

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2007****TABLE OF CONTENTS**

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	iii
City Officials	vi
Department of Finance Staff	vii
City Organizational Chart	viii
Certificate of Achievement for Excellence in Financial Reporting	ix
FINANCIAL SECTION	
Independent Auditors' Report	2
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Fund Balance Sheets - Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Balance Sheet - Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Statement of Fiduciary Net Assets - Fiduciary Funds	19
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	19
Notes to the Basic Financial Statements	21
Required Supplementary Information:	
Budget (GAAP Budget) to Actual Comparison Schedule - General Fund	34
Budget (GAAP Budget) to Actual Comparison Schedule - Street Maintenance Fund	36
Budget (GAAP Budget) to Actual Comparison Schedule - Parks Recreation and Cultural Arts Fund	37
Budget (GAAP Budget) to Actual Comparison Schedule - Fraze Pavilion Fund	38
Budget (GAAP Budget) to Actual Comparison Schedule - Community Development Fund	39
Budget (GAAP Budget) to Actual Comparison Schedule - Emergency Medical Fund	40
Notes to the Required Supplementary Information	41
SUPPLEMENTAL DATA	
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual (GAAP Budget)	45
Debt Service Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Budget)	48
Capital Projects Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Budget)	49
Detailed Schedule of Expenditures Compared to Budget (GAAP Budget)	50
Internal Service Funds:	
Combining Balance Sheet	51
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	52
Combining Statement of Cash Flows	53
Agency Funds:	
Combining Statement of Changes in Assets and Liabilities	54
Miscellaneous Schedules:	
Debt Schedule	55

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2007**

TABLE OF CONTENTS - CONTINUED

	Schedule	Page
STATISTICAL SECTION		
Net Assets by Category Last Eight Years	1	58
Changes in Net Assets Last Eight Years	2	59
Fund Balances, Governmental Funds Last Eight Years	3	60
Changes in Fund Balances, Governmental Funds Last Eight Years	4	61
Income Tax by Payer Type and Income Tax Rate Last Ten Years	5	62
Ranking of Top Ten Income Tax Withholders Current Year and Ten Years Ago	6	62
Ratios of Outstanding Debt by Type and Legal Debt Margins Last Ten Years	7	63
Direct and Overlapping Debt	8	64
Demographic and Economic Statistics Last Ten Years	9	64
Principal Employers Current Year and Sixteen Years Ago	10	65
City Government Employees by Function/Program Last Ten Years	11	65
Operating Indicators by Function/Program Last Ten Years	12	66
Capital Asset and Infrastructure Statistics by Function/Program Last Ten Years	13	66

CITY OF KETTERING, OHIO

CITY OFFICIALS

Donald E. Patterson, Mayor
Joseph D. Wanamaker, Vice Mayor
Bruce E. Duke
Peggy B. Lehner
Frank Spolrich
Keith Thompson
Raymond P. Wasky (resigned 1/23/07)
Tony Klepacz (appointed 2/27/07)

CITY MANAGER

Mark Schwieterman

INDEPENDENT AUDITORS

Clark, Schaefer, Hackett & Co.
Certified Public Accountants

CITY OF KETTERING, OHIO

DEPARTMENT OF FINANCE

STAFF

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

STATEMENT OF NET ASSETS
DECEMBER 31, 2007

ASSETS	
Pooled cash and investments (note 2)	\$42,207,269
Receivables:	
Income taxes (net of allowance for \$390,537)	5,791,100
Property taxes	9,877,910
Interest	320,145
Accounts	299,408
Special assessments	1,518,149
Loans (net of allowance for \$22,763)	1,285,419
Notes	325,000
Due from other governments	2,278,692
Prepaid expenses	173,827
Inventory	417,596
Capital assets not being depreciated (note 6)	10,544,645
Capital assets being depreciated, net (note 6)	110,369,399
Total assets	<u>185,408,559</u>
LIABILITIES	
Accounts payable	2,563,388
Salary and benefits payable	2,038,559
Accrued interest payable	26,692
Deferred revenue	11,937,594
Long-term liabilities (note 12)	
Due within one year	2,918,846
Due in more than one year	8,480,553
Total liabilities	<u>27,965,632</u>
NET ASSETS	
Invested in capital assets, net of related debt	113,438,967
Restricted for:	
Debt service	16,697
Community development block grant	1,495,228
Emergency medical	4,288,697
Municipal court activities	876,020
Other purposes	653,883
Unrestricted	36,673,435
Total net assets	<u><u>\$157,442,927</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

