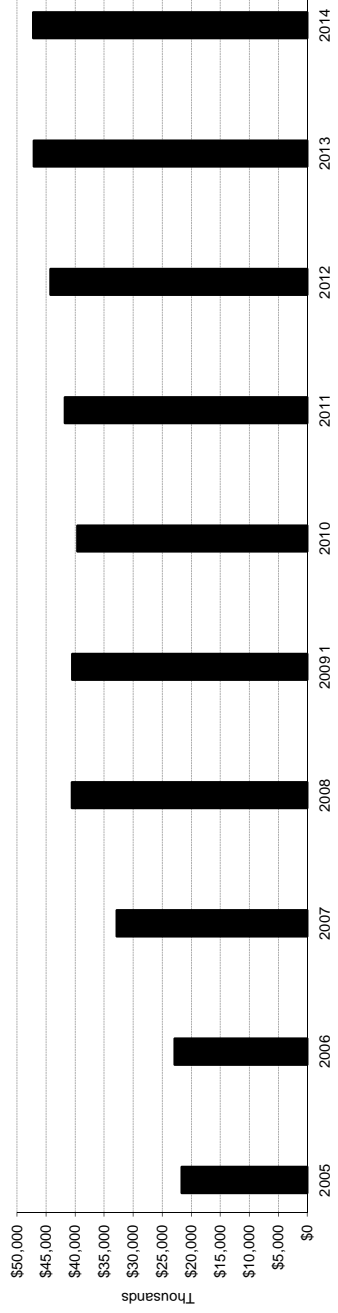
SCHEDULE 3

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN YEARS (modified accrual basis of accounting)

| | Year | | | | | | | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Fund | | | | | | | | | | |
| Reserved | \$2,001,802 | \$978,704 | \$1,309,942 | \$873,976 | | | | | | |
| Unreserved | 19,604,920 | 21,888,750 | 31,525,822 | 39,652,679 | | | | | | |
| Nonspendable | | | | | \$20,601 | \$24,580 | \$23,113 | \$16,988 | \$18,449 | \$256,066 |
| Committed | | | | | 851,917 | 642,664 | 621,688 | 1,517,592 | 2,178,599 | 2,570,595 |
| Assigned | | | | | 237,019 | 104,717 | | | | |
| Unassigned | | | | | 39,347,709 | 38,823,402 | 41,119,258 | 42,706,182 | 44,877,690 | 44,395,102 |
| Total general fund | <u>\$21,606,722</u> | <u>\$22,867,454</u> | <u>\$32,835,764</u> | <u>\$40,526,655</u> | <u>\$40,457,246</u> | <u>\$39,595,363</u> | <u>\$41,764,059</u> | <u>\$44,240,762</u> | <u>\$47,074,738</u> | <u>\$47,221,763</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$5,944,495 | \$7,288,657 | \$2,799,221 | \$3,621,226 | | | | | | |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 2,767,404 | 4,314,413 | 6,350,672 | 7,336,947 | | | | | | |
| Debt service fund | 15,638 | 16,476 | 16,697 | 12,367 | | | | | | |
| Capital project fund | 227,841 | 10,046 | 1,196,328 | 19,910 | | | | | | |
| Nonspendable, reported in: | | | | | | | | | | |
| Special revenue funds | | | | | \$205,878 | \$145,322 | \$149,325 | \$147,470 | \$205,180 | \$493,470 |
| Restricted, reported in: | | | | | | | | | | |
| Special revenue funds | | | | | 10,998,459 | 12,249,153 | 13,930,248 | 14,101,831 | 14,275,357 | 3,693,414 |
| Debt service fund | | | | | 715,127 | 797,685 | 872,911 | 867,379 | 834,621 | 901,840 |
| Capital project fund | | | | | 12,012,909 | 6,834,838 | | | | |
| Committed, reported in: | | | | | | | | | | |
| Special revenue funds | | | | | | | | | | |
| Capital project fund | | | | | 1,802,782 | 2,266,782 | 2,645,510 | 3,169,632 | 3,660,390 | 4,547,399 |
| Unassigned, reported in: | | | | | 4,101,197 | 5,956,668 | 4,161,787 | 2,022,492 | 41,243,102 | 46,848,146 |
| Special revenue funds | <u>\$8,955,378</u> | <u>\$11,629,592</u> | <u>\$10,362,918</u> | <u>\$10,990,450</u> | <u>(427,369)</u> | <u>(379,052)</u> | <u>(501,760)</u> | <u>\$20,308,804</u> | <u>(242,312)</u> | <u>(111,184)</u> |
| Total all other governmental funds | | | | | <u>\$29,408,983</u> | <u>\$27,871,396</u> | <u>\$21,258,021</u> | <u>\$20,308,804</u> | <u>\$59,976,338</u> | <u>\$56,373,085</u> |

