
City of Kettering, Ohio

Reports on Internal Controls and Compliance
and Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Kettering, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 19, 2010

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 30, 2010, wherein we noted the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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springfield, oh 45503

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Compliance and Other Matters

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

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

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

Springfield, Ohio
March 30, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Compliance

We have audited the compliance of the City of Kettering, Ohio (the City) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of and for the year ended December 31, 2009, and have issued our report thereon dated March 30, 2010, wherein we noted the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Springfield, Ohio
March 30, 2010

City of Kettering, Ohio
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

Federal Grantor/Pass Through Grantor/Program Title	Grant or Pass Through Number	Federal CFDA Number	Grant Award Date	Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
<i>Direct Program:</i>				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	B-09-MC-39-0011	14.218	1/1/08	\$ 634,589
ARRA - Community Development Block Grants/Entitlement Grants	B-09-MY-39-0011	14.253	7/23/09	5,229
Total CDBG - Entitlement Grants Cluster				639,818
<i>Passed through the Board of County Commissioners of Montgomery County:</i>				
HOME Investment Partnerships Program	A-C-03-281-2	14.239	9/1/03	29,409
<i>Passed through the City of Dayton, Ohio:</i>				
HOME Investment Partnerships Program	M-07-MC-39-0205	14.239	3/22/08	221,265
Total HOME Investment Partnerships Program				250,674
<i>Passed through the State of Ohio Department of Development:</i>				
Community Development Block Grants/State's program	A-Z-08-281-1	14.228	4/1/09	83,522
Total U.S. Department of Housing and Urban Development				974,014
<u>U.S. Department of Justice</u>				
<i>Direct programs:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	2007-DJBX-0546	16.580	10/1/06	193
<i>Passed through the City of Dayton, Ohio:</i>				
ARRA - Edward Byrne Memorial Justice Assistance	2009-F2300-OH-SB	16.804	5/19/09	2,079
Total U.S. Department of Justice				2,272
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through the Board of County Commissioners of Montgomery County:</i>				
Temporary Assistance for Needy Families	2009	93.558	1/1/09	96,956
Block Grants for Prevention and Treatment of Substance Abuse	57-8355-CMMCO-P-09-0038	93.959	7/28/08	18,503
Block Grants for Prevention and Treatment of Substance Abuse	57-8355-CMMCO-P-10-0038	93.959	7/28/09	16,269
Total for Block Grants for Prevention and Treatment of Substance Abuse				34,772
Total U.S. Department of Health and Human Services				131,728
<u>U.S. Department of Energy</u>				
<i>Direct programs:</i>				
ARRA - Energy Efficiency and Conservation Block Grant Program	DE-SC0001790	81.128	9/28/09	661
Total U.S. Department of Energy				661
<u>U.S. Department of Transportation</u>				
<i>Passed through the State of Ohio Governor's Highway Safety Office:</i>				
Highway Planning and Construction	E060619/C21169	20.205	7/11/06	430,742
	E080626/84118	20.205	1/12/09	124,882
	E060608/81028	20.205	8/15/08	899,995
	E051260/80095	20.205	7/19/07	91,112
	E09100106/81026	20.205	5/10/09	108,243
ARRA - Highway Planning and Construction	E09100106/81026	20.205	5/10/09	179,792
<i>Passed through AAA Miami Valley:</i>				
Highway Planning and Construction	OVTIF-2009-57-00-00-00379-01	20.205	10/1/08	6,631
<i>Passed through the City of Dayton, Ohio:</i>				
Highway Planning and Construction	OVTIF-2010-57-00-00-00350-00	20.205	10/1/09	1,032
Total Highway Planning and Construction				1,842,429
<i>Passed through the Greater Dayton Regional Transit Authority:</i>				
Federal Transit Formula Grants	OH-90-X615	20.507	1/7/08	68,960
Total U.S. Department of Transportation				1,911,389
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 3,020,064

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

NOTE 1 – GENERAL:

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

NOTE 2 – BASIS OF ACCOUNTING:

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

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS:

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

NOTE 4 – SUBRECIPIENTS:

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

NOTE 5 – LOANS OUTSTANDING:

At December 31, 2009, the City has the following amounts outstanding under federal loan programs:

HOME Investment Partnership Loan Program (CFDA #14.239)	\$ 653,359
Community Development Block Grant – Business Revolving loan (CFDA #14.218)	350,384
Community Development Block Grant – Housing Rehab Loans (CFDA #14.218)	359,669
Less: Allowance for Uncollectable Accounts	<u>(106,762)</u>
Net Loans Outstanding	<u>\$ 1,256,650</u>

Of the loans noted above, \$49,250 of Rental Program loans are subject to regular inspections by the City as required by Section 92.504 of HOME Investment Partnerships Home Rule which constitutes 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 2009, the City issued \$24,852 of new loans under Housing Rehab Loans program (CFDA #14.218) and issued \$119,702 of new loans under the HOME Investment Partnership loan program (CFDA #14.239), which are included within the reported federal expenditures of the respective programs for the year.

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
CFDA 20.205 – Highway Planning and Construction	
<u>CDBG – Entitlement Grants Cluster:</u>	
CFDA 14.218 – Community Development Block Grants Entitlement	
CFDA 14.253 - Community Development Block Grants ARRA Entitlement	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary of Prior Audit Findings and Questioned Costs

No Findings were reported in the Prior Audit

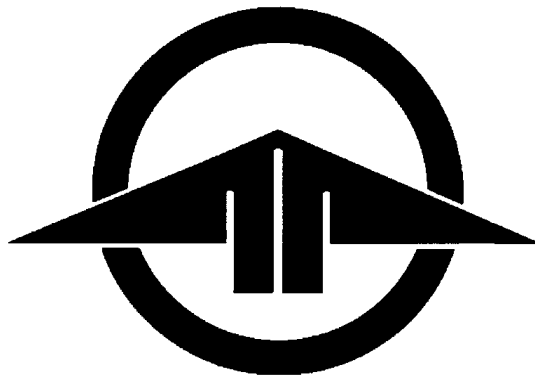


At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client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

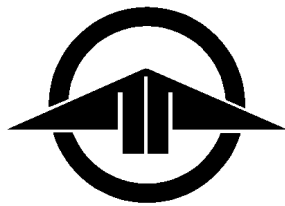
CITY OF KETTERING, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2009



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



CITY OF KETTERING

CITY OF KETTERING, OHIO

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COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2009

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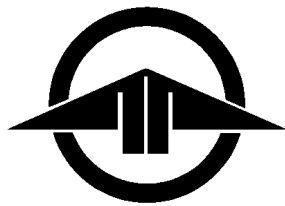
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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009**

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INTRODUCTORY SECTION



CITY OF KETTERING



March 31, 2010

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, 2009, 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 98% of residents are satisfied with Kettering as a place to live. In 2008, Business Week magazine named Kettering the second best city in Ohio to raise a family.

ECONOMIC CONDITION AND OUTLOOK

During 2009 our local economy was hit hard by declining employment, which had 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. As a result, the City is in a better position to weather the uncertainties of the current economy.

Although the City has been negatively impacted by an overall 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) and Reynolds & Reynolds. KMC employs 3,100 and continued construction in 2009 of the Schuster Heart Hospital that will be a \$70 million, 137,000 sq ft addition to the front of the facility. The new Heart Hospital will be a six story, state of the art facility

focused on patient care with ninety private rooms. KMC anticipates completion in July 2010. Reynolds & Reynolds, a fortune 1000 company based in Dayton since 1866, has transitioned nicely following the merger with Universal Computer Systems (UCS) in 2006. The company completed a \$19 million, 15,000 sq ft Data Center at the Miami Valley Research Park campus in 2009. Current employment at Reynolds & Reynolds is 1,250. G.E. Money's interior renovations at the Kettering Business Park (KBP) location are complete, and the company continues to employ 1,700 at this site. Community Tissue Services began construction of a 90,000 sq ft office and tissue processing facility at the Miami Valley Research Park. The project will result in a \$40 million investment and starting employment of about 175 employees. The anticipated completion date is February 2011. Other major employers in the city include Kettering City Schools, Limited Brands Inc., a catalogue order center for Victoria's Secret, Eastman Kodak Company a manufacturer of digital printers, and a number of engineering firms and computer hardware and software related businesses.

Kettering is about 95% developed so a primary focus of economic development in the city is on the redevelopment of underutilized sites. During 2009 private development of the former Groby's Garden Center site continued. The new development, Charlotte's Garden, is a mixed use of retail and office space. Charlotte's Garden currently includes First Financial Bank, Chipotle's Restaurant and an Armed Forces Career Center occupying 50% of a 10,000 sq ft office building. Construction of a Dewey's Pizza is planned during 2010. The residential portion of the redevelopment of Kettering Pointe, formerly Van Buren Shopping Center, continued during 2009. The housing portion includes 35 lots of which 16 have been built or are under construction. The retail portion of the site is complete and fully leased with 10 retail sites, a post office and WesBanco Bank. Phase 3 of Madison's Grant, a Ryan Homes housing development continued during 2009. Twenty-eight additional single-family homes were constructed during 2009. Madison's Grant will include 154 new homes when the development is complete.

A major undertaking in 2009 was the implementation of the plans for improvements to the city's parks and recreation facilities. This program is the result of passage of the Parks and Recreation Bond Levy by Kettering voters in November 2008. The voters approved a \$12.3 million levy with debt service to be paid from property tax revenues over a period of twenty years beginning in 2009. In addition to the voted portion, the city committed an additional \$5

million of general funds for a total investment of \$17.3 million. The planned improvements include major renovations to the Kettering Recreation Center's indoor facilities and outdoor water park and improvements including new playground equipment in most of the city's neighborhood parks. The long-term improvements are scheduled to be complete by the end of 2011.

Kettering participates in ED/GE, a revenue sharing program that occurs among a number of communities in Montgomery County. Money from the program is distributed to the communities for economic development projects after an application for funds is filed and a board of local officials for the communities reviews and approves the projects. Although Kettering did not receive any funds for 2009, the City has benefited significantly in the past and will continue to apply for future funds as eligible opportunities become available. Unless a new agreement is reached, this Montgomery County program is scheduled to end after 2010.

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

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

OTHER INFORMATION

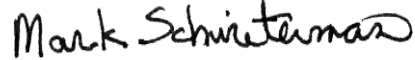
Independent Audit. The basic financial statements of the City of Kettering were audited by Clark, Schaefer, Hackett & Co., Certified Public Accountants. See page 2 of the Financial Section of this report for their unqualified opinion.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kettering, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2008. 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 27 consecutive years (fiscal years ended 1982-2008). 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, 2009. In order to receive this award, the City must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

Acknowledgements. A note of sincere appreciation is extended to the many conscientious people who have contributed so much of their time and effort to the preparation of this report. The Finance Department staff, in particular, are to be commended

for their commitment to professional excellence as exemplified by the contents of this report. Finally, contributions to the financial condition of the City of Kettering by the Mayor, members of City Council, Assistant City Manager and Department Directors cannot be overemphasized. Their guidance and support represent invaluable factors necessary for the City to continue to manage the financial affairs and reporting requirements of municipal government within the Kettering Community.

Respectfully submitted,



Mark Schwieterman
City Manager



Nancy H. Gregory, CPA
Director of Finance

CITY OF KETTERING, OHIO

CITY OFFICIALS

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

CITY MANAGER

Mark Schwieterman

INDEPENDENT AUDITORS

Clark, Schaefer, Hackett & Co.
Certified Public Accountants

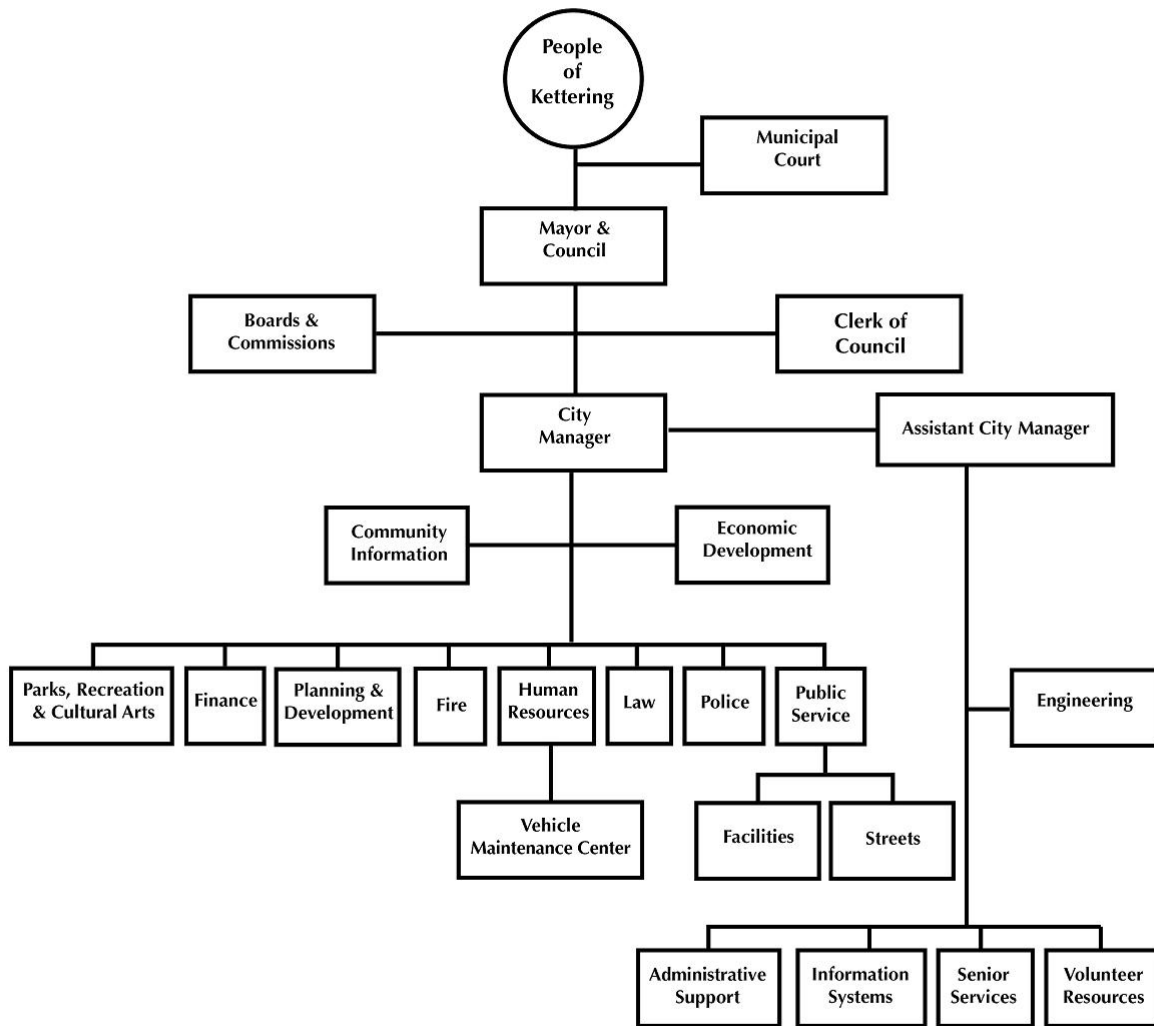
CITY OF KETTERING, OHIO

DEPARTMENT OF FINANCE

STAFF

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

City of Kettering 2009 Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kettering Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

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

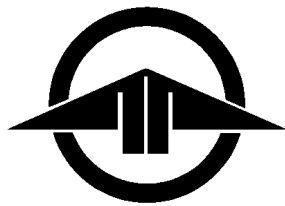


A stylized handwritten signature in black ink, appearing to be "JRE".