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	\$17,232,295	\$2,623,279	\$778,699	\$302,002	(\$13,528,315)
Police	12,849,315	49,377	23,167		(12,776,771)
Fire	8,932,687	1,433,964	3,515		(7,495,208)
Public works	12,263,789	15,143	26,997	3,286,179	(8,935,470)
Leisure services	12,234,615	5,852,344	392,687		(5,989,584)
Interest on long-term debt	1,148,457				(1,148,457)
Total	<u>\$64,661,158</u>	<u>\$9,974,107</u>	<u>\$1,225,065</u>	<u>\$3,588,181</u>	<u>(49,873,805)</u>
General revenues:					
Taxes:					
Income taxes					37,037,639
Property taxes, levied for general purposes					8,054,971
Property taxes, levied for debt service					1,288,494
Other taxes (note 5)					7,849,842
Investment earnings					2,094,842
Refunds and reimbursements					1,249,838
Miscellaneous					244,846
Total general revenues					<u>57,820,472</u>
Change in net assets					7,946,667
Net assets--beginning					149,496,260
Net assets--ending					<u>\$157,442,927</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
ASSETS				
Pooled cash and investments	\$32,004,432	\$172,137	\$475,151	\$138,802
Receivables:				
Income taxes (net of allowance for \$390,537)	5,791,100			
Property taxes	8,044,909			
Interest	320,145			
Accounts	20,886	8,623	25,547	
Special assessments	300,000			
Loans (net of allowance for \$22,763)				
Notes	325,000			
Due from Community Development fund	38,700			
Due from other governments	444,487	1,112,363	7,672	
Prepaid expenditures	52,302	1,416	4,161	4,744
Inventory		104,448		
Total assets	<u>\$47,341,961</u>	<u>\$1,398,987</u>	<u>\$512,531</u>	<u>\$143,546</u>
LIABILITIES				
Accounts payable	\$1,780,754	\$57,703	\$137,352	\$10,400
Due to General fund				
Accrued payroll	1,152,376	171,805	238,407	8,092
Deferred revenue	11,573,067	891,400	8,939	1,665
Total liabilities	<u>14,506,197</u>	<u>1,120,908</u>	<u>384,698</u>	<u>20,157</u>
FUND BALANCES				
Reserved for:				
Loans receivable				
Notes receivable	325,000			
Encumbrances	932,640	162,115	106,263	25,483
Prepaid expenditures	52,302	1,416	4,161	4,744
Inventory		104,448		
Unreserved:				
Designated for subsequent years' expenditures	2,000,000			
Undesignated	29,525,822	10,100	17,409	93,162
Total fund balances	<u>32,835,764</u>	<u>278,079</u>	<u>127,833</u>	<u>123,389</u>
Total liabilities and fund balances	<u>\$47,341,961</u>	<u>\$1,398,987</u>	<u>\$512,531</u>	<u>\$143,546</u>

See accompanying notes to the basic financial statements.