General Fund Balance



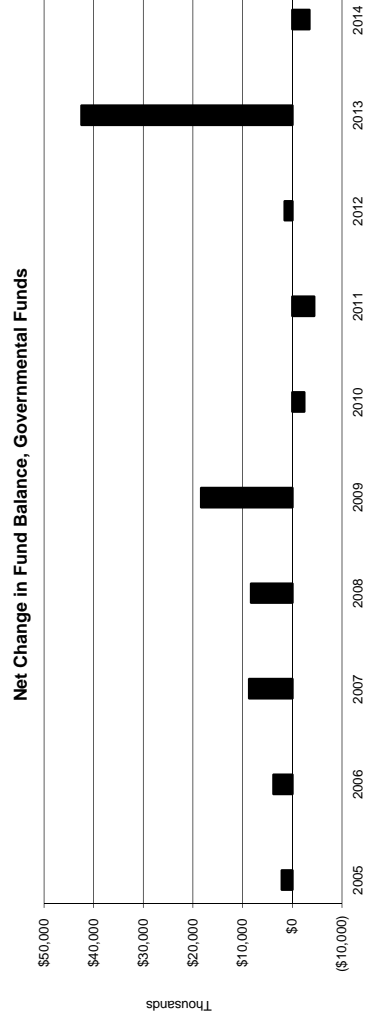
(1) Fund balance classifications changed in 2009 due to the adoption of GASB Statement No. 54.

CITY OF KETTERING, OHIO

SCHEDULE 4

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

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|----------------------|----------------------|--------------------|---------------------|----------------------|
| REVENUES | | | | | | | | | | |
| Income taxes | \$27,221,521 | \$31,241,870 | \$37,128,614 | \$38,244,422 | \$35,321,466 | \$36,417,018 | \$37,392,845 | \$39,891,659 | \$39,386,072 | \$41,624,574 |
| Property taxes | 8,811,235 | 9,343,041 | 9,341,465 | 9,399,507 | 9,345,887 | 9,391,640 | 8,970,024 | 8,131,160 | 8,043,981 | 7,649,073 |
| Licenses and permits | 488,598 | 541,457 | 567,742 | 626,290 | 528,823 | 491,322 | 459,696 | 525,190 | 538,267 | 524,535 |
| Intergovernmental revenue | 9,156,001 | 11,159,023 | 11,238,227 | 10,158,897 | 11,890,457 | 14,648,675 | 20,011,549 | 11,090,451 | 50,075,115 | 7,781,607 |
| Charges for services | 6,925,229 | 6,909,899 | 7,517,918 | 8,152,788 | 7,663,257 | 7,730,157 | 8,352,103 | 8,794,951 | 8,937,684 | 9,349,002 |
| Fines and forfeits | 1,914,989 | 1,762,075 | 1,919,736 | 1,867,005 | 1,780,070 | 1,835,344 | 1,828,209 | 1,837,695 | 1,640,474 | 1,586,868 |
| Investment earnings | 983,308 | 1,717,776 | 2,094,842 | 1,954,417 | 2,963,721 | 1,173,151 | 629,984 | 791,959 | 305,673 | 563,252 |
| Special assessments | 1,402,805 | 902,767 | 978,014 | 1,024,719 | 1,006,879 | 1,019,237 | 924,751 | 965,122 | 961,250 | 934,463 |
| Refunds and reimbursements | 3,078,251 | 2,318,409 | 1,993,372 | 2,898,427 | 2,101,691 | 2,931,420 | 2,181,056 | 2,227,342 | 2,884,888 | 2,674,641 |
| Miscellaneous | 503,483 | 540,471 | 555,991 | 691,840 | 555,813 | 560,693 | 523,814 | 754,921 | 737,739 | 812,423 |
| Total revenues | 60,485,420 | 66,526,788 | 73,335,921 | 75,018,312 | 73,158,064 | 76,198,657 | 81,274,031 | 75,010,450 | 113,511,143 | 73,500,438 |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 11,687,503 | 13,105,797 | 12,117,032 | 12,558,705 | 12,153,096 | 12,476,529 | 12,050,675 | 12,553,463 | 12,815,451 | 13,863,291 |
| Police | 11,308,886 | 12,901,716 | 12,828,081 | 13,576,481 | 13,641,191 | 13,976,571 | 14,398,245 | 14,822,534 | 14,957,275 | 15,117,925 |
| Fire | 8,328,226 | 8,152,880 | 8,807,160 | 9,553,065 | 9,564,579 | 11,028,998 | 10,357,123 | 10,794,655 | 10,935,461 | 12,648,860 |
| Public works | 7,674,931 | 7,528,693 | 8,117,038 | 10,145,609 | 8,514,496 | 8,391,628 | 8,631,543 | 8,395,339 | 8,314,119 | 9,072,077 |
| Leisure services | 10,602,498 | 10,725,786 | 11,387,262 | 12,487,222 | 12,084,992 | 12,173,718 | 12,450,737 | 12,551,728 | 13,361,686 | 13,727,217 |
| Capital improvements | 10,294,799 | 7,966,574 | 9,676,701 | 6,652,398 | 10,221,062 | 18,983,100 | 25,101,663 | 13,270,898 | 9,546,221 | 11,342,544 |
| Debt service: | | | | | | | | | | |
| Principal | 1,387,380 | 1,313,385 | 667,018 | 642,739 | 775,290 | 1,021,134 | 1,062,000 | 1,092,888 | 848,799 | 869,735 |
| Interest | 1,153,773 | 1,178,485 | 1,144,194 | 1,140,310 | 463,231 | 672,521 | 637,150 | 599,394 | 559,885 | 539,555 |
| Total expenditures | 62,437,996 | 62,873,316 | 64,744,486 | 66,756,529 | 67,417,937 | 78,724,199 | 84,689,136 | 74,080,899 | 71,338,897 | 77,181,204 |
| Excess (deficiency) of revenues over expenditures | (1,952,576) | 3,653,472 | 8,591,435 | 8,261,783 | 5,740,127 | (2,525,542) | (3,415,105) | 929,551 | 42,172,246 | (3,680,766) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfers in | 8,980,139 | 10,657,427 | 8,733,378 | 9,835,396 | 15,445,122 | 15,221,132 | 10,508,166 | 11,903,130 | 10,434,938 | 24,189,786 |
| Transfers out | (8,980,139) | (10,657,427) | (8,733,378) | (9,835,396) | (15,445,122) | (15,221,132) | (11,658,166) | (11,903,130) | (10,434,938) | (24,189,786) |
| General obligation debt issuance | 3,987,766 | | | | 12,539,751 | | | | | |
| Sale of city assets | 83,731 | 127,789 | 110,201 | 56,640 | 69,246 | 126,073 | 120,426 | 597,935 | 329,264 | 224,538 |
| Net change in fund balance | \$2,118,921 | \$3,781,261 | \$8,701,636 | \$8,318,423 | \$18,349,124 | (\$2,399,469) | (\$4,444,679) | \$1,527,486 | \$42,501,510 | (\$3,456,228) |
| Debt service as a percentage of noncapital expenditures | 4.97% | 4.60% | 3.29% | 2.96% | 2.16% | 2.85% | 2.79% | 2.72% | 2.25% | 2.18% |