President

A handwritten signature in black ink that reads "Jeffrey R. Emen".

Executive Director



CITY OF KETTERING

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kettering, Ohio, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14 to the basic financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

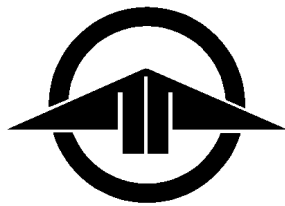
2525 north limestone street, ste. 103
springfield, oh 45503

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p. 937.399.2000
f. 937.399.5433

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

A handwritten signature in cursive script that reads "Clark, Schufer, Hackett & Co." The signature is written in black ink on a light-colored background.

Springfield, Ohio
March 30, 2010



CITY OF KETTERING

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Our discussion and analysis of the City of Kettering's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2009.

FINANCIAL HIGHLIGHTS

1. The City's net assets increased by \$8,563,000 or 5% while unrestricted net assets increased \$2,293,000 or 5%.
2. Total revenues decreased 4.0% while total expenses decreased 3%.
3. Income tax revenues decreased \$3,535,000 or 9.2%
4. The General Fund reported a decrease in fund balance of \$69,000, reversing a four-year trend of rising fund balances.
5. The Fraze Pavilion required no General Fund transfer for the fourth time in its 19-year history.
6. The City issued \$12,300,000 in general obligation bonds for parks and recreation improvements.
7. Total costs of services decreased by 2%, while net costs of services decreased by 3.7%.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

THE CITY AS A WHOLE

For 2009 the City produced a 5.2% increase in total net assets. This compares with a 6.2% increase in 2008. Revenues generated were \$71.6 million and expenses from all programs were \$63.0 million resulting in a surplus for the year of \$8,563,000. The unrestricted net assets — the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements — increased \$2,293,000.

Explanations for the larger fluctuations between years are as follows:

- Charges for services were lower in 2009 primarily due to reduced revenue at parks & recreation facilities and the Frazee Pavilion.
- Grant revenue was higher this year because of outside funding for roadway projects.
- Income taxes decreased because of the economy in general.
- Other taxes decreased because of reductions in estate taxes and sales taxes.
- Investment earnings increased due to a larger portfolio and a higher rate of return.
- Interest on long-term debt decreased because the old recreation bond levy expired and the new bonds were not issued until midyear.

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

NET ASSETS

	<u>2009</u>	<u>2008</u>
Current and other assets	\$91,211,912	\$74,170,470
Capital assets	<u>123,554,003</u>	<u>120,775,004</u>
Total assets	<u>214,765,915</u>	<u>194,945,474</u>
Long-term debt outstanding	(22,607,556)	(10,919,047)
Other liabilities	<u>(16,347,059)</u>	<u>(16,778,048)</u>
Total liabilities	<u>(38,954,615)</u>	<u>(27,697,095)</u>
Net assets:		
Invested in capital assets, net of debt	105,196,955	113,942,666
Restricted	24,301,857	9,286,590
Unrestricted	<u>46,312,490</u>	<u>44,019,123</u>
Total net assets	<u><u>\$175,811,302</u></u>	<u><u>\$167,248,379</u></u>

CHANGES IN NET ASSETS

	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues:		
Charges for services	\$9,938,544	\$10,691,835
Operating grants and contributions	1,484,287	2,367,960
Capital grants and contributions	3,856,056	1,713,898
General revenues:		
Income taxes	34,846,179	38,381,641
Property taxes	9,346,886	9,523,707
Other taxes	7,464,283	8,607,168
Investment earnings	2,963,720	1,954,419
Other general revenue	<u>1,706,421</u>	<u>1,550,297</u>
Total revenues	<u>71,606,376</u>	<u>74,790,925</u>
Program expenses		
General government	13,175,646	13,755,091
Police	13,658,265	13,760,327
Fire	9,968,087	9,666,999
Public works	12,901,084	13,404,095
Leisure services	12,836,109	13,254,478
Interest on long-term debt	<u>504,262</u>	<u>1,144,483</u>
Total expenses	<u>63,043,453</u>	<u>64,985,473</u>
Increase (decrease) in net assets	8,562,923	9,805,452
Net assets beginning	<u>167,248,379</u>	<u>157,442,927</u>
Net assets ending	<u><u>\$175,811,302</u></u>	<u><u>\$167,248,379</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	
	2009	2008	2009	2008
Police	\$13,658,265	\$13,760,327	\$13,526,758	\$13,656,869
Fire	9,968,087	9,666,999	8,537,529	8,144,890
Public works	12,901,084	13,404,095	9,200,350	10,692,207
Leisure services	12,836,109	13,254,478	6,284,826	6,265,298
All others	13,175,646	13,755,091	9,710,841	10,308,033
	<u>\$62,539,191</u>	<u>\$63,840,990</u>	<u>\$47,260,304</u>	<u>\$49,067,297</u>

Total costs of services for 2009 decreased by \$1,302,000 while net costs of services decreased by \$1,807,000. The largest decrease in net costs of services was in the Public works function because of the increased grant revenue for road construction.

The capital asset activity for the year was more than normal. Asset additions totaled \$10.1 million as compared to \$6.9 million in 2008. Total net capital assets for 2009 were \$123,554,003. Of this total, \$10,517,496 was not being depreciated and the capital assets being depreciated totaled \$217,170,087 with accumulated depreciation of \$104,133,579.

In November 2008 the voters approved a \$12.3 million bond levy to construct and improve parks & recreation facilities. The City has also committed \$5 million of non-debt city funds for a total of \$17.3 million worth of improvements. The City issued the new bonds in 2009. A 1988 voted bond levy for the same purpose expired on December 31, 2008. At December 31, 2009, the City had various debt issues outstanding, which included \$15,689,899 of general obligation bonds, \$395,101 of special assessment debt with City commitment and \$2,272,048 of promissory notes. As of December 31, 2009, the City's net general obligation bonded debt of \$14,974,772 was well below the legal limit of \$129,749,975 and debt per capita equaled \$260.42.

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

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 12 and 13) reported a combined fund balance of \$69.9 million, which is 35.6% higher than last year's total of \$51.5 million.

The City's General Fund experienced a \$2,470,000, or 4.6% overall decrease in revenues for 2009. At the same time expenditures decreased by \$341,000 or 1%, and transfers out increased by \$5.6 million or 57%. The increase in transfers went primarily to the capital projects fund to cover large roadway projects and the government center remodel project. The City's General Fund balance decreased in 2009 breaking a four-year trend of rising fund balances. The poor economy resulted in decreased income and sale tax revenues. Investment earnings increased for the year due to a higher portfolio balance and a higher rate of return. Total revenues were \$50.8 million while total expenditures were \$35.4 million. Transfers to other funds totaled \$15.4 million resulting in the \$69,400, or .2% decrease to the General Fund balance.

The Frazee Pavilion, an outdoor amphitheater accounted for in a major special revenue fund, has produced a surplus only two times since it began operations in 1991. In 2009 it came very close to producing its third surplus but fell short with a \$10,000 deficit. 2009 was still a very good year, eliminating the need for a transfer from the General

fund. Although ticket revenue, concession revenue and sponsorship revenue were all lower in 2009, the facility kept the bottom line in check by also lowering expenditures for the year. The Emergency Medical fund saw revenues increase by over 10% because of increased investment earnings. As with the General fund, this was due to a higher portfolio balance and an increased rate of return. The Capital projects fund saw a significant increase in expenditures due to several major roadway projects in 2009. There were no other material changes to the major funds in 2009.

There were two significant variations in the City's original General Fund budget and the final General Fund budget. The first was a \$4.2 million reduction in estimated income tax revenues. By the end of April it became clear that income tax revenues were coming in below projected amounts. About midyear it became obvious that the economy was not going to recover quickly and the City determined it should lower income tax projections. The second variation came in budgeted "Transfers to other funds". This was increased during the year by 3.2 million primarily because of the work being started on the Government Center remodeling project. There was also a significant variance between actual expenditures and final budgeted expenditures for "Transfers to other funds". Because of the Frazee Pavilion Fund's good year, no transfer was required, and lower than expected expenditures in the Capital Projects Fund reduced significantly the transfer required. 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, 2009 produced a decrease to the General Fund balance. This decrease can be attributed to the poor economy. The City is fortunate to have a fund balance capable of absorbing a poor economic year such as 2009. If the economic recovery does not emerge in 2010, the City will need to explore areas where it can cut back on future expenditures.

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

ASSETS	
Pooled cash and investments (note 2)	\$68,429,992
Receivables:	
Income taxes (net of allowance for \$488,471)	5,738,200
Property taxes	9,709,892
Interest	824,329
Accounts	371,341
Special assessments	1,394,101
Loans (net of allowance for \$106,762)	1,256,650
Due from other governments	2,648,739
Prepaid expenses	304,536
Inventory	534,132
Capital assets not being depreciated (note 6)	10,517,496
Capital assets being depreciated, net (note 6)	113,036,507
Total assets	<u>214,765,915</u>
LIABILITIES	
Accounts payable	1,552,976
Salary and benefits payable	2,442,063
Accrued interest payable	62,206
Deferred revenue	12,289,814
Long-term liabilities (note 12)	
Due within one year	3,401,418
Due in more than one year	19,206,138
Total liabilities	<u>38,954,615</u>
NET ASSETS	
Invested in capital assets, net of related debt	105,196,955
Restricted for:	
Debt service	715,127
Social services	1,691,954
Public safety	8,422,177
Road construction/Public Works	171,133
Leisure services	12,064,953
Municipal court activities	1,236,513
Unrestricted	46,312,490
Total net assets	<u><u>\$175,811,302</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$13,175,646	\$2,443,428	\$952,417	\$68,960	(\$9,710,841)
Police	13,658,265	55,354	76,153		(13,526,758)
Fire	9,968,087	1,430,458	100		(8,537,529)
Public works	12,901,084	7,784		3,692,950	(9,200,350)
Leisure services	12,836,109	6,001,520	455,617	94,146	(6,284,826)
Interest on long-term debt	504,262				(504,262)
Total	<u>\$63,043,453</u>	<u>\$9,938,544</u>	<u>\$1,484,287</u>	<u>\$3,856,056</u>	<u>(47,764,566)</u>
General revenues:					
Taxes:					
Income taxes					34,846,179
Property taxes, levied for general purposes					8,094,861
Property taxes, levied for debt service					1,252,025
Other taxes (note 5)					7,464,283
Investment earnings					2,963,720
Refunds and reimbursements					1,484,720
Miscellaneous					221,701
Total general revenues					<u>56,327,489</u>
Change in net assets					8,562,923
Net assets--beginning					167,248,379
Net assets--ending					<u>\$175,811,302</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
ASSETS				
Pooled cash and investments	\$39,260,050	\$126,211	\$436,764	\$117,470
Receivables:				
Income taxes (net of allowance for \$488,471)	5,738,200			
Property taxes	8,002,892			
Interest	670,558			
Accounts	15,480	1,051	12,818	92
Special assessments	400,000			
Loans (net of allowance for \$106,762)				
Due from Community Development fund	89,000			
Due from Health Insurance internal service fund	234,300			
Due from other governments	443,664	1,063,565		
Prepaid expenditures	20,601	60	862	3,542
Inventory		201,414		
Total assets	<u>\$54,874,745</u>	<u>\$1,392,301</u>	<u>\$450,444</u>	<u>\$121,104</u>
LIABILITIES				
Accounts payable	\$820,960	\$10,468	\$126,560	\$3,344
Due to General fund				
Accrued payroll	1,526,823	173,069	219,144	8,938
Deferred revenue	12,069,716	864,000	9,960	1,660
Total liabilities	<u>14,417,499</u>	<u>1,047,537</u>	<u>355,664</u>	<u>13,942</u>
FUND BALANCES				
Nonspendable: Inventory and prepaids	20,601	201,474	862	3,542
Restricted for:				
Debt service				
Social services				
Public safety				
Road construction / Public works				
Leisure services				
Municipal court activities				
Committed to:				
Social services	52,791			
Public safety	461,386			
Road construction / Public works	6,783	290,352		
Leisure services	159,000		93,918	103,620
Government center remodel				
Other purposes	171,957			
Assigned to: Leisure services	237,019			
Unassigned:	39,347,709	(147,062)		
Total fund balances	<u>40,457,246</u>	<u>344,764</u>	<u>94,780</u>	<u>107,162</u>
Total liabilities and fund balances	<u>\$54,874,745</u>	<u>\$1,392,301</u>	<u>\$450,444</u>	<u>\$121,104</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
\$204	\$7,425,182	\$715,127	\$16,284,261	\$3,712,696	\$68,077,965
					5,738,200
		1,195,000	113,000	399,000	9,709,892
			153,771		824,329
	228,129		67,439	45,915	370,924
		544,101	450,000		1,394,101
1,256,650					1,256,650
					89,000
					234,300
305,500			597,076	219,869	2,629,674
					25,065
					201,414
<u>\$1,562,354</u>	<u>\$7,653,311</u>	<u>\$2,454,228</u>	<u>\$17,665,547</u>	<u>\$4,377,480</u>	<u>\$90,551,514</u>
\$61,707	\$18,264		\$350,926	\$44,608	\$1,436,837
\$89,000					89,000
				372,159	2,300,133
279,244	86,419	\$1,739,101	1,200,515	608,700	16,859,315
429,951	104,683	1,739,101	1,551,441	1,025,467	20,685,285
					226,479
		715,127			715,127
1,412,710					1,412,710
	7,548,628			787,130	8,335,758
				13,478	13,478
			12,012,909		12,012,909
				1,236,513	1,236,513
				7,385	60,176
				11,724	473,110
			1,124,778		1,421,913
			134,409	1,233,457	1,724,404
			2,839,102		2,839,102
			2,908	62,326	237,191
					237,019
(280,307)					38,920,340
1,132,403	7,548,628	715,127	16,114,106	3,352,013	69,866,229
<u>\$1,562,354</u>	<u>\$7,653,311</u>	<u>\$2,454,228</u>	<u>\$17,665,547</u>	<u>\$4,377,480</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	122,979,530
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	1,765,757
Grants and other taxes receivable	2,803,745
Internal service funds are used by management to charge the costs of certain activities. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	716,428
Debt issuance costs and issuance discounts/premiums are amortized over the life of the debt, the unamortized portion remains on the Statement of Net Assets.	15,810
The following long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and notes payable	(18,357,048)
Vacation and sick leave benefits	(3,916,943)
Accrued interest on bonds payable	(62,206)
Net Assets of Governmental Activities	<u>\$175,811,302</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Major		Special
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
REVENUES				
Income taxes	\$35,321,466			
Property taxes	7,566,187			
Licenses and permits	521,039	\$7,784		
Intergovernmental revenue	1,596,036	2,457,357	\$25,010	
Charges for services	158,201		3,203,551	\$2,797,969
Fines and forfeits	1,327,184			
Investment earnings	2,331,681			
Special assessments	399,664			
Refunds and reimbursements	1,547,554	297,489	80,711	1,347
Miscellaneous	17,086	9,433	41,504	308,608
Total revenues	<u>50,786,098</u>	<u>2,772,063</u>	<u>3,350,776</u>	<u>3,107,924</u>
EXPENDITURES				
Current:				
General government	10,943,329			
Police	12,200,160			
Fire	9,471,087			
Public works	2,816,825	5,578,430		
Leisure services			8,932,329	3,118,158
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	<u>35,431,401</u>	<u>5,578,430</u>	<u>8,932,329</u>	<u>3,118,158</u>
Excess (deficiency) of revenues over expenditures	15,354,697	(2,806,367)	(5,581,553)	(10,234)
OTHER FINANCING SOURCES (USES)				
Transfers in		2,567,700	5,592,200	
Transfers out	(15,445,122)			
General obligation debt issuance				
Premium on debt issuance				
Sale of city assets	21,016	21,401	11,829	
Net change in fund balance	(69,409)	(217,266)	22,476	(10,234)
Fund balances--beginning	40,526,655	562,030	72,304	117,396
Fund balances--ending	<u>\$40,457,246</u>	<u>\$344,764</u>	<u>\$94,780</u>	<u>\$107,162</u>