<u>Revenue Funds</u>					
<u>Community Development</u>	<u>Emergency Medical</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Special Revenue Governmental Funds</u>	<u>Total Governmental Funds</u>
\$128	\$4,120,810	\$16,697	\$2,027,121	\$2,769,905	\$41,725,183
					5,791,100
		1,309,000	116,000	408,000	9,877,909
	185,727		49,704	3,140	320,145
1,285,419		768,149	450,000		293,627
					1,518,149
					1,285,419
					325,000
					38,700
263,254			257,580	173,020	2,258,376
				2,738	65,361
					104,448
<u>\$1,548,801</u>	<u>\$4,306,537</u>	<u>\$2,093,846</u>	<u>\$2,900,405</u>	<u>\$3,356,803</u>	<u>\$63,603,417</u>
\$14,873 38,700	\$17,840		\$282,790	\$66,096	2,367,808
					38,700
				331,830	1,902,510
<u>235,123</u>	<u>74,273</u>	<u>\$2,077,149</u>	<u>734,539</u>	<u>499,562</u>	<u>16,095,717</u>
<u>288,696</u>	<u>92,113</u>	<u>2,077,149</u>	<u>1,017,329</u>	<u>897,488</u>	<u>20,404,735</u>
1,285,419					1,285,419
					325,000
36,011	44,465		686,748	335,210	2,328,935
				2,738	65,361
					104,448
					2,000,000
<u>(61,325)</u>	<u>4,169,959</u>	<u>16,697</u>	<u>1,196,328</u>	<u>2,121,367</u>	<u>37,089,519</u>
<u>1,260,105</u>	<u>4,214,424</u>	<u>16,697</u>	<u>1,883,076</u>	<u>2,459,315</u>	<u>43,198,682</u>
<u>\$1,548,801</u>	<u>\$4,306,537</u>	<u>\$2,093,846</u>	<u>\$2,900,405</u>	<u>\$3,356,803</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	120,410,021
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	2,103,826
Grants and other taxes receivable	2,054,297
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.	670,218
Debt issuance costs and issuance discounts are amortized over the life of the debt, the unamortized portion remains on the Statement of Net Assets.	105,811
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	(7,475,078)
Vacation and sick leave benefits	(3,598,158)
Accrued interest on bonds payable	(26,692)
Net Assets of Governmental Activities	<u>\$157,442,927</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Major		Special
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
REVENUES				
Income taxes	\$37,128,614			
Property taxes	7,549,914			
Licenses and permits	552,599	\$15,143		
Intergovernmental revenue	2,023,543	2,531,757	\$30,059	
Charges for services	160,178		3,415,212	\$2,437,131
Fines and forfeits	1,474,749			
Investment earnings	1,803,011			
Special assessments	402,762			
Refunds and reimbursements	1,253,607	268,584	86,079	1,429
Miscellaneous	14,627	13,911	22,960	295,099
Total revenues	<u>52,363,604</u>	<u>2,829,395</u>	<u>3,554,310</u>	<u>2,733,659</u>
EXPENDITURES				
Current:				
General government	10,942,922			
Police	11,514,511			
Fire	8,535,253			
Public works	2,715,514	5,248,816		
Leisure services			8,661,848	2,716,785
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	<u>33,708,200</u>	<u>5,248,816</u>	<u>8,661,848</u>	<u>2,716,785</u>
Excess (deficiency) of revenues over expenditures	18,655,404	(2,419,421)	(5,107,538)	16,874
OTHER FINANCING SOURCES (USES)				
Transfers in		2,220,000	5,048,300	
Transfers out	(8,733,378)			
Sale of city assets	46,284	12,565	17,265	
Net change in fund balance	9,968,310	(186,856)	(41,973)	16,874
Fund balances--beginning, as restated	22,867,454	464,935	169,806	106,515
Fund balances--ending	<u>\$32,835,764</u>	<u>\$278,079</u>	<u>\$127,833</u>	<u>\$123,389</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
					\$37,128,614
		\$1,288,494	\$105,581	\$397,476	9,341,465
\$653,990			5,470,372	528,506	567,742
	\$1,465,254			40,143	11,238,227
1,654	177,721	47,386		444,987	7,517,918
		149,593	425,659	65,070	1,919,736
93,119		25,960	221,782	42,812	2,094,842
29,775				179,619	978,014
<u>778,538</u>	<u>1,642,975</u>	<u>1,511,433</u>	<u>6,223,394</u>	<u>1,698,613</u>	<u>73,335,921</u>
367,494				806,616	12,117,032
	268,407			1,313,570	12,828,081
				3,500	8,807,160
				152,708	8,117,038
				8,629	11,387,262
457,748			9,035,776	183,177	9,676,701
		667,018			667,018
		1,144,194			1,144,194
<u>825,242</u>	<u>268,407</u>	<u>1,811,212</u>	<u>9,035,776</u>	<u>2,468,200</u>	<u>64,744,486</u>
(46,704)	1,374,568	(299,779)	(2,812,382)	(769,587)	8,591,435
		300,000		1,165,078	8,733,378
					(8,733,378)
34,087					110,201
(12,617)	1,374,568	221	(2,812,382)	395,491	8,701,636
1,272,722	2,839,856	16,476	4,695,458	2,063,824	34,497,046
<u>\$1,260,105</u>	<u>\$4,214,424</u>	<u>\$16,697</u>	<u>\$1,883,076</u>	<u>\$2,459,315</u>	<u>\$43,198,682</u>
Net change in Fund Balance - Governmental Funds					\$8,701,636
Amounts reported for governmental activities in the Statement of Activities (page 11) are different because:					
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.				} Capital outlays	9,728,037
				} Depreciation expense	(6,563,651)
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.					
					(4,031,196)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.					
Income taxes receivable					(90,975)
Grants receivable					(112,703)
Property taxes receivable					2,000
Contribution of capital asset					106,656
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.					
					667,018
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					(162,552)
Interest payable					(4,263)
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.)					
					(293,340)
Change in Net Assets on the Statement of Activities					<u>\$7,946,667</u>