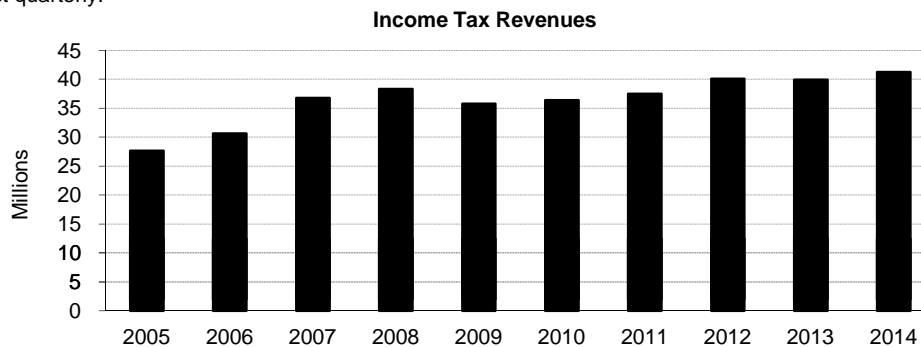


INCOME TAX BY PAYER TYPE AND INCOME TAX RATE
LAST TEN YEARS (cash basis of accounting)

| Year | Individual | | Total | | | Total | Income Tax Rate |
|------|-------------|-----------------|------------|-----------|-------------|------------|-----------------|
| | Withholding | Non-withholding | Individual | Corporate | Partnership | | |
| 2005 | 23,197,704 | 2,562,530 | 25,760,234 | 1,322,451 | 526,016 | 27,608,701 | 1.75% |
| 2006 | 25,095,721 | 2,648,736 | 27,744,457 | 1,938,223 | 935,584 | 30,618,264 | 1.75% |
| 2007 | 32,012,871 | 2,982,064 | 34,994,935 | 1,223,994 | 515,509 | 36,734,438 | 2.25% |
| 2008 | 30,332,016 | 4,067,241 | 34,399,257 | 2,840,391 | 1,068,253 | 38,307,901 | 2.25% |
| 2009 | 28,511,501 | 3,837,474 | 32,348,975 | 1,782,656 | 1,616,788 | 35,748,419 | 2.25% |
| 2010 | 28,673,437 | 3,871,009 | 32,544,446 | 2,712,061 | 1,122,567 | 36,379,074 | 2.25% |
| 2011 | 29,645,857 | 4,084,942 | 33,730,799 | 2,704,278 | 1,013,804 | 37,448,881 | 2.25% |
| 2012 | 30,426,208 | 4,607,103 | 35,033,311 | 3,489,120 | 1,522,725 | 40,045,156 | 2.25% |
| 2013 | 30,215,329 | 4,921,938 | 35,137,267 | 3,192,769 | 1,570,281 | 39,900,317 | 2.25% |
| 2014 | 31,236,752 | 4,837,510 | 36,074,262 | 3,546,291 | 1,621,034 | 41,241,587 | 2.25% |