See accompanying notes to the basic financial statements.

Revenue Funds					
Community Development	Emergency Medical	Debt Service	Capital Projects	Other Special Revenue Governmental Funds	Total Governmental Funds
		\$1,252,025	\$129,702	\$397,973	\$35,321,466
					9,345,887
					528,823
\$783,920			4,457,149	2,570,985	11,890,457
	\$1,464,064			39,472	7,663,257
				452,886	1,780,070
3,189	360,116	56,405	119,662	92,668	2,963,721
		149,593	457,622		1,006,879
	27,836	28,607	92,511	25,636	2,101,691
21,169				158,013	555,813
<u>808,278</u>	<u>1,852,016</u>	<u>1,486,630</u>	<u>5,256,646</u>	<u>3,737,633</u>	<u>73,158,064</u>
628,457				581,310	12,153,096
				1,441,031	13,641,191
	93,492				9,564,579
				119,241	8,514,496
				34,505	12,084,992
251,717			8,312,708	1,656,637	10,221,062
		775,290			775,290
		463,231			463,231
<u>880,174</u>	<u>93,492</u>	<u>1,238,521</u>	<u>8,312,708</u>	<u>3,832,724</u>	<u>67,417,937</u>
(71,896)	1,758,524	248,109	(3,056,062)	(95,091)	5,740,127
		301,000	5,473,100	1,511,122	15,445,122
					(15,445,122)
			12,300,000		12,300,000
		153,651	86,100		239,751
15,000					69,246
(56,896)	1,758,524	702,760	14,803,138	1,416,031	18,349,124
1,189,299	5,790,104	12,367	1,310,968	1,935,982	51,517,105
<u>\$1,132,403</u>	<u>\$7,548,628</u>	<u>\$715,127</u>	<u>\$16,114,106</u>	<u>\$3,352,013</u>	<u>\$69,866,229</u>

Net change in Fund Balance - Governmental Funds \$18,349,124

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	10,158,059
		Depreciation expense	(6,976,254)

In the Statement of Activities, only the gain on the sale of city assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differ from the change in fund balance by the book value of the asset sold. (164,216)

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

Income taxes receivable	(475,285)
Grants receivable	(581,425)
Property taxes receivable	1,000

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. (12,300,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 775,290

Governmental funds report debt issue premiums as other financing sources while governmental activities amortize the premiums over the debt term (239,751)

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	(139,406)
Interest payable	(41,032)

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.) 196,819

Change in Net Assets on the Statement of Activities \$8,562,923

BALANCE SHEET
 PROPRIETARY FUNDS
 DECEMBER 31, 2009

	Governmental Activities- Internal Service Funds
ASSETS	
Current assets:	
Pooled cash and investments	\$352,027
Accounts receivable	416
Due from other governments	19,065
Prepaid expenses	263,661
Inventory	332,718
Total current assets	<u>967,887</u>
Noncurrent assets:	
Buildings and improvements	757,936
Machinery and equipment	2,019,076
Less: Accumulated depreciation	<u>(2,202,539)</u>
Total noncurrent assets	<u>574,473</u>
Total assets	<u><u>\$1,542,360</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$116,137
Due to General fund	234,300
Accrued payroll	141,930
Total current liabilities	<u>492,367</u>
Noncurrent liabilities:	
Accrued vacation and sick leave benefits	<u>333,565</u>
Total liabilities	<u>825,932</u>
NET ASSETS	
Invested in capital assets	574,473
Unrestricted	141,955
Total net assets	<u>716,428</u>
Total liabilities and net assets	<u><u>\$1,542,360</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$9,908,466
Total operating revenues	<u>9,908,466</u>
OPERATING EXPENSES	
Personal services	3,016,418
Repairs and maintenance	1,476,025
Contractual services	4,644,560
Other materials and expenses	426,388
Depreciation	171,367
Total operating expenses	<u>9,734,758</u>
Operating income (loss)	<u>173,708</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	23,111
Change in net assets	196,819
Total net assets--beginning	519,609
Total net assets--ending	<u><u>\$716,428</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009
 Increase (Decrease) in cash

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for services	\$9,899,264
Cash paid to suppliers for goods or services	(6,908,913)
Cash paid to employees for services	(3,019,103)
Net cash provided (used) by operating activities	<u>(28,752)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(64,426)
Loan from General fund	234,300
Sale of capital assets	1,197
Net cash used by capital and related financing activities	<u>171,071</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	23,111
Net cash provided by investing activities	<u>23,111</u>
Net increase (decrease) in cash	165,430
Cash at beginning of year	186,597
Cash at end of year	<u><u>\$352,027</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$173,708
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	171,367
(Increase) decrease in receivables	(8,006)
(Increase) decrease in inventories	(35,083)
Increase (decrease) in accounts payable	(64,727)
Net (increase) decrease in other operating net assets	(266,011)
Net cash provided (used) by operating activities	<u><u>(\$28,752)</u></u>

See accompanying notes to the basic financial statements.

FIDUCIARY FUNDS

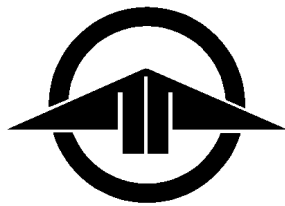
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2009

	Volunteer Firefighter Pension	Deceased Police Dependents Private Purpose Trust	Agency Funds
ASSETS			
Pooled cash and investments		\$85,934	\$253,135
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$1,870,230		
Other investments			331,776
Total assets	<u>1,870,230</u>	<u>85,934</u>	<u>\$584,911</u>
LIABILITIES			
Accounts payable			\$4,310
Withholdings payable			245,807
Undistributed moneys			331,776
Unclaimed moneys			3,018
Total liabilities			<u>\$584,911</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$1,870,230</u>	<u>\$85,934</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

ADDITIONS			
Employer contributions	\$91,662		
Investment earnings (loss)	(63,879)	\$4,610	
Total additions	<u>27,783</u>	<u>4,610</u>	
DEDUCTIONS			
Pension payments	121,629		
Total deductions	<u>121,629</u>		
Net increase (decrease)	(93,846)	4,610	
Net assets--beginning of year	1,964,076	81,324	
Net assets--end of year	<u>\$1,870,230</u>	<u>\$85,934</u>	

See accompanying notes to the basic financial statements.



CITY OF KETTERING

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

The City reports the following major governmental funds:

General Fund – This fund is the general operating fund of the City. It 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.

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

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

D. Pooled Cash and Investments and Investment with Fiscal Agent

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

E. Inventory

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

F. Capital Assets

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

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

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

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

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

G. Interfund Transactions and Transfers

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

H. Fund Balance Classifications

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

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

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

I. Grants and Other Intergovernmental Revenues

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

J. Use of Estimates

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

2. POOLED CASH AND INVESTMENTS

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

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

Deposits: At year-end, the City's bank balance was \$17,822,490. Of this amount, \$11,044,497 was insured, the remaining \$6,777,993 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 \$7,886,679 in corporate bonds issued by AT&T, \$7,358,165 in corporate bonds issued by General Electric, \$3,723,582 in corporate bonds issued by John Deere and \$3,660,176 in corporate bonds issued by Caterpillar. These amounts represent 11.4%, 10.6%, 5.4% and 5.3% respectively of the pooled cash and investments. At year-end, \$250,970 of the securities in the corporate bond category below are rated "BBB-", the remaining \$52,268,161 are rated "A" or better and all other investment types listed are unrated.

As of December 31, 2009 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>3-9</u>	<u>9-10</u>
Corporate Bonds	\$52,519,131	\$26,659,627	\$25,859,504		
Pension Plan Pooled Invest Fund	1,870,230				\$1,870,230
Total	<u>\$54,389,361</u>	<u>\$26,659,627</u>	<u>\$25,859,504</u>		<u>\$1,870,230</u>

3. INCOME TAXES

The City levies a 2.25% income tax on substantially all income earned within the City. Additional increases in the income tax rate require voter approval. In 2006, the voters approved an income tax rate increase to 2.25% from 1.75% effective January 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, 2008
Lien date	December 31, 2008
Tax bill mailed	January 20, 2009
First installment payment due	February 15, 2009
Second installment payment due	July 15, 2009

The assessed values for the City at December 31, 2008 were as follows:

	Assessed Value
	Category
Real Estate	\$1,213,090,390
Public Utility Real Property	11,770
Public Utility Personal Property	22,611,890
Total	<u>\$1,235,714,050</u>

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

5. OTHER TAXES

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

Estate taxes	\$3,004,387
Sales taxes	1,413,871
Gasoline taxes	1,861,948
Vehicle license taxes	739,736
Cell phone taxes	154,722
Miscellaneous other taxes	289,619
	<u>\$7,464,283</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$10,521,411	\$33,693	(\$37,608)	\$10,517,496
Subtotal	<u>10,521,411</u>	<u>33,693</u>	<u>(37,608)</u>	<u>10,517,496</u>
Capital assets being depreciated:				
Buildings and improvements	41,483,930	725,026	(201,093)	42,007,863
Machinery and equipment	17,777,524	980,912	(805,499)	17,952,937
Infrastructure	148,886,409	8,357,159	(34,282)	157,209,286
Subtotal	<u>208,147,863</u>	<u>10,063,097</u>	<u>(1,040,874)</u>	<u>217,170,086</u>
Accumulated depreciation:				
Buildings and improvements	(26,461,336)	(987,362)	98,457	(27,350,241)
Machinery and equipment	(12,761,840)	(1,155,265)	775,573	(13,141,532)
Infrastructure	(58,671,094)	(5,004,993)	34,281	(63,641,806)
Subtotal	<u>(97,894,270)</u>	<u>(7,147,620) *</u>	<u>908,311</u>	<u>(104,133,579)</u>
Net capital assets being depreciated	<u>110,253,593</u>	<u>2,915,477</u>	<u>(132,563)</u>	<u>113,036,507</u>
Net capital assets	<u>\$120,775,004</u>	<u>\$2,949,170</u>	<u>(\$170,171)</u>	<u>\$123,554,003</u>

*Depreciation expense was charged to governmental functions as follows:

General government	\$419,664
Police	276,285
Fire	363,215
Public works	5,140,534
Leisure services	776,555
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>171,367</u>
Total depreciation expense	<u>\$7,147,620</u>

7. LOANS RECEIVABLE AND NOTES RECEIVABLE

The City used a portion of the Federal Community Development Block Grant (CDBG) to provide low interest loans for housing rehabilitation, as well as for economic and job development. The loans are payable in installments to 2034. Fund balance has been classified as nonspendable for the loans receivable at December 31, 2009. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures.