BALANCE SHEET
 PROPRIETARY FUNDS
 DECEMBER 31, 2007

	Governmental Activities- Internal Service Funds
ASSETS	
Current assets:	
Pooled cash and investments	\$482,086
Accounts receivable	5,780
Due from other governments	20,316
Prepaid expenses	2,655
Inventory	313,148
Total current assets	<u>823,985</u>
Noncurrent assets:	
Buildings and improvements	769,344
Machinery and equipment	1,939,792
Less: Accumulated depreciation	(2,205,113)
Total noncurrent assets	<u>504,023</u>
Total assets	<u><u>\$1,328,008</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$195,579
Accrued payroll	136,048
Total current liabilities	<u>331,627</u>
Noncurrent liabilities:	
Accrued vacation and sick leave benefits	326,163
Total liabilities	<u>657,790</u>
NET ASSETS	
Invested in capital assets	504,023
Unrestricted	166,195
Total net assets	<u>670,218</u>
Total liabilities and net assets	<u><u>\$1,328,008</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, 2007

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$9,869,671
Total operating revenues	<u>9,869,671</u>
OPERATING EXPENSES	
Personal services	3,018,817
Repairs and maintenance	1,456,910
Contractual services	4,999,646
Other materials and expenses	546,214
Depreciation	177,056
Total operating expenses	<u>10,198,643</u>
Operating income (loss)	<u>(328,972)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	35,632
Change in net assets	<u>(293,340)</u>
Total net assets--beginning, as restated	963,558
Total net assets--ending	<u><u>\$670,218</u></u>

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2007
 Increase (Decrease) in cash

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for services	\$9,861,076
Cash paid to suppliers for goods or services	(6,964,214)
Cash paid to employees for services	(3,033,750)
Net cash provided (used) by operating activities	<u>(136,888)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(158,231)
Sale of capital assets	7,000
Net cash used by capital and related financing activities	<u>(151,231)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	35,633
Net cash provided by investing activities	<u>35,633</u>
Net increase (decrease) in cash	(252,486)
Cash at beginning of year	734,572
Cash at end of year	<u><u>\$482,086</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	(\$328,972)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	177,056
(Increase) decrease in receivables	(1,595)
(Increase) decrease in inventories	(17,204)
Increase (decrease) in accounts payable	48,823
Net (increase) decrease in other operating net assets	(14,996)
Net cash provided (used) by operating activities	<u><u>(\$136,888)</u></u>

See accompanying notes to the basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2007

	Volunteer Firefighter Pension	Deceased Police Dependents Private Purpose Trust	Agency Funds
ASSETS			
Pooled cash and investments		\$78,353	\$297,022
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$1,786,733		
Other investments			365,992
Total assets	<u>1,786,733</u>	<u>78,353</u>	<u>\$663,014</u>
LIABILITIES			
Accounts payable			\$15,836
Withholdings payable			277,632
Undistributed moneys			365,992
Unclaimed moneys			3,554
Total liabilities			<u>\$663,014</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$1,786,733</u>	<u>\$78,353</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