Source: City of Kettering, Ohio, Finance Department

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



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

| 2014 | | 2004 | | | |
|---|--------------------------------|----------------|---|--------------------------------|-------|
| Rank | Name | 2014 Rank | Rank | Name | |
| 1 | Kettering Medical Center | - | 1 | Delphi Automotive Systems LLC | |
| 2 | GE Money | 1 | 2 | Kettering Medical Center | |
| 3 | Reynolds & Reynolds Company | 3 | 3 | Reynolds & Reynolds Company | |
| 4 | Federal Government | 4 | 4 | Federal Government | |
| 5 | Kettering Board of Education | 8 ¹ | 5 | Kodak Versamark Inc. | |
| 6 | City of Kettering | 5 | 6 | Kettering Board of Education | |
| 7 | Limited Brands Inc. & Subs | 2 ¹ | 7 | Monogram Services Co LLC | |
| 8 | Eastman Kodak Company | 7 ¹ | 8 | Intimate Brands Inc. | |
| 9 | Tenneco Automotive Inc. | 6 | 9 | City of Kettering | |
| 10 | Time Warner Entertainment Inc. | 10 | 10 | Time Warner Entertainment Inc. | |
| Combined percentage of Total Income taxes | | 31.7% | Combined percentage of Total Income taxes | | 36.4% |

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) GE Money reports the activity formerly known as Monogram Services Co LLC.; Eastman Kodak Co. was formerly known as Kodak Versamark Inc.; Limited Brands Inc. & Subs reports the activity formerly known as Intimate Brands Inc.

CITY OF KETTERING, OHIO

SCHEDULE 7

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

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General Obligation Bonds | \$5,563,536 | \$4,564,339 | \$4,218,631 | \$3,879,270 | \$15,689,899 | \$14,963,217 | \$14,204,735 | \$13,425,000 | \$12,750,000 | \$12,055,000 |
| Percent of estimated actual property value | 0.16% | 0.12% | 0.11% | 0.10% | 0.44% | 0.42% | 0.41% | 0.42% | 0.40% | 0.38% |
| Per capita | 97 | 79 | 73 | 67 | 273 | 266 | 253 | 239 | 227 | 215 |
| Special Assessment Bonds | 816,127 | 720,807 | 619,149 | 510,730 | 395,101 | 271,783 | 140,265 | 1,756,027 | 1,582,228 | 1,407,493 |
| Promissory Notes | 3,075,818 | 2,856,949 | 2,637,298 | 2,442,338 | 2,272,048 | 2,100,914 | 1,928,915 | 1,756,027 | 1,582,228 | 1,407,493 |
| Total Gross Indebtedness | 9,455,481 | 8,142,095 | 7,475,078 | 6,832,338 | 18,357,048 | 17,335,914 | 16,273,915 | 15,181,027 | 14,332,228 | 13,462,493 |
| Percentage of personal income | 0.53% | 0.44% | 0.39% | 0.35% | 1.02% | 0.93% | 0.85% | 0.77% | 0.73% | 0.67% |
| Per capita | 164 | 142 | 130 | 119 | 319 | 309 | 290 | 270 | 255 | 240 |
| Less debt outside limitations: | | | | | | | | | | |
| Special Assessment Debt | 816,127 | 720,807 | 619,149 | 510,730 | 395,101 | 271,783 | 140,265 | 1,756,027 | 1,582,228 | 1,407,493 |
| Promissory Notes | 3,075,818 | 2,856,949 | 2,637,298 | 2,442,338 | 2,272,048 | 2,100,914 | 1,928,915 | 1,756,027 | 1,582,228 | 1,407,493 |
| Less debt service fund balance | 15,638 | 16,476 | 16,697 | 12,367 | 715,127 | 797,685 | 872,911 | 867,379 | 834,621 | 901,840 |
| Net debt within limitations for both Voted and Unvoted debt | 5,547,898 | 4,547,863 | 4,201,934 | 3,866,903 | 14,974,772 | 14,165,532 | 13,331,824 | 12,557,621 | 11,915,379 | 11,153,160 |
| Debt limitation for both Voted and Unvoted debt | 122,629,124 | 134,354,645 | 132,966,025 | 131,355,181 | 129,749,975 | 131,262,545 | 128,476,660 | 117,348,942 | 117,738,192 | 116,866,227 |
| 10.5% of assessed valuation | \$117,081,226 | \$129,806,782 | \$128,764,091 | \$127,488,278 | \$114,775,203 | \$117,097,013 | \$115,144,836 | \$104,791,321 | \$105,822,813 | \$105,713,067 |
| Legal debt margin for Voted and Unvoted debt | 4.52% | 3.38% | 3.16% | 2.94% | 11.54% | 10.79% | 10.38% | 10.70% | 10.12% | 9.54% |
| Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit | | | | | | | | | | |
| Net debt within limitations for both Voted and Unvoted debt | \$5,547,898 | \$4,547,863 | \$4,201,934 | \$3,866,903 | \$14,974,772 | \$14,165,532 | \$13,331,824 | \$12,557,621 | \$11,915,379 | \$11,153,160 |
| Less voted debt | 294,663 | 180,147 | 82,780 | 0 | 12,075,000 | 11,625,000 | 11,160,000 | 10,685,000 | 10,190,000 | 9,685,000 |
| Net debt within limitations for Unvoted debt | 5,253,235 | 4,367,716 | 4,119,154 | 3,866,903 | 2,899,772 | 2,540,532 | 2,171,824 | 1,872,621 | 1,725,379 | 1,468,160 |
| Debt limitation for Unvoted debt | 64,234,303 | 70,376,243 | 69,648,870 | 68,805,095 | 67,964,273 | 68,756,571 | 67,297,298 | 61,468,493 | 61,672,386 | 61,215,643 |
| 5.5% of assessed valuation | \$58,981,068 | \$66,008,527 | \$65,529,716 | \$64,938,192 | \$65,064,501 | \$66,216,039 | \$65,125,474 | \$59,595,872 | \$59,947,007 | \$59,747,483 |
| Legal debt margin for Unvoted debt | 8.18% | 6.21% | 5.91% | 5.62% | 4.27% | 3.69% | 3.23% | 3.05% | 2.80% | 2.40% |
| Net debt within limitations for Unvoted debt as a percentage of debt limit | | | | | | | | | | |