8. RISK MANAGEMENT

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

Insurance coverage is as follows:

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

The deductible per occurrence for all types is \$2,500. Pool coverage is \$2,500 - \$5,000 for boiler and machinery, \$2,501 - \$25,000 for crime, \$2,501 - \$200,000 for property, and \$2,501 - \$1,000,000 for liability. Excess insurance coverage, provided by commercial companies, is the amount in excess of pool coverage to the limits stated above. The City pays an annual premium to MVRMA that is intended to cover administrative expenses and any claims covered by the pool. MVRMA has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims. An actuarial opinion issued as of December 31, 2008, indicates reserves in excess of anticipated claims.

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

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

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

9. PENSION PLAN OBLIGATIONS

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

OHIO POLICE AND FIRE PENSION FUND (OP&F)

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 10% of their annual covered salary and the City is required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to the plan for the years ending December 31, 2007, 2008 and 2009, were \$2,262,695, \$2,448,027 and \$2,572,780 respectively, or 73% of the required contributions for 2007, 77% for 2008, and 75% for 2009.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 10% of their annual covered salary and the City is required to contribute 14%. The City's contributions to the plan for the years ending December 31, 2007, 2008 and 2009, were \$2,560,130, \$2,683,518 and \$2,725,560 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, 2009, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	80
Terminated employees entitled to benefits but not yet receiving them	32
Active members	<u>85</u>
Total	<u><u>197</u></u>

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

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

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

The annual required contribution for the current year was determined as part of the January 1, 2009, actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included a 6.00% investment rate of return and that benefits will not increase after retirement. The actuarial value of assets was determined using the contract basis. Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. The funded status of the plan as of January 1, 2009, the most recent actuarial valuation date is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) -Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/2008	\$2,000,381	\$2,236,175	\$235,794	89.5%	\$427,556	55.1%
1/1/2009	2,014,762	2,368,846	354,084	85.1%	375,974	94.2%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
2004	\$34,397	\$34,397	100%
2005	40,399	40,399	100%
2006	70,294	70,294	100%
2007	67,025	67,025	100%
2008	69,847	69,847	100%
2009	91,662	91,662	100%

For the fiscal years ended December 31, 2007, 2008 and 2009, the Annual Pension cost (APC) was \$67,025, \$69,847 and \$91,662 respectively; the percentage of APC contributed was 100% and the net pension obligation was \$0.

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

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

OHIO POLICE AND FIRE PENSION FUND OPEB

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

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

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, 2009, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h). The OP&F board of trustees is authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions to OP&F for 2009 were \$2,572,780 of which \$810,604 was allocated to the healthcare plan.

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB

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

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

OPERS post employment healthcare plan was established and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2009, the employer contribution allocated to the health care plan was 7.0% of covered payroll from January 1 through March 31st and 5.5% for the remainder of the year. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. City contributions to OPERS for 2009 were \$2,725,560 of which \$1,135,580 was allocated to fund post employment benefits.

The Health Care Preservation Plan adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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 2009 were \$263,261.

Significant commitments and encumbrances at December 31, 2009 included:

Capital Projects Fund \$1,633,000

12. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation bonds:					
Street Improvement bonds- Series 1991, 4.5%-6.65%	\$159,270		\$34,371	\$124,899	\$36,682
Street Improvement bonds- Series 1992, 3.25%-6.45%	310,000		70,000	240,000	75,000
Court Facility, 3.0%-4.5%	3,410,000		160,000	3,250,000	165,000
Recreation & Parks Improvements 3.0%-5.0%	<u>0</u>	<u>\$12,300,000</u>	<u>225,000</u>	<u>12,075,000</u>	<u>450,000</u>
Total general obligation bonds	<u>3,879,270</u>	<u>12,300,000</u>	<u>489,371</u>	<u>15,689,899</u>	<u>726,682</u>
Special assessment bonds:					
Streets Series 1991, 4.5%-6.65%	<u>510,730</u>		<u>115,629</u>	<u>395,101</u>	<u>123,318</u>
Total special assessment bonds	<u>510,730</u>		<u>115,629</u>	<u>395,101</u>	<u>123,318</u>
Other:					
Accrued vacation and sick leave benefits	4,086,709	2,343,960	2,180,161	4,250,508	2,380,284
Ohio Public Works Commission Long-Term Promissory Notes, 0-3%	<u>2,442,338</u>		<u>170,290</u>	<u>2,272,048</u>	<u>171,134</u>
Total other	<u>6,529,047</u>	<u>2,343,960</u>	<u>2,350,451</u>	<u>6,522,556</u>	<u>2,551,418</u>
Total long-term liabilities	<u>\$10,919,047</u>	<u>\$14,643,960</u>	<u>\$2,955,451</u>	<u>\$22,607,556</u>	<u>\$3,401,418</u>

The accrued vacation and sick leave benefits liability will be liquidated by several of the City's governmental and internal service funds. In the past, approximately 73% has been paid by the General Fund, 10% by the Street Maintenance Fund and the remainder by the other governmental and internal service funds. The City uses the "vesting method" to determine the appropriate liability.

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

From time to time the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year-end there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$4.9 million.

The annual requirements to pay principal and interest on long-term obligations at December 31, 2009, are as follows:

	General Obligation Bonds		Promissory Notes		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	726,682	631,714	171,134	14,534	123,318	26,274
2011	758,482	605,409	171,999	13,668	131,518	18,073
2012	779,735	577,288	172,888	12,779	140,265	9,328
2013	675,000	548,018	173,799	11,868	-	-
2014	695,000	528,623	174,735	10,933	-	-
2015-2019	3,925,000	2,182,938	809,372	39,751	-	-
2020-2024	4,795,000	1,304,651	577,267	12,629	-	-
2025-2028	3,335,000	364,091	20,854	157	-	-
	<u>\$15,689,899</u>	<u>\$6,742,729</u>	<u>\$2,272,048</u>	<u>\$116,319</u>	<u>\$395,101</u>	<u>\$53,675</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, 2009, the City had a legal debt margin for total debt of \$114,775,203 and a legal debt margin for unvoted debt of \$65,064,501.

13. CONTINGENT LIABILITIES

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

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

14. GASB 54

In 2009 the City adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions".

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$40,526,655	\$40,526,655	\$40,526,655	
Resources (inflows)				
Income taxes	39,200,000	35,000,000	35,321,466	\$321,466
Property taxes	8,131,000	7,610,000	7,566,187	(43,813)
Licenses and permits	531,000	490,000	521,039	31,039
Intergovernmental revenue	1,921,000	1,611,000	1,596,036	(14,964)
Charges for services	176,000	167,000	158,201	(8,799)
Fines and forfeits	1,515,000	1,365,000	1,327,184	(37,816)
Investment earnings	1,664,000	1,664,000	2,331,681	667,681
Special assessments	350,000	400,000	399,664	(336)
Refunds and reimbursements	1,200,000	1,400,000	1,547,554	147,554
Miscellaneous	13,000	13,000	17,086	4,086
Sale of city assets	30,000	30,000	21,016	(8,984)
Amounts available for appropriation	<u>95,257,655</u>	<u>90,276,655</u>	<u>91,333,769</u>	<u>1,057,114</u>
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	242,200	242,600	242,574	26
Operating expenditures	91,896	92,680	61,807	30,873
Capital outlay				
Total mayor and council	<u>334,096</u>	<u>335,280</u>	<u>304,381</u>	<u>30,899</u>
Municipal court:				
Personal services	935,400	935,400	927,888	7,512
Operating expenditures	280,625	274,486	242,868	31,618
Capital outlay				
Total municipal court	<u>1,216,025</u>	<u>1,209,886</u>	<u>1,170,756</u>	<u>39,130</u>
Clerk of courts:				
Personal services	846,800	811,800	800,211	11,589
Operating expenditures	148,143	148,143	130,444	17,699
Capital outlay				
Total clerk of courts	<u>994,943</u>	<u>959,943</u>	<u>930,655</u>	<u>29,288</u>
Office of City Manager:				
Personal services	542,700	542,700	541,027	1,673
Operating expenditures	64,833	61,675	49,945	11,730
Capital outlay				
Total office of city manager	<u>607,533</u>	<u>604,375</u>	<u>590,972</u>	<u>13,403</u>
Law department:				
Personal services	718,800	718,800	691,795	27,005
Operating expenditures	163,152	200,606	186,111	14,495
Capital outlay				
Total law department	<u>881,952</u>	<u>919,406</u>	<u>877,906</u>	<u>41,500</u>
Finance department:				
Personal services	1,470,500	1,462,700	1,451,066	11,634
Operating expenditures	534,450	528,096	408,262	119,834
Capital outlay	15,500	10,500		10,500
Total finance department	<u>2,020,450</u>	<u>2,001,296</u>	<u>1,859,328</u>	<u>141,968</u>
Administrative support:				
Personal services	481,200	481,200	462,614	18,586
Operating expenditures	90,878	93,558	85,540	8,018
Capital outlay	6,000			
Total administrative support	<u>578,078</u>	<u>574,758</u>	<u>548,154</u>	<u>26,604</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, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$627,100	\$627,100	\$603,716	\$23,384
Operating expenditures	395,325	384,015	238,571	145,444
Capital outlay				
Total human resources department	<u>1,022,425</u>	<u>1,011,115</u>	<u>842,287</u>	<u>168,828</u>
Planning and development:				
Personal services	1,938,400	1,963,400	1,940,270	23,130
Operating expenditures	428,658	452,266	285,601	166,665
Capital outlay				
Total planning and development	<u>2,367,058</u>	<u>2,415,666</u>	<u>2,225,871</u>	<u>189,795</u>
Economic development:				
Personal services	132,400	132,400	131,647	753
Operating expenditures	783,651	780,111	657,041	123,070
Capital outlay				
Total economic development	<u>916,051</u>	<u>912,511</u>	<u>788,688</u>	<u>123,823</u>
Miscellaneous:				
Operating expenditures	1,256,751	1,308,131	804,331	503,800
Total miscellaneous	<u>1,256,751</u>	<u>1,308,131</u>	<u>804,331</u>	<u>503,800</u>
Total general government	<u>12,195,362</u>	<u>12,252,367</u>	<u>10,943,329</u>	<u>1,309,038</u>
Police:				
Personal services	10,014,900	10,246,900	10,245,595	1,305
Operating expenditures	2,316,358	2,076,344	1,710,358	365,986
Capital outlay	279,483	310,483	244,207	66,276
Total police	<u>12,610,741</u>	<u>12,633,727</u>	<u>12,200,160</u>	<u>433,567</u>
Fire:				
Personal services	6,995,600	7,728,600	7,727,068	1,532
Operating expenditures	2,110,432	2,310,098	1,744,019	566,079
Capital outlay	548,600			
Total fire	<u>9,654,632</u>	<u>10,038,698</u>	<u>9,471,087</u>	<u>567,611</u>
Public works:				
Engineering department:				
Personal services	2,005,300	2,014,000	1,955,025	58,975
Operating expenditures	454,544	429,444	325,741	103,703
Capital outlay	72,310	46,310	42,450	3,860
Total engineering department	<u>2,532,154</u>	<u>2,489,754</u>	<u>2,323,216</u>	<u>166,538</u>
Street lighting:				
Operating expenditures	545,000	545,000	493,609	51,391
Total street lighting	<u>545,000</u>	<u>545,000</u>	<u>493,609</u>	<u>51,391</u>
Total public works	<u>3,077,154</u>	<u>3,034,754</u>	<u>2,816,825</u>	<u>217,929</u>
Transfers to other funds	<u>17,851,100</u>	<u>21,046,380</u>	<u>15,445,122</u>	<u>5,601,258</u>
Total charges to appropriations	<u>55,388,989</u>	<u>59,005,926</u>	<u>50,876,523</u>	<u>8,129,403</u>
Fund balance, December 31	<u>\$39,868,666</u>	<u>\$31,270,729</u>	<u>\$40,457,246</u>	<u>\$9,186,517</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, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$562,030	\$562,030	\$562,030	
Resources (inflows)				
Licenses and permits	10,000	10,000	7,784	(\$2,216)
Intergovernmental revenue	2,550,000	2,520,000	2,457,357	(62,643)
Refunds and reimbursements	200,000	250,000	297,489	47,489
Miscellaneous	15,000	15,000	9,433	(5,567)
Sale of city assets	10,000	10,000	21,401	11,401
Transfer from the general fund	2,775,000	2,945,950	2,567,700	(378,250)
Amounts available for appropriation	<u>6,122,030</u>	<u>6,312,980</u>	<u>5,923,194</u>	<u>(389,786)</u>
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	3,743,100	3,743,100	3,587,994	155,106
Operating expenditures	1,499,787	1,904,609	1,449,977	454,632
Capital outlay	464,525	564,525	540,459	24,066
Total charges to appropriations	<u>5,707,412</u>	<u>6,212,234</u>	<u>5,578,430</u>	<u>633,804</u>
Fund balance, December 31	<u>\$414,618</u>	<u>\$100,746</u>	<u>\$344,764</u>	<u>\$244,018</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, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$72,304	\$72,304	\$72,304	
Resources (inflows)				
Intergovernmental revenue	25,000	24,000	25,010	\$1,010
Charges for services	3,828,000	3,248,000	3,203,551	(44,449)
Refunds and reimbursements	133,000	123,000	80,711	(42,289)
Miscellaneous	18,000	14,000	41,504	27,504
Sale of city assets			11,829	11,829
Transfer from the general fund	5,590,000	5,846,160	5,592,200	(253,960)
Amounts available for appropriation	9,666,304	9,327,464	9,027,109	(300,355)
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	5,454,600	5,333,901	5,212,210	121,691
Operating expenditures	4,042,959	3,883,691	3,653,340	230,351
Capital outlay	151,400	68,000	66,779	1,221
Total charges to appropriations	9,648,959	9,285,592	8,932,329	353,263
Fund balance, December 31	\$17,345	\$41,872	\$94,780	\$52,908

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$117,396	\$117,396	\$117,396	
Resources (inflows)				
Charges for services	2,535,000	2,785,000	2,797,969	\$12,969
Refunds and reimbursements	5,000	1,000	1,347	347
Miscellaneous	250,000	306,000	308,608	2,608
Transfer from the general fund	525,000	529,590		(529,590)
Amounts available for appropriation	<u>3,432,396</u>	<u>3,738,986</u>	<u>3,225,320</u>	<u>(513,666)</u>
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	730,100	730,100	632,375	97,725
Operating expenditures	<u>2,643,221</u>	<u>2,646,551</u>	<u>2,485,783</u>	<u>160,768</u>
Total charges to appropriations	<u>3,373,321</u>	<u>3,376,651</u>	<u>3,118,158</u>	<u>258,493</u>
Fund balance, December 31	<u>\$59,075</u>	<u>\$362,335</u>	<u>\$107,162</u>	<u>(\$255,173)</u>

See accompanying notes to the required supplementary information.