ADDITIONS			
Employer contributions	\$67,025		
Investment earnings (loss)	75,345	\$3,736	
Total additions	<u>142,370</u>	<u>3,736</u>	
DEDUCTIONS			
Pension payments	104,483		
Total deductions	<u>104,483</u>		
Net increase (decrease)	37,887	3,736	
Net assets--beginning of year	1,748,846	74,617	
Net assets--end of year	<u>\$1,786,733</u>	<u>\$78,353</u>	

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

C. Basis of Accounting

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

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

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

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

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

D. Pooled Cash and Investments and Investment with Fiscal Agent

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

E. Inventory

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

F. Capital Assets

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

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

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

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

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

G. Interfund Transactions and Transfers

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

H. Reserves and Designations

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

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

I. Grants and Other Intergovernmental Revenues

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

J. Use of Estimates

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

2. POOLED CASH AND INVESTMENTS

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

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

Deposits: At year-end, the City's bank balance was \$19,535,392. Of this amount, \$14,358,000 was insured, the remaining \$5,177,392 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name per Ohio Revised Code Section 135.181. This statute requires all financial institutions acting as public depositories to pledge a pool of collateral with a market value of at least 105% of the total amount of public deposits secured. The City has no deposit policy for custodial credit risk.

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

The City's 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 a \$4,633,805 deposit with JP Morgan Chase Bank, a \$2,963,997 corporate bond issued by Bear Sterarns and a \$2,480,158 corporate bond issued by Wachovia. These amounts represent 11%, 7%, and 6% respectively of the pooled cash and investments. At year-end, all of the securities in the corporate bond category below are rated "A" or better and all other investment types listed are unrated.

As of December 31, 2007 the City had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-2</u>	<u>3-9</u>	<u>9-10</u>
Corporate Bonds	\$23,711,931	\$19,099,198	\$4,612,733		
Pension Plan Pooled Invest Fund	1,786,733				\$1,748,846
Total	<u>\$25,498,664</u>	<u>\$19,099,198</u>	<u>\$4,612,733</u>		<u>\$1,748,846</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, public utility and tangible (used in business) property located in the City. Property taxes are levied each December 31 on the assessed value listed as of the prior December 31. Assessed values are established for real property at 35% of true value, for tangible property used in business at 12.75% of true value, and for tangible property constituting "inventory" at 12.75% of true value. Property market values are required to be updated every three years and revalued every six years. A revaluation was completed in 2002.

The property tax calendar is as follows:

Levy date	December 31, 2006
Lien date	December 31, 2006
Tax bill mailed	January 20, 2007
First installment payment due	February 15, 2007
Second installment payment due	July 15, 2007

The assessed values for the City at December 31, 2006 were as follows:

	<u>Assessed Value</u>
	<u>Category</u>
Real Estate	\$1,200,064,320
Public Utility Real Property	10,410
Tangible Personal Property	41,932,254
Public Utility Personal Property	24,336,110
Total	<u>\$1,266,343,094</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	\$3,009,376
Sales taxes	1,820,322
Gasoline taxes	1,973,678
Vehicle license taxes	763,357
Miscellaneous other taxes	283,109
	<u>\$7,849,842</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$12,387,710	\$263,104	(\$2,106,169)	\$10,544,645
Subtotal	<u>12,387,710</u>	<u>263,104</u>	<u>(2,106,169)</u>	<u>10,544,645</u>
Capital assets being depreciated:				
Buildings and improvements	42,168,199	973,447	(2,984,729)	40,156,917
Machinery and equipment	17,364,935	1,377,756	(1,027,233)	17,715,458
Infrastructure	137,166,456	7,555,573	(120,835)	144,601,194
Subtotal	<u>196,699,590</u>	<u>9,906,776</u>	<u>(4,132,797)</u>	<u>202,473,569</u>
Accumulated depreciation:				
Buildings and improvements	(25,575,860)	(897,908)	955,271	(25,518,497)
Machinery and equipment	(12,447,686)	(1,195,005)	948,025	(12,694,666)
Infrastructure	(49,364,048)	(4,647,794)	120,835	(53,891,007)
Subtotal	<u>(87,387,594)</u>	<u>(6,740,707) *</u>	<u>2,024,131</u>	<u>(92,104,170)</u>
Net capital assets being depreciated	<u>109,311,996</u>	<u>3,166,069</u>	<u>(2,108,666)</u>	<u>110,369,399</u>
Net capital assets	<u>\$121,699,706</u>	<u>\$3,429,173</u>	<u>(\$4,214,835)</u>	<u>\$120,914,044</u>