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2014

| <u>Jurisdiction</u> | Net Debt Outstanding | Percentage Applicable to City of Kettering ¹ | Amount Applicable to City of Kettering |
|-----------------------------------|-------------------------|--|---|
| City of Kettering | \$12,560,653 | 100.0% | \$12,560,653 |
| Overlapping debt: | | | |
| Kettering City School District | 110,008,367 | 91.1% | 100,217,622 |
| Montgomery County | 21,040,046 | 11.9% | 2,503,765 |
| Beavercreek Local School District | 89,863,179 | 0.8% | 718,905 |
| Total overlapping debt | <u>220,911,592</u> | | <u>103,440,292</u> |
| Total direct and overlapping debt | <u>\$233,472,245</u> | | <u>\$116,000,945</u> |

Source: Individual jurisdictions.

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

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

SCHEDULE 9

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

| Year | Population 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 |
|------|-------------------------|------------------------------|---|-----------------------------------|--|---|---|
| 2005 | 57,502 | 1,787,162,160 | 31,080 | 5.2% | 141,345 | 1,167,896,415 | 3,423,470,549 |
| 2006 | 57,502 | 1,840,777,025 | 32,012 | 4.7% | 137,664 | 1,279,568,048 | 3,789,173,634 |
| 2007 | 57,502 | 1,895,821,619 | 32,970 | 5.1% | 136,445 | 1,266,343,094 | 3,826,742,530 |
| 2008 | 57,502 | 1,952,885,850 | 33,962 | 6.2% | 124,105 | 1,251,001,727 | 3,906,048,887 |
| 2009 | 57,502 | 1,803,685,371 | 31,367 | 9.8% | 121,340 | 1,235,714,050 | 3,567,340,682 |
| 2010 | 56,163 | 1,859,630,280 | 33,111 | 9.9% | 125,734 | 1,250,119,480 | 3,583,279,738 |
| 2011 | 56,163 | 1,909,460,933 | 33,999 | 8.3% | 108,793 | 1,223,587,240 | 3,490,854,036 |
| 2012 | 56,163 | 1,960,626,848 | 34,910 | 6.9% | 110,466 | 1,117,608,970 | 3,187,939,565 |
| 2013 | 56,163 | 1,960,626,848 | 34,910 | 6.9% | 114,781 | 1,118,117,290 | 3,189,050,388 |
| 2014 | 56,163 | 2,012,910,298 | 35,841 | 3.9% | 116,414 | 1,113,011,690 | 3,173,886,488 |

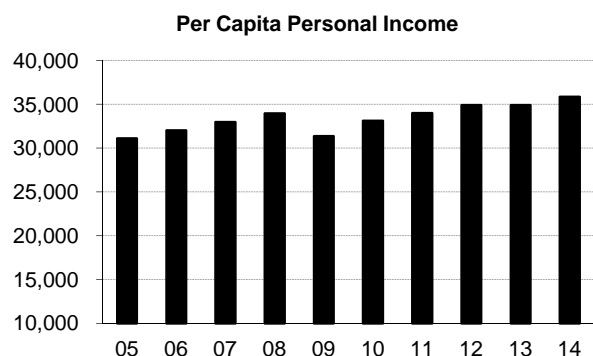
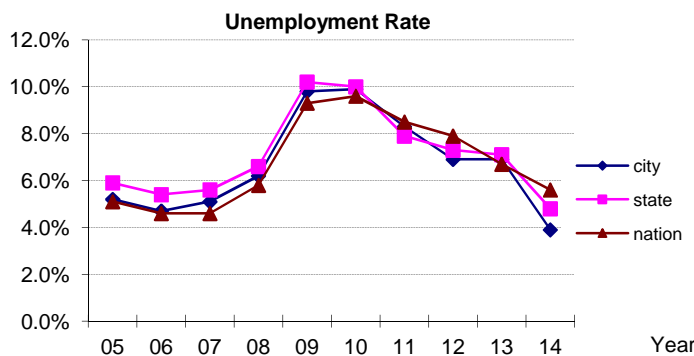
(1) 2000 & 2010 United States Census Bureau.