REQUIRED SUPPLEMENTARY INFORMATION
**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -
 COMMUNITY DEVELOPMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,189,299	\$1,189,299	\$1,189,299	
Resources (inflows)				
Intergovernmental revenue	700,000	2,162,413	783,920	(\$1,378,493)
Investment earnings			3,189	3,189
Miscellaneous	27,900	27,900	21,169	(6,731)
Sale of city assets			15,000	15,000
Amounts available for appropriation	1,917,199	3,379,612	2,012,577	(1,367,035)
Charges to appropriations (outflows)				
General government	593,820	1,178,863	628,457	550,406
Capital improvements	619,935	1,532,074	251,717	1,280,357
Total charges to appropriations	1,213,755	2,710,937	880,174	1,830,763
Fund balance, December 31	\$703,444	\$668,675	\$1,132,403	\$463,728

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, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$5,790,104	\$5,790,104	\$5,790,104	
Resources (inflows)				
Charges for services	1,400,000	1,475,000	1,464,064	(\$10,936)
Investment earnings	80,000	240,000	360,116	120,116
Refunds and reimbursements			27,836	27,836
Amounts available for appropriation	<u>7,270,104</u>	<u>7,505,104</u>	<u>7,642,120</u>	<u>137,016</u>
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	143,306	138,367	93,492	44,875
Capital outlay	575,000	675,000		675,000
Total fire	<u>718,306</u>	<u>813,367</u>	<u>93,492</u>	<u>719,875</u>
Capital Improvements				
Total charges to appropriations	<u>718,306</u>	<u>813,367</u>	<u>93,492</u>	<u>719,875</u>
Fund balance, December 31	<u>\$6,551,798</u>	<u>\$6,691,737</u>	<u>\$7,548,628</u>	<u>\$856,891</u>

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. BUDGETS AND BUDGETARY ACCOUNTING

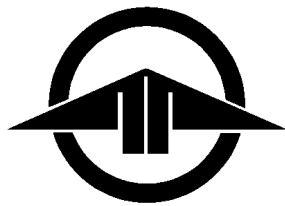
An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings 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, 2009

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
ASSETS						
Pooled cash and investments	\$90	\$386,641	\$376,641	\$73,812	\$2,875,511	\$3,712,695
Receivables:						
Property taxes			399,000			399,000
Accounts					45,915	45,915
Due from other governments	171,378		17		48,475	219,870
Prepaid expenditures						
Total assets	<u>\$171,468</u>	<u>\$386,641</u>	<u>\$775,658</u>	<u>\$73,812</u>	<u>\$2,969,901</u>	<u>\$4,377,480</u>
LIABILITIES						
Accounts payable	\$335			\$11,486	\$32,787	\$44,608
Accrued payroll			\$366,095		6,064	372,159
Deferred revenue	157,655		399,000		52,045	608,700
Total liabilities	<u>157,990</u>		<u>765,095</u>	<u>11,486</u>	<u>90,896</u>	<u>1,025,467</u>
FUND BALANCES						
Nonspendable: Prepaids						
Restricted for:						
Public safety			10,563		776,567	787,130
Road construction / Public works	13,478					13,478
Municipal court activities					1,236,513	1,236,513
Committed to:						
Social services					7,385	7,385
Public safety					11,724	11,724
Leisure services		386,641			846,816	1,233,457
Other purposes				62,326		62,326
Total fund balances	<u>13,478</u>	<u>386,641</u>	<u>10,563</u>	<u>62,326</u>	<u>2,879,005</u>	<u>3,352,013</u>
Total liabilities and fund balances	<u>\$171,468</u>	<u>\$386,641</u>	<u>\$775,658</u>	<u>\$73,812</u>	<u>\$2,969,901</u>	<u>\$4,377,480</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, 2009

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes						
Intergovernmental revenue	\$1,108,000	\$1,009,685	(\$98,315)			
Charges for services				\$9,000	\$5,269	(\$3,731)
Fines and forfeits						
Investment earnings		4,634	4,634	12,000	20,825	8,825
Refunds and reimbursements						
Miscellaneous				4,000	3,910	(90)
Total revenues	<u>1,108,000</u>	<u>1,014,319</u>	<u>(93,681)</u>	<u>25,000</u>	<u>30,004</u>	<u>5,004</u>
EXPENDITURES						
Current:						
General government				20,000	9,006	10,994
Police						
Fire						
Public works	137,500	110,184	27,316			
Leisure services						
Capital improvements	1,315,000	1,250,712	64,288			
Total expenditures	<u>1,452,500</u>	<u>1,360,896</u>	<u>91,604</u>	<u>20,000</u>	<u>9,006</u>	<u>10,994</u>
Excess (deficiency) of revenues over expenditures	(344,500)	(346,577)	(2,077)	5,000	20,998	15,998
OTHER FINANCING SOURCES (USES)						
Transfers in	308,000	208,900	(99,100)			
Transfers out						
Net change in fund balance	<u>(36,500)</u>	<u>(137,677)</u>	<u>(101,177)</u>	<u>5,000</u>	<u>20,998</u>	<u>15,998</u>
Fund balances--beginning	151,155	151,155		365,643	365,643	
Fund balances--ending	<u>\$114,655</u>	<u>\$13,478</u>	<u>(\$101,177)</u>	<u>\$370,643</u>	<u>\$386,641</u>	<u>\$15,998</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, 2009

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$398,000	\$397,973	(\$27)			
Intergovernmental revenue						
Charges for services				\$34,000	\$34,203	\$203
Fines and forfeits						
Investment earnings						
Refunds and reimbursements				17,000	15,371	(1,629)
Miscellaneous						
Total revenues	<u>398,000</u>	<u>397,973</u>	<u>(27)</u>	<u>51,000</u>	<u>49,574</u>	<u>(1,426)</u>
EXPENDITURES						
Current:						
General government				248,345	164,970	83,375
Police	1,387,600	1,356,861	30,739			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,387,600</u>	<u>1,356,861</u>	<u>30,739</u>	<u>248,345</u>	<u>164,970</u>	<u>83,375</u>
Excess (deficiency) of revenues over expenditures	(989,600)	(958,888)	30,712	(197,345)	(115,396)	81,949
OTHER FINANCING SOURCES (USES)						
Transfers in	1,000,000	959,400	(40,600)	180,340	136,300	(44,040)
Transfers out						
Net change in fund balance	<u>10,400</u>	<u>512</u>	<u>(9,888)</u>	<u>(17,005)</u>	<u>20,904</u>	<u>37,909</u>
Fund balances--beginning	<u>10,051</u>	<u>10,051</u>		<u>41,422</u>	<u>41,422</u>	
Fund balances--ending	<u>\$20,451</u>	<u>\$10,563</u>	<u>(\$9,888)</u>	<u>\$24,417</u>	<u>\$62,326</u>	<u>\$37,909</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, 2009

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes				\$398,000	\$397,973	(\$27)
Intergovernmental revenue	\$1,743,490	\$1,561,300	(\$182,190)	2,851,490	2,570,985	(280,505)
Charges for services				43,000	39,472	(3,528)
Fines and forfeits	396,000	452,886	56,886	396,000	452,886	56,886
Investment earnings	32,138	67,209	35,071	44,138	92,668	48,530
Refunds and reimbursements		10,265	10,265	17,000	25,636	8,636
Miscellaneous	120,000	154,103	34,103	124,000	158,013	34,013
Total revenues	<u>2,291,628</u>	<u>2,245,763</u>	<u>(45,865)</u>	<u>3,873,628</u>	<u>3,737,633</u>	<u>(135,995)</u>
EXPENDITURES						
Current:						
General government	683,786	407,334	276,452	952,131	581,310	370,821
Police	482,844	84,170	398,674	1,870,444	1,441,031	429,413
Fire	3,000		3,000	3,000		3,000
Public works	9,686	9,057	629	147,186	119,241	27,945
Leisure services	105,348	34,505	70,843	105,348	34,505	70,843
Capital improvements	473,679	405,925	67,754	1,788,679	1,656,637	132,042
Total expenditures	<u>1,758,343</u>	<u>940,991</u>	<u>817,352</u>	<u>4,866,788</u>	<u>3,832,724</u>	<u>1,034,064</u>
Excess (deficiency) of revenues over expenditures	533,285	1,304,772	771,487	(993,160)	(95,091)	898,069
OTHER FINANCING SOURCES (USES)						
Transfers in	241,340	206,522	(34,818)	1,729,680	1,511,122	(218,558)
Transfers out						
Net change in fund balance	<u>774,625</u>	<u>1,511,294</u>	<u>736,669</u>	<u>736,520</u>	<u>1,416,031</u>	<u>679,511</u>
Fund balances--beginning	1,367,711	1,367,711		1,935,982	1,935,982	
Fund balances--ending	<u>\$2,142,336</u>	<u>\$2,879,005</u>	<u>\$736,669</u>	<u>\$2,672,502</u>	<u>\$3,352,013</u>	<u>\$679,511</u>

DEBT SERVICE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$1,252,000	\$1,252,025	\$25
Investment earnings	52,000	56,405	4,405
Special assessments	149,000	149,593	593
Refunds and reimbursements	30,000	28,607	(1,393)
Total revenues	<u>1,483,000</u>	<u>1,486,630</u>	<u>3,630</u>
EXPENDITURES			
Current:			
General government	2,000		2,000
Debt service:			
Principal	955,290	775,290	180,000
Interest	798,637	463,231	335,406
Total expenditures	<u>1,755,927</u>	<u>1,238,521</u>	<u>517,406</u>
Deficiency of revenues over expenditures	(272,927)	248,109	521,036
OTHER FINANCING SOURCES (USES)			
Transfers in	310,000	301,000	(9,000)
Premium on debt issuance	153,000	153,651	651
Net change in fund balance	<u>190,073</u>	<u>702,760</u>	<u>512,687</u>
Fund balances--beginning	12,367	12,367	
Fund balances--ending	<u>\$202,440</u>	<u>\$715,127</u>	<u>\$512,687</u>

CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)
 FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$149,000	\$129,702	(\$19,298)
Intergovernmental	5,195,000	4,457,149	(737,851)
Investment earnings	100,000	119,662	19,662
Special assessments	460,000	457,622	(2,378)
Refunds and reimbursements	131,000	92,511	(38,489)
Total revenues	<u>6,035,000</u>	<u>5,256,646</u>	<u>(778,354)</u>
EXPENDITURES			
Capital improvements	14,223,123	8,312,708	5,910,415
Total expenditures	<u>14,223,123</u>	<u>8,312,708</u>	<u>5,910,415</u>
Deficiency of revenues over expenditures	(8,188,123)	(3,056,062)	5,132,061
OTHER FINANCING SOURCES (USES)			
Transfers in	9,685,000	5,473,100	(4,211,900)
General obligation debt issuance	12,300,000	12,300,000	
Premium on debt issuance	86,000	86,100	100
Net change in fund balance	<u>13,882,877</u>	<u>14,803,138</u>	<u>920,261</u>
Fund balances--beginning	1,310,968	1,310,968	
Fund balances--ending	<u><u>\$15,193,845</u></u>	<u><u>\$16,114,106</u></u>	<u><u>\$920,261</u></u>

CAPITAL PROJECTS FUND
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Capital improvements:			
Traffic controls	\$366,864	\$274,418	\$92,446
Street construction	7,431,412	5,508,213	1,923,199
Drainage	150,735	62,518	88,217
Parks and recreation	1,706,639	1,206,801	499,838
Tree planting and landscaping	130,000	67,976	62,024
Other	4,437,473	1,192,782	3,244,691
Total capital projects fund	<u>\$14,223,123</u>	<u>\$8,312,708</u>	<u>\$5,910,415</u>

INTERNAL SERVICE FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2009

	Administrative Operations	Health Insurance	Totals
ASSETS			
Current assets:			
Pooled cash and investments	\$352,023	\$4	\$352,027
Accounts receivable	416		416
Due from other governments	19,065		19,065
Prepaid expenses	200	263,461	263,661
Inventory	332,718		332,718
Total current assets	<u>704,422</u>	<u>263,465</u>	<u>967,887</u>
Noncurrent assets:			
Buildings and improvements	757,936		757,936
Machinery and equipment	2,019,076		2,019,076
Less: Accumulated depreciation	<u>(2,202,539)</u>		<u>(2,202,539)</u>
Total noncurrent assets	<u>574,473</u>		<u>574,473</u>
Total assets	<u><u>\$1,278,895</u></u>	<u><u>\$263,465</u></u>	<u><u>\$1,542,360</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$116,137		\$116,137
Due to General fund		\$234,300	234,300
Accrued payroll	141,930		141,930
Total current liabilities	<u>258,067</u>	<u>234,300</u>	<u>492,367</u>
Noncurrent liabilities:			
Accrued vacation and sick leave benefits	333,565		333,565
Total liabilities	<u>591,632</u>	<u>234,300</u>	<u>825,932</u>
NET ASSETS			
Invested in capital assets	574,473		574,473
Unrestricted	112,790	29,165	141,955
Total net assets	<u>687,263</u>	<u>29,165</u>	<u>716,428</u>
Total liabilities and net assets	<u><u>\$1,278,895</u></u>	<u><u>\$263,465</u></u>	<u><u>\$1,542,360</u></u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Administrative Operations	Health Insurance	Totals
OPERATING REVENUES			
Charges for services	\$5,886,154	\$4,022,312	\$9,908,466
Total operating revenues	<u>5,886,154</u>	<u>4,022,312</u>	<u>9,908,466</u>
OPERATING EXPENSES			
Personal services	3,016,418		3,016,418
Repairs and maintenance	1,476,025		1,476,025
Contractual services	625,153	4,019,407	4,644,560
Other materials and expenses	426,388		426,388
Depreciation	171,367		171,367
Total operating expenses	<u>5,715,351</u>	<u>4,019,407</u>	<u>9,734,758</u>
Operating income (loss)	<u>170,803</u>	<u>2,905</u>	<u>173,708</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	23,111		23,111
Change in net assets	193,914	2,905	196,819
Total net assets--beginning	493,349	26,260	519,609
Total net assets--ending	<u>\$687,263</u>	<u>\$29,165</u>	<u>\$716,428</u>