*Depreciation expense was charged to governmental functions as follows:

General government	\$366,502
Police	193,757
Fire	401,434
Public works	4,804,504
Leisure services	797,454
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.	177,056
Total depreciation expense	<u>\$6,740,707</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 2032. Fund balance has been reserved for the loans receivable at December 31, 2007, as it does not represent currently available spendable resources. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures.

The City has sold property to several companies and taken a note receivable in exchange. These note receivables are payable in installments to 2008. Fund balance has been reserved for the notes receivable at December 31, 2007, as it does not represent currently available spendable resources.

8. RISK MANAGEMENT

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

Insurance coverage is as follows:

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

Crime - \$1,000,000 per occurrence

Liability - \$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, 2006, 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, 2005, 2006 and 2007, were \$2,068,573, \$2,146,383 and \$2,262,695 respectively, or 88% of the required contributions for 2005, 79% for 2006, and 73% for 2007.

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 2007, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 9.5% of their annual covered salary and the City is required to contribute 13.85%. The City's contributions to the plan for the years ending December 31, 2005, 2006 and 2007, were \$2,359,517, \$2,438,270 and \$2,560,130 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, 2007, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	74
Terminated employees entitled to benefits but not yet receiving them	26
Active members	<u>79</u>
Total	<u><u>179</u></u>

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

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

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

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

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

The annual required contribution for the current year was determined as part of the January 1, 2007, actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included a 6.25% investment rate of return and that benefits will not increase after retirement. The actuarial value of assets was determined using the contract basis. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
2002	0	0	100%
2003	17,333	17,333	100%
2004	34,397	34,397	100%
2005	40,399	40,399	100%
2006	70,294	70,294	100%
2007	67,025	67,025	100%

For the fiscal years ended December 31, 2005, 2006 and 2007, the Annual Pension cost (APC) was \$40,399, \$70,294 and \$67,025 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 any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person.

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's post employment healthcare plan was established and is administrated as an Internal Revenue Code 401(h) account 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 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, 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 Section 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 2007 were \$2,262,695 of which \$716,936 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, 13.85%. 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 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively. 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 2007 were \$2,560,130 of which \$1,109,048 was allocated to fund post employment benefits.

OPERS Retirement Board adopted a Health Care Preservation Plan on September 9, 2004, which 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 2007 were \$207,205.

Construction and other commitments at December 31, 2007, were approximately \$676,000.

12. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2007, was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Amounts</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
					<u>One Year</u>
General obligation bonds:					
Improvement bonds-					
Series 1991, 4.5%-6.65%	\$224,192		\$33,341	\$190,851	\$31,581
Improvement bonds-					
Series 1992, 3.25%-6.45%	445,000		65,000	380,000	70,000
Recreation Center Refunding,					
2.65%-16.9%	180,147		97,367	82,780	82,780
Court Facility, 3.0%-4.5%	<u>3,715,000</u>		<u>150,000</u>	<u>3,565,000</u>	<u>155,000</u>
Total general obligation bonds	<u>4,564,339</u>		<u>345,708</u>	<u>4,218,631</u>	<u>339,361</u>
Special assessment bonds:					
Series 1991, 4.5%-6.65%	<u>720,807</u>		<u>101,658</u>	<u>619,149</u>	<u>108,419</u>
Total special assessment bonds	<u>720,807</u>		<u>101,658</u>	<u>619,149</u>	<u>108,419</u>
Other:					
Accrued vacation and					
sick leave benefits	3,748,179	\$2,160,449	1,984,307	3,924,321	2,276,106
Ohio Public Works Commission					
Long-Term Promissory Notes, 0-3%	<u>2,856,949</u>		<u>219,651</u>	<u>2,637,298</u>	<u>194,960</u>
Total other	<u>6,605,128</u>	<u>2,160,449</u>	<u>2,203,958</u>	<u>6,561,619</u>	<u>2,471,066</u>
Total long-term liabilities	<u>\$11,890,274</u>	<u>\$2,160,449</u>	<u>\$2,651,324</u>	<u>\$11,399,399</u>	<u>\$2,918,846</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, 12% by the Street Maintenance Fund and the remainder by the other governmental and internal service funds. The City uses the "vesting method" to determine the appropriate liability.