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

(3) Ohio Bureau of Employment Services.

(4) Dayton Area Board of Realtors, Dayton, Ohio.

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



PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO

| Employer | 2014 | | 2004 | |
|-----------------------------|---------------|----------------------------|--|----------------------------|
| | Employees | % of Total City Employment | Employees | % of Total City Employment |
| Kettering Medical Center | 3,570 | 13.52% | Kettering Medical Center | 3,100 10.00% |
| Synchrony Financial | 1,800 | 6.82% | Delphi Automotive Systems | 1,770 5.71% |
| Reynolds & Reynolds Company | 1,307 | 4.95% | Reynolds & Reynolds Company | 1,350 4.35% |
| Kettering City Schools | 1,032 | 3.91% | Monogram Services Co. LLC ² | 1,200 3.87% |
| Limited Brands Inc. | 1,000 | 3.79% | Intimate Brands Inc ¹ | 900 2.90% |
| Kroger | 630 | 2.39% | Kettering City Schools | 900 2.90% |
| Meijer Inc. | 550 | 2.08% | City of Kettering | 900 2.90% |
| City of Kettering | 550 | 2.08% | Kodak Versamark | 600 1.97% |
| Tenneco | 522 | 1.98% | Meijer Inc. | 550 1.77% |
| Total | 10,961 | 41.52% | Total | 11,270 36.37% |

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

(1) Limited Brands Inc. owns Intimate Brands Inc

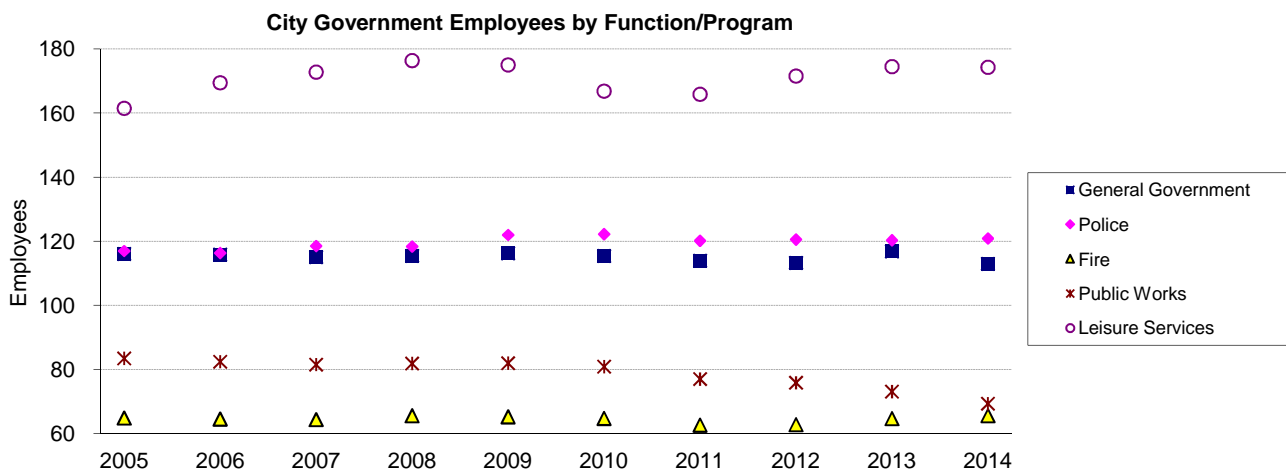
(2) Monogram Services Co. LLC is now Synchrony Financial

SCHEDULE 11

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

| Function/program | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General Government | 116.1 | 115.9 | 115.1 | 115.5 | 116.3 | 115.4 | 114.0 | 113.3 | 116.9 | 113.0 |
| Police | 117.0 | 116.4 | 118.5 | 118.4 | 122.0 | 122.2 | 120.2 | 120.6 | 120.4 | 120.9 |
| Fire | 64.9 | 64.6 | 64.4 | 65.6 | 65.3 | 64.8 | 62.7 | 62.9 | 64.7 | 65.7 |
| Public Works | 83.5 | 82.5 | 81.6 | 81.9 | 82.0 | 80.9 | 77.1 | 75.9 | 73.2 | 69.4 |
| Leisure Services | 161.5 | 169.4 | 172.8 | 176.4 | 175.0 | 166.8 | 165.9 | 171.5 | 174.5 | 174.3 |
| Total | 543.0 | 548.8 | 552.4 | 557.8 | 560.6 | 550.3 | 539.8 | 544.2 | 549.6 | 543.2 |