INTERNAL SERVICE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2009
 Increase (Decrease) in cash

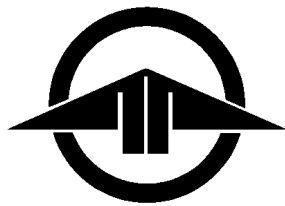
	Administrative Operations	Health Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for services	\$5,876,952	\$4,022,312	\$9,899,264
Cash paid to suppliers for goods or services	(2,626,045)	(4,282,868)	(6,908,913)
Cash paid to employees for services	(3,019,103)		(3,019,103)
Net cash provided (used) by operating activities	<u>231,804</u>	<u>(260,556)</u>	<u>(28,752)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(64,426)		(64,426)
Loan from General fund		234,300	234,300
Sale of capital assets	1,197		1,197
Net cash used by capital and related financing activities	<u>(63,229)</u>	<u>234,300</u>	<u>171,071</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	23,111		23,111
Net cash provided by investing activities	<u>23,111</u>	<u>0</u>	<u>23,111</u>
Net increase (decrease) in cash	191,686	(26,256)	165,430
Cash at beginning of year	160,337	26,260	186,597
Cash at end of year	<u>\$352,023</u>	<u>\$4</u>	<u>\$352,027</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$170,803	\$2,905	\$173,708
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	171,367		171,367
(Increase) decrease in receivables	(8,006)		(8,006)
(Increase) decrease in inventories	(35,083)		(35,083)
Increase (decrease) in accounts payable	(64,727)		(64,727)
Net (increase) decrease in other operating net assets	(2,550)	(263,461)	(266,011)
Net cash provided (used) by operating activities	<u>\$231,804</u>	<u>(\$260,556)</u>	<u>(\$28,752)</u>

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Balance December 31 2008	Additions	Deductions	Balance December 31 2009
<u>PAYROLL WITHHOLDING FUND</u>				
ASSETS - Cash	\$262,665	\$10,023,791	\$10,040,649	\$245,807
LIABILITIES - Withholdings payable	\$262,665	\$10,023,791	\$10,040,649	\$245,807
<u>MUNICIPAL COURT FUND</u>				
ASSETS - Investments with fiscal agent	\$352,540	\$4,237,200	\$4,257,964	\$331,776
LIABILITIES - Undistributed moneys	\$352,540	\$4,237,200	\$4,257,964	\$331,776
<u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u>				
ASSETS - Cash	\$13,065	\$52,752	\$58,489	\$7,328
LIABILITIES				
Accounts payable	\$8,462	\$49,594	\$53,746	\$4,310
Unclaimed moneys	4,603	3,158	4,743	3,018
Total liabilities	\$13,065	\$52,752	\$58,489	\$7,328
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$275,730	\$10,076,543	\$10,099,138	\$253,135
Investments with fiscal agent	352,540	4,237,200	4,257,964	331,776
Total assets	\$628,270	\$14,313,743	\$14,357,102	\$584,911
LIABILITIES				
Accounts payable	\$8,462	\$49,594	\$53,746	\$4,310
Withholdings payable	262,665	10,023,791	10,040,649	245,807
Undistributed moneys	352,540	4,237,200	4,257,964	331,776
Unclaimed moneys	4,603	3,158	4,743	3,018
Total liabilities	\$628,270	\$14,313,743	\$14,357,102	\$584,911

DEBT SCHEDULE
DECEMBER 31, 2009

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2010	
						Principal	Interest
General Obligation Bonds:							
Street Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	\$524,921	\$124,899	\$36,682	\$8,306
Street Improvement bonds-series 1992	11/1/1992	3.25-6.45	12/1/2012	994,303	240,000	75,000	15,480
Court facility	3/29/2005	3.0-4.5	12/1/2024	3,950,000	3,250,000	165,000	133,510
Recreation & Parks Improvement	5/28/2009	3.0-5.0	12/1/2028	12,300,000	12,075,000	450,000	474,418
Total general obligation bonds					15,689,899	726,682	631,714
Special Assessment Bonds:							
Street Improvement bonds-series 1991	12/1/1991	4.5-6.65	12/1/2012	1,665,079	395,101	123,318	26,274
Total special assessment bonds					395,101	123,318	26,274
Promissory Notes:							
Ohio public works commission:							
Bridge replacements	12/1/1994	0.00	7/1/2015	280,393	79,368	14,020	0
Rushland drive improvement	7/1/1996	0.00	7/1/2016	122,577	42,902	6,129	0
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	988,467	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	388,254	22,688	11,479
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	463,116	34,305	0
Ridgeway Bridge Rehab	12/31/2004	1.00	7/1/2025	380,000	309,941	17,956	3,055
Total promissory notes					2,272,048	171,134	14,534
Total					\$18,357,048	\$1,021,134	\$672,522



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.

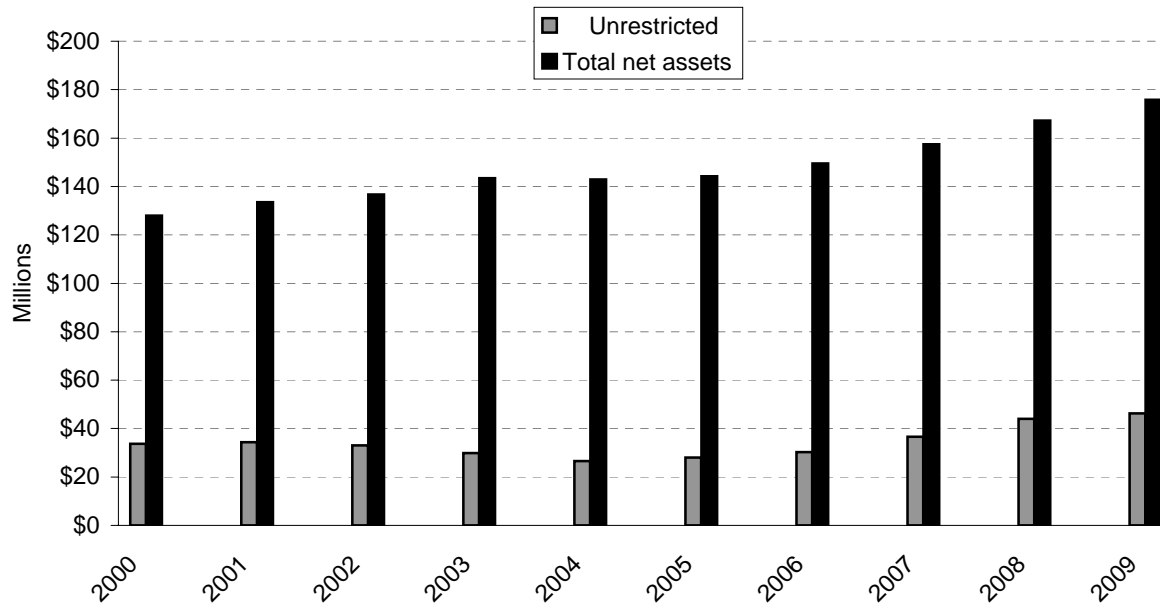
NET ASSETS BY CATEGORY

LAST TEN YEARS (accrual basis of accounting)

	Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities										
Invested in capital assets, net of related debt	\$91,355,281	\$95,986,319	\$100,065,903	\$109,267,077	\$112,412,581	\$112,076,412	\$113,557,610	\$113,438,967	\$113,942,666	\$105,196,955
Restricted for:										
Debt service	172,832	38,533	46,554	34,549	15,178	15,638	16,476	16,697	12,367	715,127
Social services	2,168,695	2,035,858	2,080,807	1,863,768	1,043,771	1,255,296	1,379,856	1,495,228	1,409,593	1,691,954
Public safety	141,012	145,955	152,010	1,084,425	1,251,530	1,756,451	3,124,736	4,550,806	6,472,806	8,422,177
Leisure services	14,622	7,104	119,787	38,496	11,039	36,232	43,756	64,198	58,234	12,064,953
Municipal court activities	338,740	559,340	742,720	957,095	1,112,424	660,228	764,100	876,020	1,054,048	1,236,513
Other purposes	0	444,840	460,589	284,734	403,659	407,886	379,322	327,576	279,542	171,133
Unrestricted	33,743,585	34,320,366	33,037,037	29,905,347	26,619,777	28,054,056	30,230,404	36,673,435	44,019,123	46,312,490
Total net assets	<u>\$127,934,767</u>	<u>\$133,538,315</u>	<u>\$136,705,407</u>	<u>\$143,435,491</u>	<u>\$142,869,959</u>	<u>\$144,262,199</u>	<u>\$149,496,260</u>	<u>\$157,442,927</u>	<u>\$167,248,379</u>	<u>\$175,811,302</u>

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

Net Assets (accrual basis)



CITY OF KETTERING, OHIO

SCHEDULE 2

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses										
General government	\$10,324,836	\$10,716,604	\$11,179,273	\$12,142,127	\$13,210,288	\$12,339,967	\$14,150,379	\$17,232,295	\$13,755,091	\$13,175,646
Police	9,413,721	10,270,530	10,626,973	10,840,287	11,282,263	11,530,015	12,914,191	12,849,315	13,760,327	13,658,265
Fire	6,356,550	7,349,117	7,569,675	7,768,263	8,768,088	8,380,554	8,709,771	8,932,687	9,666,999	9,968,087
Public works	9,791,899	9,812,828	10,803,744	11,236,775	11,926,820	11,813,178	11,360,485	12,263,789	13,404,095	12,901,084
Leisure services	10,231,388	10,832,180	11,665,610	11,479,183	11,834,644	11,873,881	12,416,056	12,234,615	13,254,478	12,836,109
Interest on long term debt	619,018	541,085	458,517	386,200	292,918	1,168,357	1,180,009	1,148,457	1,144,483	504,262
Total expenses	<u>46,737,412</u>	<u>49,522,344</u>	<u>52,303,792</u>	<u>53,852,835</u>	<u>57,315,021</u>	<u>57,105,952</u>	<u>60,730,891</u>	<u>64,661,158</u>	<u>64,985,473</u>	<u>63,043,453</u>
Program Revenues										
Charges for services:										
General government	1,686,309	2,015,725	2,353,231	2,344,241	2,436,404	2,704,373	2,496,686	2,623,279	2,644,901	2,443,428
Fire				1,144,791	986,737	1,156,577	1,343,281	1,433,964	1,522,104	1,430,458
Leisure services	3,907,797	4,098,781	4,508,945	4,398,036	5,085,696	5,379,969	5,344,896	5,852,344	6,439,659	6,001,520
Other activities	2,660	880	205	67,602	62,639	55,265	56,126	64,520	85,171	63,138
Operating grants and contributions	1,860,874	1,216,785	1,743,952	1,388,760	1,623,605	1,563,184	1,253,950	1,225,065	2,367,960	1,484,287
Capital grants and contributions:										
Public works	4,449,371	4,284,996	3,779,248	6,560,882	2,583,208	2,187,075	3,216,110	3,286,179	1,677,377	3,692,950
Other activities	25,000	367,750		58,653	29,216	203,067	904,254	302,002	36,521	163,106
Total program revenues	<u>11,932,011</u>	<u>11,984,917</u>	<u>12,385,581</u>	<u>15,962,965</u>	<u>12,807,505</u>	<u>13,249,510</u>	<u>14,615,303</u>	<u>14,787,353</u>	<u>14,773,693</u>	<u>15,278,887</u>
Net (Expense)/Revenue ¹										
General government	(7,896,810)	(7,591,743)	(7,615,770)	(8,920,581)	(9,489,609)	(8,400,440)	(9,876,734)	(13,528,315)	(10,308,033)	(9,710,841)
Police	(9,349,083)	(10,198,837)	(10,534,263)	(10,692,821)	(11,201,292)	(11,402,343)	(12,759,270)	(12,776,771)	(13,656,869)	(13,526,758)
Fire	(6,355,945)	(7,319,277)	(7,569,335)	(6,568,248)	(7,763,976)	(7,217,962)	(7,366,390)	(7,495,208)	(8,144,890)	(8,537,529)
Public works	(4,422,113)	(5,477,029)	(6,971,161)	(4,519,146)	(9,261,925)	(9,459,374)	(8,138,835)	(8,935,470)	(10,692,207)	(9,200,350)
Leisure services	(6,162,432)	(6,409,456)	(6,769,165)	(6,802,874)	(6,497,796)	(6,207,966)	(6,794,350)	(5,989,584)	(6,265,298)	(6,284,826)
Interest on long term debt	(619,018)	(541,085)	(458,517)	(386,200)	(292,918)	(1,168,357)	(1,180,009)	(1,148,457)	(1,144,483)	(504,262)
Total net expense	<u>(34,805,401)</u>	<u>(37,537,427)</u>	<u>(39,918,211)</u>	<u>(37,889,870)</u>	<u>(44,507,516)</u>	<u>(43,856,442)</u>	<u>(46,115,588)</u>	<u>(49,873,805)</u>	<u>(50,211,780)</u>	<u>(47,764,566)</u>
General Revenues										
Taxes										
Income taxes	23,379,834	23,660,299	25,341,919	25,607,227	27,526,627	26,832,269	31,286,014	37,037,639	38,381,641	34,846,179
Property taxes, levied for general purposes	6,533,352	6,618,088	6,706,279	7,025,307	7,134,615	7,533,530	8,086,778	8,054,971	8,220,419	8,094,861
Property taxes, levied for debt service	1,206,793	1,169,189	1,192,441	1,183,447	1,205,190	1,279,605	1,304,564	1,288,494	1,303,288	1,252,025
Other taxes	8,184,945	6,992,076	6,432,237	8,302,792	6,259,591	6,829,478	7,300,029	7,849,842	8,607,168	7,464,283
Investment earnings	2,400,657	2,071,226	1,381,779	780,231	513,456	983,308	1,717,776	2,094,842	1,954,419	2,963,720
Refunds & reimbursements	1,161,602	2,212,010	1,306,890	1,284,483	1,182,084	1,547,397	1,327,366	1,249,838	1,296,369	1,484,720
Miscellaneous	330,138	418,087	723,758	436,467	120,421	243,095	327,122	244,846	253,928	221,701
Total general revenues	<u>43,197,321</u>	<u>43,140,975</u>	<u>43,085,303</u>	<u>44,619,954</u>	<u>43,941,984</u>	<u>45,248,682</u>	<u>51,349,649</u>	<u>57,820,472</u>	<u>60,017,232</u>	<u>56,327,489</u>
Change in Net Assets	<u>\$8,391,920</u>	<u>\$5,603,548</u>	<u>\$3,167,092</u>	<u>\$6,730,084</u>	<u>(\$565,532)</u>	<u>\$1,392,240</u>	<u>\$5,234,061</u>	<u>\$7,946,667</u>	<u>\$9,805,452</u>	<u>\$8,562,923</u>