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

The annual requirements to pay principal and interest on long-term obligations at December 31, 2007, are as follows:

	General Obligation Bonds		Promissory Notes		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	339,361	1,082,938	194,960	16,199	108,419	41,173
2009	264,371	169,296	170,290	15,377	115,629	33,964
2010	276,682	157,296	171,134	14,533	123,318	26,274
2011	293,482	144,491	171,999	13,668	131,518	18,073
2012	304,735	130,320	172,888	12,779	140,265	9,328
2013-2017	985,000	498,845	839,681	49,738	-	-
2018-2022	1,200,000	275,217	803,837	23,756	-	-
2023-2025	555,000	36,406	112,509	1,843	-	-
	<u>\$4,218,631</u>	<u>\$2,494,809</u>	<u>\$2,637,298</u>	<u>\$147,893</u>	<u>\$619,149</u>	<u>\$128,812</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, 2007, the City had a legal debt margin for total debt of \$???????? and a legal debt margin for unvoted debt of \$????????.

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. IMPAIRMENT OF CAPITAL ASSET

General government program expenses include an impairment loss of \$3,888,746 due to the demolition of a building used for storage.

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1, as restated	\$22,867,454	\$22,867,454	\$22,867,454	
Resources (inflows)				
Income taxes	34,936,000	37,391,000	37,128,614	(\$262,386)
Property taxes	7,137,000	7,622,000	7,549,914	(72,086)
Licenses and permits	501,000	501,000	552,599	51,599
Intergovernmental revenue	1,921,000	1,921,000	2,023,543	102,543
Charges for services	174,000	166,000	160,178	(5,822)
Fines and forfeits	1,515,000	1,515,000	1,474,749	(40,251)
Investment earnings	1,200,000	1,300,000	1,803,011	503,011
Special assessments	300,000	393,000	402,762	9,762
Refunds and reimbursements	1,000,000	1,200,000	1,253,607	53,607
Miscellaneous	10,000	13,000	14,627	1,627
Sale of city assets	50,000	35,000	46,284	11,284
Amounts available for appropriation	<u>71,611,454</u>	<u>74,924,454</u>	<u>75,277,342</u>	<u>352,888</u>
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	225,600	225,600	224,427	1,173
Operating expenditures	85,840	91,740	78,845	12,895
Capital outlay				
Total mayor and council	<u>311,440</u>	<u>317,340</u>	<u>303,272</u>	<u>14,068</u>
Municipal court:				
Personal services	893,300	893,300	874,045	19,255
Operating expenditures	238,173	258,173	236,129	22,044
Capital outlay				
Total municipal court	<u>1,131,473</u>	<u>1,151,473</u>	<u>1,110,174</u>	<u>41,299</u>
Clerk of courts:				
Personal services	809,200	809,200	793,348	15,852
Operating expenditures	143,951	143,951	121,490	22,461
Capital outlay				
Total clerk of courts	<u>953,151</u>	<u>953,151</u>	<u>914,838</u>	<u>38,313</u>
Office of City Manager:				
Personal services	487,200	462,300	442,863	19,437
Operating expenditures	51,996	73,356	46,669	26,687
Capital outlay		24,900	23,871	1,029
Total office of city manager	<u>539,196</u>	<u>560,556</u>	<u>513,403</u>	<u>47,153</u>
Law department:				
Personal services	671,200	661,200	640,084	21,116
Operating expenditures	152,202	205,362	180,203	25,159
Capital outlay				
Total law department	<u>823,402</u>	<u>866,562</u>	<u>820,287</u>	<u>46,275</u>
Finance department:				
Personal services	1,437,100	1,437,100	1,383,999	53,101
Operating expenditures	497,435	502,405	412,497	89,908
Capital outlay				
Total finance department	<u>1,934,535</u>	<u>1,939,505</u>	<u>1,796,496</u>	<u>143,009</u>
Administrative support:				