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS

| <u>Function/program</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | | | | | | | | | | |
| Positions filled ¹ | 5 | 7 | 14 | 26 | 10 | 7 | 14 | 21 | 26 | 24 |
| Permits issued ² | 3,301 | 3,053 | 2,884 | 2,779 | 2,467 | 2,857 | 2,773 | 2,520 | 2,705 | 3,249 |
| Inspections performed ² | 6,684 | 6,352 | 7,639 | 6,871 | 6,254 | 7,101 | 5,933 | 6,100 | 6,118 | 6,115 |
| CDBG loan applications ³ | 24 | 25 | 96 | 86 | 53 | 60 | 44 | 60 | 36 | 51 |
| Payroll checks processed ⁴ | 20,569 | 20,003 | 20,093 | 20,819 | 20,955 | 20,873 | 20,629 | 20,873 | 20,712 | 21,287 |
| Purchase orders issued ⁵ | 2,063 | 2,069 | 2,054 | 2,281 | 2,166 | 1,978 | 2,158 | 2,000 | 2,051 | 2,030 |
| Ordinances & resolutions ⁶ | 227 | 220 | 182 | 211 | 236 | 198 | 175 | 201 | 162 | 172 |
| Court cases ⁷ | 22,593 | 21,727 | 22,962 | 22,051 | 20,657 | 19,903 | 20,049 | 18,640 | 17,630 | 16,710 |
| Police | | | | | | | | | | |
| Criminal arrests ⁸ | 3,085 | 3,030 | 2,812 | 2,762 | 2,710 | 2,813 | 3,171 | 3,400 | 3,201 | 3,059 |
| Calls for service ⁹ | 72,643 | 67,394 | 67,287 | 65,131 | 62,172 | 61,684 | 67,331 | 66,441 | 64,962 | 60,686 |
| Fire | | | | | | | | | | |
| Fire alarms ¹⁰ | 1,324 | 1,337 | 1,197 | 1,544 | 1,599 | 1,603 | 1,960 | 1,786 | 1,990 | 1,664 |
| Medic alarms ¹⁰ | 5,214 | 5,445 | 5,815 | 5,896 | 5,485 | 5,600 | 5,557 | 5,565 | 5,490 | 6,192 |
| Public Works | | | | | | | | | | |
| Asphalt resurfacing (miles) ¹¹ | 4 | 6 | 4 | 7 | 10 | 11 | 14 | 9 | 10 | 10 |
| Truckloads of leaves picked-up ¹² | 1,895 | 2,050 | 1,837 | 1,655 | 1,858 | 1,623 | 1,388 | 1,298 | 1,540 | 1,660 |
| Tons of snow melting salt used ¹² | 6,465 | 1,560 | 4,544 | 6,341 | 3,368 | 5,917 | 4,708 | 1,603 | 5,529 | 5,397 |
| Leisure Services | | | | | | | | | | |
| Recreation complex attendance ¹³ | 1,141,493 | 1,243,657 | 1,199,370 | 1,175,368 | 1,110,815 | 1,168,708 | 981,121 | 1,046,817 | 1,009,534 | 927,240 |
| Fraze Pavilion tickets sold ¹³ | 78,540 | 72,383 | 90,232 | 90,825 | 87,969 | 82,511 | 92,883 | 90,343 | 97,973 | 101,012 |

- (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>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | | | | | | | | | | |
| Square footage occupied ¹ | 43,108 | 43,108 | 43,108 | 54,933 | 54,933 | 54,933 | 54,933 | 54,933 | 54,933 | 54,933 |
| 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 | 6 | 6 |
| Public Works | | | | | | | | | | |
| Miles of roads ² | 246 | 246 | 246 | 246 | 246 | 246 | 246 | 247 | 248 | 248 |
| Miles of storm sewer/channel ² | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 175 | 175 |
| Leisure Services | | | | | | | | | | |
| Number of parks ³ | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| Area of parks (acres) ³ | 419 | 419 | 419 | 419 | 419 | 419 | 419 | 419 | 419 | 419 |
| Recreation complexes square ft ¹ | 153,512 | 153,512 | 153,512 | 153,512 | 153,512 | 161,119 | 161,119 | 161,119 | 161,119 | 161,119 |

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

CITY OF KETTERING, OHIO



Single Audit Reports

December 31, 2014

CITY OF KETTERING, OHIO
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2014