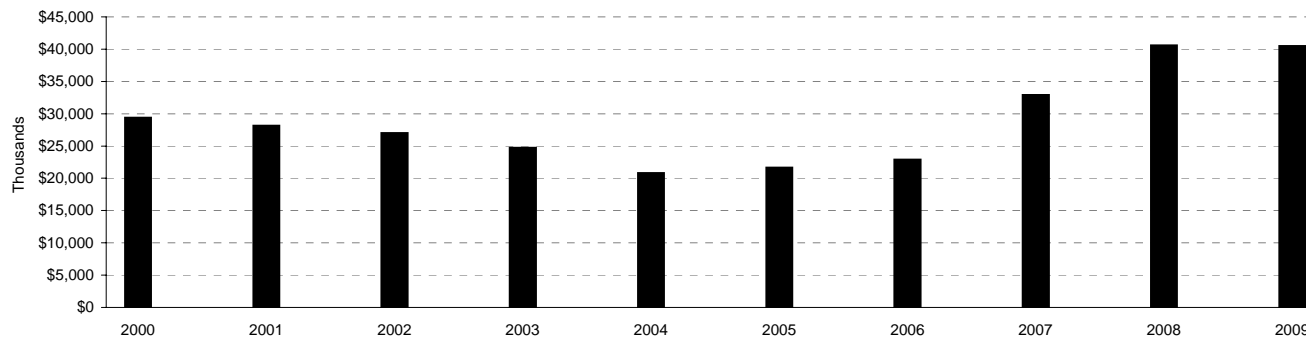
(1) Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers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

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

	Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 ¹
General Fund										
Reserved	\$2,405,099	\$2,004,958	\$1,658,540	\$1,919,131	\$2,310,521	\$2,001,802	\$978,704	\$1,309,942	\$873,976	
Unreserved	26,921,571	26,116,746	25,320,039	22,751,848	18,448,822	19,604,920	21,888,750	31,525,822	39,652,679	
Nonspendable										\$20,601
Committed										851,917
Assigned										237,019
Unassigned										39,347,709
Total general fund	<u>\$29,326,670</u>	<u>\$28,121,704</u>	<u>\$26,978,579</u>	<u>\$24,670,979</u>	<u>\$20,759,343</u>	<u>\$21,606,722</u>	<u>\$22,867,454</u>	<u>\$32,835,764</u>	<u>\$40,526,655</u>	<u>\$40,457,246</u>
All Other Governmental Funds										
Reserved	\$4,353,076	\$6,995,171	\$6,723,658	\$5,796,672	\$5,176,218	\$5,944,495	\$7,288,657	\$2,799,221	\$3,621,226	
Unreserved, reported in:										
Special revenue funds	68,155	1,140,426	1,662,040	2,360,777	2,481,977	2,767,404	4,314,413	6,350,672	7,336,947	
Debt service fund	117,532	38,533	46,554	34,549	15,178	15,638	16,476	16,697	12,367	
Capital project fund	1,076,034	10,445	10,305	18,903	10,463	227,841	10,046	1,196,328	19,910	
Nonspendable, reported in:										
Special revenue funds										\$205,878
Restricted, reported in:										
Special revenue funds										10,998,459
Debt service fund										715,127
Capital project fund										12,012,909
Committed, reported in:										
Special revenue funds										1,802,782
Capital project fund										4,101,197
Unassigned, reported in:										
Special revenue funds										(427,369)
Total all other governmental funds	<u>\$5,614,797</u>	<u>\$8,184,575</u>	<u>\$8,442,557</u>	<u>\$8,210,901</u>	<u>\$7,683,836</u>	<u>\$8,955,378</u>	<u>\$11,629,592</u>	<u>\$10,362,918</u>	<u>\$10,990,450</u>	<u>\$29,408,983</u>

General Fund Balance

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

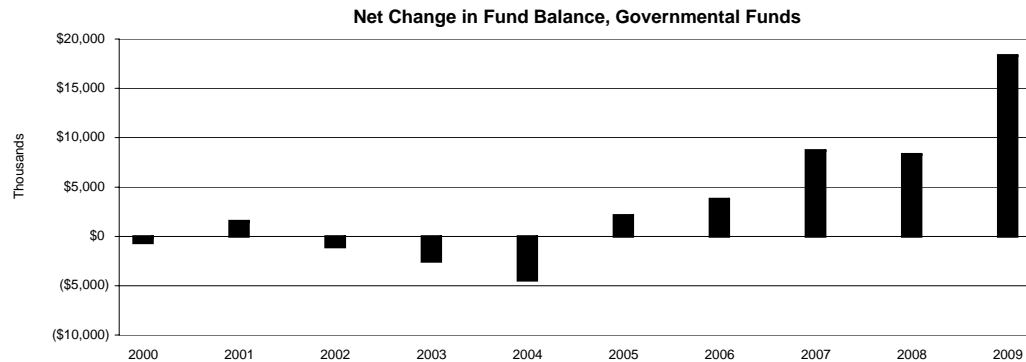


CITY OF KETTERING, OHIO

SCHEDULE 4

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
REVENUES										
Income taxes	\$23,566,678	\$23,866,680	\$25,095,930	\$26,033,273	\$26,783,319	\$27,221,521	\$31,241,870	\$37,128,614	\$38,244,422	\$35,321,466
Property taxes	7,740,145	7,788,476	7,896,919	8,175,853	8,339,304	8,811,235	9,433,041	9,341,465	9,399,507	9,345,887
Licenses and permits	459,832	392,917	506,429	567,654	606,617	488,598	541,457	567,742	626,290	528,823
Intergovernmental revenue	10,035,712	10,276,158	10,043,805	14,669,208	8,597,471	9,156,001	11,159,023	11,238,227	10,158,897	11,890,457
Charges for services	4,001,529	4,223,430	4,615,432	5,448,625	6,436,412	6,925,229	6,909,899	7,517,918	8,152,788	7,663,257
Fines and forfeits	1,135,404	1,499,038	1,740,344	1,674,642	1,681,735	1,914,989	1,762,075	1,919,736	1,867,005	1,780,070
Investment earnings	2,645,992	2,071,226	1,381,779	780,228	513,456	983,308	1,717,776	2,094,842	1,954,417	2,963,721
Special assessments	1,418,452	1,251,362	1,308,754	1,024,871	1,203,717	1,402,805	902,767	978,014	1,024,719	1,006,879
Refunds and reimbursements	1,500,421	2,576,280	1,626,962	1,861,388	1,743,828	3,078,251	2,318,409	1,993,372	2,898,427	2,101,691
Miscellaneous	522,141	538,633	676,389	669,066	551,897	503,483	540,471	555,991	691,840	555,813
Total revenues	53,026,306	54,484,200	54,892,743	60,904,808	56,457,756	60,485,420	66,526,788	73,335,921	75,018,312	73,158,064
EXPENDITURES										
Current:										
General government	9,501,717	9,768,669	10,980,711	11,320,369	12,664,622	11,687,503	13,105,797	12,117,032	12,558,705	12,153,096
Police	9,353,231	10,064,525	10,429,392	10,786,712	11,230,625	11,308,886	12,901,716	12,828,081	13,576,481	13,641,191
Fire	7,125,540	7,224,511	7,275,877	7,831,880	8,585,929	8,328,226	8,152,880	8,807,160	9,553,065	9,564,579
Public works	7,053,955	6,897,648	7,952,650	8,173,691	8,529,615	7,674,931	7,528,693	8,117,038	10,145,609	8,514,496
Leisure services	8,774,617	9,335,122	10,283,469	10,438,031	10,352,928	10,602,498	10,725,786	11,387,262	12,487,222	12,084,992
Capital improvements	9,988,482	9,642,134	8,405,483	12,781,912	7,778,704	10,294,799	7,966,574	9,676,701	6,652,398	10,221,062
Debt service:										
Principal	1,583,134	1,648,134	1,718,134	1,952,988	2,057,118	1,387,380	1,313,385	667,018	642,739	775,290
Interest	625,480	547,930	465,787	386,244	301,213	1,153,773	1,178,485	1,144,194	1,140,310	463,231
Total expenditures	54,006,156	55,128,673	57,511,503	63,671,827	61,500,754	62,437,996	62,873,316	64,744,486	66,756,529	67,417,937
Excess (deficiency) of revenues over expenditures	(979,850)	(644,473)	(2,618,760)	(2,767,019)	(5,042,998)	(1,952,576)	3,653,472	8,591,435	8,261,783	5,740,127
OTHER FINANCING SOURCES (USES)										
Transfers in	9,543,432	11,583,704	10,879,070	11,332,160	12,455,731	8,980,139	10,657,427	8,733,378	9,835,396	15,445,122
Transfers out	(9,543,432)	(11,583,704)	(10,879,070)	(11,332,160)	(12,455,731)	(8,980,139)	(10,657,427)	(8,733,378)	(9,835,396)	(15,445,122)
General obligation debt issuance		1,930,633	987,255	11,140	303,995	3,987,766				12,539,751
Sale of city assets	326,929	258,652	566,362	216,623	300,302	83,731	127,789	110,201	56,640	69,246
Net change in fund balance	(\$652,921)	\$1,544,812	(\$1,065,143)	(\$2,539,256)	(\$4,438,701)	\$2,118,921	\$3,781,261	\$8,701,636	\$8,318,423	\$18,349,124
Debt service as a percentage of noncapital expenditures	5.25%	4.91%	4.55%	4.72%	4.50%	4.97%	4.60%	3.29%	2.96%	2.16%

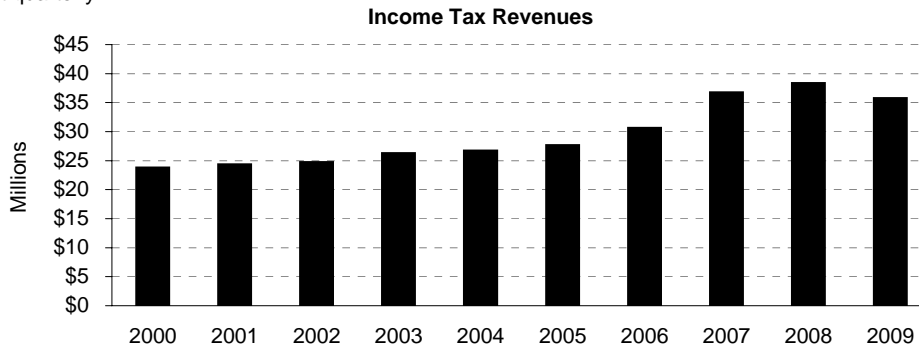


**INCOME TAX BY PAYER TYPE AND INCOME TAX RATE
LAST TEN YEARS (cash basis of accounting)**

Year	Individual		Total			Total	Income Tax Rate
	Withholding	Non-withholding	Individual	Corporate	Partnership		
2000	\$19,796,097	\$2,589,602	\$22,385,699	\$892,553	\$514,878	\$23,793,130	1.75%
2001	20,598,600	2,533,287	23,131,887	773,634	411,093	24,316,614	1.75%
2002	20,777,431	2,494,477	23,271,908	973,956	437,015	24,682,879	1.75%
2003	21,881,920	2,781,028	24,662,948	854,079	754,846	26,271,873	1.75%
2004	22,392,839	2,396,909	24,789,748	1,177,124	708,022	26,674,894	1.75%
2005	23,197,704	2,562,530	25,760,234	1,322,451	526,016	27,608,701	1.75%
2006	25,095,721	2,648,736	27,744,457	1,938,223	935,584	30,618,264	1.75%
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%

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)**

2009		2009 Rank		1999			
Rank	Name		Rank	Name			
1	Kettering Medical Center	-	1	Delphi Automotive Systems LLC			
2	Reynolds & Reynolds Company	1	2	Kettering Medical Center			
3	GE Money	5	3	Federal Government			
4	Kettering Board of Education	4	4	Kettering Board of Education			
5	Federal Government	2	5	Reynolds & Reynolds Company			
6	Eastman Kodak Company	6	6	Scitex Digital Printing Inc.			
7	City of Kettering	8 ¹	7	Intimate Brands Inc.			
8	Limited Brands Inc. & Subs	7	8	City of Kettering			
9	Time Warner Entertainment Inc.	-	9	General Motors Corporation			
10	Meadwestvaco Corporation	3 ¹	10	Monogram Services Co LLC			
Combined percentage of Total Income taxes			30.7%	Combined percentage of Total Income taxes			33.4%

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.; Scitex Digital Printing Inc. was purchased by Eastman Kodak Company; Limited Brands Inc. & Subs reports the activity formerly known as Intimate Brands Inc.

CITY OF KETTERING, OHIO

SCHEDULE 7

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Obligation Bonds	\$8,997,168	\$7,514,792	\$5,966,977	\$4,349,119	\$2,643,554	\$5,563,536	\$4,564,339	\$4,218,631	\$3,879,270	\$15,689,899
Percent of estimated actual property value	0.28%	0.24%	0.19%	0.13%	0.08%	0.16%	0.12%	0.11%	0.10%	0.44%
Per capita	156	131	104	76	46	97	79	73	67	273
Special Assessment Bonds	1,288,184	1,193,560	1,094,375	990,233	905,798	816,127	720,807	619,149	510,730	395,101
Promissory Notes	685,994	2,545,494	3,461,615	3,241,766	3,278,644	3,075,818	2,856,949	2,637,298	2,442,338	2,272,048
Total Gross Indebtedness	10,971,346	11,253,846	10,522,967	8,581,118	6,827,996	9,455,481	8,142,095	7,475,078	6,832,338	18,357,048
Percentage of personal income	0.71%	0.70%	0.65%	0.50%	0.40%	0.53%	0.44%	0.39%	0.35%	1.02%
Per capita	191	196	183	149	119	164	142	130	119	319
Less debt outside limitations:										
Special Assessment Debt	1,288,184	1,193,560	1,094,375	990,233	905,798	816,127	720,807	619,149	510,730	395,101
Promissory Notes	685,994	2,545,494	3,461,615	3,241,766	3,278,644	3,075,818	2,856,949	2,637,298	2,442,338	2,272,048
Less debt service fund balance	117,532	38,533	46,554	34,549	15,178	15,638	16,476	16,697	12,367	715,127
Net debt within limitations for both Voted and Unvoted debt	8,879,636	7,476,259	5,920,423	4,314,570	2,628,376	5,547,898	4,547,863	4,201,934	3,866,903	14,974,772
Debt limitation for both Voted and Unvoted debt 10.5% of assessed valuation	115,575,064	115,633,711	114,650,117	124,670,352	122,665,459	122,629,124	134,354,645	132,966,025	131,355,181	129,749,975
Legal debt margin for Voted and Unvoted debt	\$106,695,428	\$108,157,452	\$108,729,694	\$120,355,782	\$120,037,083	\$117,081,226	\$129,806,782	\$128,764,091	\$127,488,278	\$114,775,203
Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit	7.68%	6.47%	5.16%	3.46%	2.14%	4.52%	3.38%	3.16%	2.94%	11.54%
Net debt within limitations for both Voted and Unvoted limitation	\$8,879,636	\$7,476,259	\$5,920,423	\$4,314,570	\$2,628,376	\$5,547,898	\$4,547,863	\$4,201,934	\$3,866,903	\$14,974,772
Less voted debt	3,924,352	3,114,352	2,264,352	1,369,352	429,352	294,663	180,147	82,780	0	12,075,000
Net debt within limitations for Unvoted debt	4,955,284	4,361,907	3,656,071	2,945,218	2,199,024	5,253,235	4,367,716	4,119,154	3,866,903	2,899,772
Debt limitation for Unvoted debt 5.5% of assessed valuation	60,539,319	60,570,039	60,054,823	65,303,518	64,253,336	64,234,303	70,376,243	69,648,870	68,805,095	67,964,273
Legal debt margin for Unvoted debt	\$55,584,035	\$56,208,132	\$56,398,752	\$62,358,300	\$62,054,312	\$58,981,068	\$66,008,527	\$65,529,716	\$64,938,192	\$65,064,501
Net debt within limitations for Unvoted debt as a percentage of debt limit	8.19%	7.20%	6.09%	4.51%	3.42%	8.18%	6.21%	5.91%	5.62%	4.27%

Source: City of Kettering, Ohio, Finance Department

DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2009

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Kettering¹</u>	<u>Amount Applicable to City of Kettering</u>
State of Ohio			
City of Kettering	\$17,246,820	100.0%	\$17,246,820
Overlapping debt:			
Kettering City School District	98,683,570	92.1%	90,887,568
Montgomery County	41,150,422	12.1%	4,979,201
Beavercreek Local School District	110,127,776	0.9%	991,150
Total overlapping debt	249,961,768		96,857,919
Total direct and overlapping debt	\$267,208,588		\$114,104,739

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

<u>Year</u>	<u>Population</u> ¹	<u>Personal Income</u> ²	<u>Per capita Personal Income</u> ^{1,2}	<u>Unemployment Rate</u> ³	<u>Avg Sale Price for a Single Family Home</u> ⁴	<u>Total Assessed Property Value</u> ⁵	<u>Estimated Actual Property Value</u> ⁵
2000	57,502	1,553,071,518	27,009	2.3%	121,534	1,100,714,894	3,169,669,776
2001	57,502	1,604,823,318	27,909	2.7%	123,524	1,101,273,442	3,174,922,055
2002	57,502	1,614,541,156	28,078	3.5%	132,529	1,091,905,872	3,167,681,964
2003	57,502	1,711,087,014	29,757	5.1%	138,690	1,187,336,684	3,433,251,092
2004	57,502	1,719,884,820	29,910	5.4%	135,081	1,168,242,464	3,453,224,812
2005	57,502	1,787,162,160	31,080	5.3%	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	10%	121,340	1,235,714,050	3,567,340,682

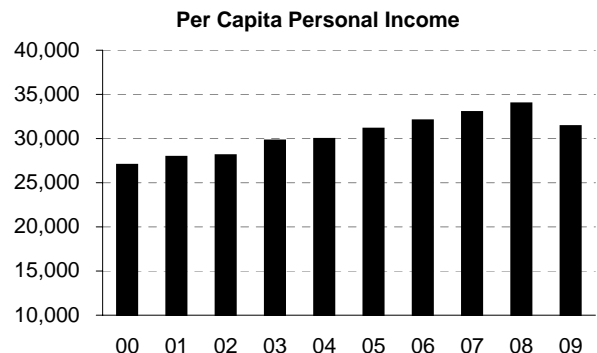
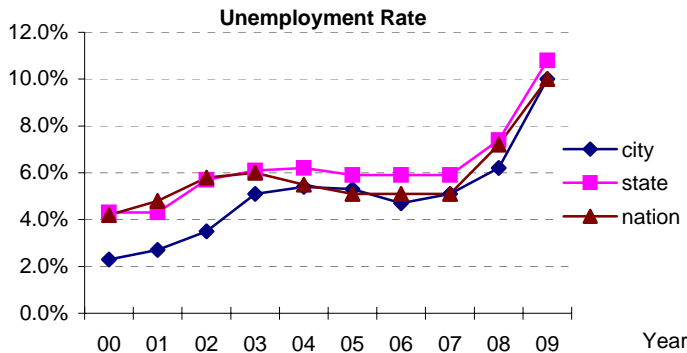
(1) 1990 & 2000 United States Census Bureau.

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

(3) Ohio Bureau of Employment Services.

(4) Dayton Area Board of Realtors, Dayton, Ohio (2009 price range: \$11,000 - \$720,000).

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



PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINETEEN YEARS AGO

Employer	2009		Employer	1990 ¹	
	Employees	% of Total City Employment		Employees	% of Total City Employment
Kettering Medical Center	3,100	10.99%	General Motors Corporation ²	4,405	13.39%
GE Money	1,700	6.03%	Kettering Medical Center	2,975	9.04%
Reynolds & Reynolds Company	1,250	4.43%	Defense Electronics Supply Center	2,500	7.60%
Kettering City Schools	1,137	4.03%	Kroger Company	1,313	3.99%
Intimate Brands Inc.	1,000	3.55%	Kettering City Schools	1,033	3.14%
City of Kettering	900	3.19%	Meijer Inc	900	2.74%
Eastman Kodak Company	700	2.48%	City of Kettering	800	2.43%
Meijer Inc.	550	1.95%	Eastman Kodak Company	350	1.06%
Tenneco	300	1.06%	Ohio Bell Telephone Company	292	0.89%
Total	10,637	37.72%	Total	14,568	44.28%

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

(1) Past information is available every 10 years.

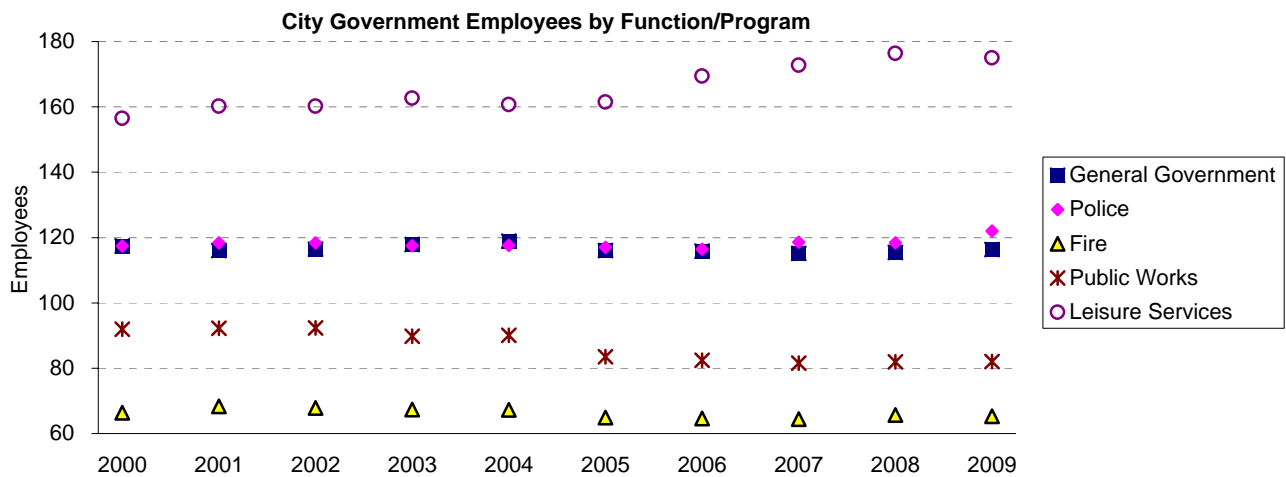
(2) Tenneco now owns the plant formerly owned by General Motors Corp.

SCHEDULE 11

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

Function/program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government	117.4	116.0	116.4	117.9	118.9	116.1	115.9	115.1	115.5	116.3
Police	117.5	118.4	118.4	117.6	117.6	117.0	116.4	118.5	118.4	122.0
Fire	66.4	68.3	67.8	67.3	67.3	64.9	64.6	64.4	65.6	65.3
Public Works	91.9	92.2	92.3	89.8	90.1	83.5	82.5	81.6	81.9	82.0
Leisure Services	156.5	160.2	160.2	162.7	160.7	161.5	169.4	172.8	176.4	175.0
Total	549.7	555.1	555.1	555.3	554.5	543.0	548.8	552.4	557.8	560.6

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS

<u>Function/program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government										
Positions filled ¹	27	19	17	17	5	5	7	14	26	10
Permits issued ²	4,295	3,861	3,705	3,824	3,217	3,301	3,053	2,884	2,779	2,467
Inspections performed ²	8,971	6,828	7,144	7,435	6,974	6,684	6,352	7,639	6,871	6,254
CDBG loan applications ³	21	14	5	10	18	24	25	96	86	53
Payroll checks processed ⁴	20,375	20,852	20,898	20,648	21,710	20,569	20,003	20,093	20,819	20,955
Purchase orders issued ⁵	1,557	2,068	1,816	2,002	2,120	2,063	2,069	2,054	2,281	2,166
Ordinances & resolutions ⁶	238	230	234	243	206	227	220	182	211	236
Court cases ⁷	20,913	19,979	19,865	18,742	18,358	22,593	21,727	22,962	22,051	20,657
Police										
Criminal arrests ⁸	2,925	3,263	3,112	2,854	2,813	3,085	3,030	2,812	2,762	2,710
Calls for service ⁹	64,472	65,130	67,320	71,524	69,621	72,643	67,394	67,287	65,131	62,172
Fire										
Fire alarms ¹⁰	1,273	1,397	1,421	2,393	1,604	1,324	1,337	1,197	1,544	1,599
Medic alarms ¹⁰	4,495	4,551	4,601	5,120	4,881	5,214	5,445	5,815	5,896	5,485
Public Works										
Asphalt resurfacing (miles) ¹¹	13	13	14	16	10	4	6	4	7	10
Truckloads of leaves picked-up ¹²	1,735	1,740	2,206	2,062	1,988	1,895	2,050	1,837	1,655	1,858
Tons of snow melting salt used ¹²	9,118	2,147	3,000	5,452	4,654	6,465	1,560	4,544	6,341	3,368
Leisure Services										
Recreation complex attendance ¹³	1,018,549	992,825	1,019,547	1,081,740	1,145,268	1,141,493	1,243,657	1,199,370	1,175,368	1,110,815
Fraze Pavilion tickets sold ¹³	74,153	71,018	75,942	77,727	80,480	78,540	72,383	90,232	90,825	87,969

(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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government										
Square footage occupied ¹	25,582	25,582	25,582	25,582	25,582	43,108	43,108	43,108	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	7	7
Public Works										
Miles of roads ²	244	246	246	246	246	246	246	246	246	246
Miles of storm sewer/channel ²	172	173	174	174	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	408	408	419	419	419	419	419	419	419	419
Recreation complexes square ft ¹	145,000	145,000	145,000	145,000	145,000	153,512	153,512	153,512	153,512	153,512

(1) City of Kettering, Facilities Department

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

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



Mary Taylor, CPA
Auditor of State

CITY OF KETTERING

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 6, 2010**