| Federal Grantor/Pass Through Grantor/Program Title | Grant or Pass-Through Number | Federal CFDA Number | Grant Award Date | Expenditures |
|--|---------------------------------|---------------------------|------------------------|---------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Direct programs: | | | | |
| Community Development Block Grants/Entitlement Grants | B-13-MC-39-0011 | 14.218 | 1/1/14 | \$529,572 |
| Passed through the City of Dayton, Ohio: | | | | |
| HOME Investment Partnerships Program | M-07-MC-39-0205 | 14.239 | 3/22/08 | 445,160 |
| ARRA - Neighborhood Stabilization Program | B-09-CN-OH-0029 | 14.256 | 1/14/10 | 13,512 |
| Passed through the State of Ohio Department of Development | | | | |
| Community Development Block Grants/State's program | A-Z-08-281-1 | 14.228 | 4/1/09 | 9,480 |
| Total U.S. Department of Housing and Urban Development | | | | <u>997,724</u> |
| <u>U.S. Department of Health and Human Services</u> | | | | |
| Passed through the Board of County Commissioners of Montgomery County: | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 57-8355-CMMCO-P-13-0038 | 93.959 | 7/1/12 | 13,996 |
| Block Grants for Prevention and Treatment of Substance Abuse | 57-8355-CMMCO-P-14-0038 | 93.959 | 7/1/13 | 8,659 |
| Total U.S. Department of Health and Human Services | | | | <u>22,655</u> |
| <u>U.S. Department of Justice</u> | | | | |
| Direct programs: | | | | |
| Bulletproof Vest Partnership Program | 2013-BUBX-1306-8787 | 16.607 | 9/11/13 | 615 |
| Total U.S. Department of Justice | | | | <u>615</u> |
| <u>U.S. Department of Transportation</u> | | | | |
| Passed through the State of Ohio Governor's Highway Safety Office: | | | | |
| Highway Planning and Construction | E091105 | 20.205 | 8/12/09 | 1,235,031 |
| Highway Planning and Construction | E090907 | 20.205 | 8/24/09 | 300,000 |
| Passed through the State of Ohio Department of Public Safety: | | | | |
| State and Community Highway Safety | HVEO-2013-57-00-00-00410-00 | 20.600 | 9/5/12 | 4,193 |
| Alcohol Traffic Safety and Drunk Driving Prevention | HVEO-2013-57-00-00-00410-00 | 20.601 | 9/5/12 | 4,193 |
| Passed through the City of Dayton, Ohio: | | | | |
| Highway Planning and Construction | OVTIF-2013-57-00-00-00313-00 | 20.205 | 10/1/13 | 12,288 |
| Total U.S. Department of Transportation | | | | <u>1,555,705</u> |
| TOTAL - ALL FEDERAL PROGRAMS | | | | <u><u>\$2,576,699</u></u> |

CITY OF KETTERING, OHIO
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2014

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 three subrecipients, Miami Valley Fair Housing Board for \$34,100, HomeOwnership Center of Greater Dayton for \$25,000, and County Corp for \$51,045.

NOTE 5- LOANS OUTSTANDING:

At December 31, 2014, the City has the following amounts outstanding under federal loan programs:

| | |
|--|-------------------------|
| HOME Investment Partnership Loan Program (CFDA #14.239) | \$578,799 |
| Community Development Block Grant-Housing Rehab Loans (CFDA #14.218) | 276,649 |
| Less: Allowance for Uncollectable Accounts | <u>(28,716)</u> |
| Net Loans Outstanding | <u><u>\$826,732</u></u> |

Of the loans noted above, \$209,293 is subject to certain on-going compliance requirements; as such the entire outstanding balance of these loans is included in the Schedule of Expenditures of Federal Awards as part of the HOME Investment Partnerships Program (CFDA #14.239).

The remaining loans above do not have on-going compliance attributes requiring the reporting the balances in the Schedule of Expenditures of Federal Awards. These loans are reported on the City's financial statements within the Community Development Funds. During 2014, the City issued \$21,141 of new loans under Housing Rehab Loans program (CFDA #14.218), and issued \$19,641 of new loans under the HOME Investment Partnership loan program (CFDA #14.239), which are included within the reported federal expenditures of the respective programs for the year.

**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Dayton, Ohio
March 23, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Kettering, Ohio's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements

that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 23, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Dayton, Ohio
March 23, 2015

CITY OF KETTERING, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2014

Section I – Summary of Auditor’s Results

| | | |
|---------------------|---|---|
| <i>(d)(1)(i)</i> | <i>Type of Financial Statement Opinion</i> | Unmodified |
| <i>(d)(1)(ii)</i> | <i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(ii)</i> | <i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iii)</i> | <i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any material internal control weakness conditions reported for major federal programs?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were the any other significant control deficiencies reported for major federal programs?</i> | No |
| <i>(d)(1)(v)</i> | <i>Type of Major Programs' Compliance Opinion</i> | Unmodified |
| <i>(d)(1)(vi)</i> | <i>Are there any reportable findings under Section .510?</i> | No |
| <i>(d)(1)(vii)</i> | <i>Major Programs (list):</i> | CDBG CFDA #14.218 HOME CFDA #14.239 |
| <i>(d)(1)(viii)</i> | <i>Dollar Threshold: Type A/B Programs</i> | Type A: > \$300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | <i>Low Risk Auditee?</i> | Yes |

Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

None

Section III – Federal Award Findings and Questioned Costs

None

CITY OF KETTERING
December 31, 2014

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133

The City of Kettering had no prior audit findings or questioned costs.

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Dave Yost • Auditor of State

CITY OF KETTERING

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 11, 2015**