Personal services	346,900	346,900	333,071	13,829
Operating expenditures	65,062	66,283	62,229	4,054
Capital outlay				
Total administrative support	<u>411,962</u>	<u>413,183</u>	<u>395,300</u>	<u>17,883</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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$604,600	\$604,600	\$583,322	\$21,278
Operating expenditures	276,985	279,015	170,375	108,640
Capital outlay				
Total human resources department	<u>881,585</u>	<u>883,615</u>	<u>753,697</u>	<u>129,918</u>
Planning and development:				
Personal services	1,875,500	1,875,500	1,784,347	91,153
Operating expenditures	436,922	462,403	333,760	128,643
Capital outlay	8,000	8,000	7,574	426
Total planning and development	<u>2,320,422</u>	<u>2,345,903</u>	<u>2,125,681</u>	<u>220,222</u>
Economic development:				
Personal services	115,100	116,000	115,962	38
Operating expenditures	1,412,778	1,704,418	1,309,055	395,363
Capital outlay				
Total economic development	<u>1,527,878</u>	<u>1,820,418</u>	<u>1,425,017</u>	<u>395,401</u>
Miscellaneous:				
Operating expenditures	954,268	993,268	784,757	208,511
Total miscellaneous	<u>954,268</u>	<u>993,268</u>	<u>784,757</u>	<u>208,511</u>
Total general government	<u>11,789,312</u>	<u>12,244,974</u>	<u>10,942,922</u>	<u>1,302,052</u>
Police:				
Personal services	9,541,800	9,541,800	9,438,651	103,149
Operating expenditures	2,069,938	2,224,820	1,727,131	497,689
Capital outlay	405,500	405,500	348,729	56,771
Total police	<u>12,017,238</u>	<u>12,172,120</u>	<u>11,514,511</u>	<u>657,609</u>
Fire:				
Personal services	6,368,100	6,598,100	6,561,335	36,765
Operating expenditures	2,084,993	2,234,452	1,856,026	378,426
Capital outlay	787,500	557,500	117,892	439,608
Total fire	<u>9,240,593</u>	<u>9,390,052</u>	<u>8,535,253</u>	<u>854,799</u>
Public works:				
Engineering department:				
Personal services	1,898,200	1,898,200	1,856,692	41,508
Operating expenditures	452,032	457,682	373,649	84,033
Capital outlay	21,600	21,600	10,090	11,510
Total engineering department	<u>2,371,832</u>	<u>2,377,482</u>	<u>2,240,431</u>	<u>137,051</u>
Street lighting:				
Operating expenditures	561,000	561,000	475,083	85,917
Total street lighting	<u>561,000</u>	<u>561,000</u>	<u>475,083</u>	<u>85,917</u>
Total public works	<u>2,932,832</u>	<u>2,938,482</u>	<u>2,715,514</u>	<u>222,968</u>
Transfers to other funds	13,530,000	14,169,968	8,733,378	5,436,590
Total charges to appropriations	<u>49,509,975</u>	<u>50,915,596</u>	<u>42,441,578</u>	<u>8,474,018</u>
Fund balance, December 31	<u>\$22,101,479</u>	<u>\$24,008,858</u>	<u>\$32,835,764</u>	<u>\$8,826,906</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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$464,935	\$464,935	\$464,935	
Resources (inflows)				
Licenses and permits	10,000	13,000	15,143	\$2,143
Intergovernmental revenue	2,567,000	2,517,000	2,531,757	14,757
Refunds and reimbursements	230,000	180,000	268,584	88,584
Miscellaneous	25,000	23,000	13,911	(9,089)
Sale of city assets			12,565	12,565
Transfer from the general fund	2,240,000	2,482,710	2,220,000	(262,710)
Amounts available for appropriation	5,536,935	5,680,645	5,526,895	(153,750)
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	3,547,400	3,637,400	3,544,609	92,791
Operating expenditures	1,558,540	1,659,996	1,423,994	236,002
Capital outlay	289,890	289,890	280,213	9,677
Total charges to appropriations	5,395,830	5,587,286	5,248,816	338,470
Fund balance, December 31	\$141,105	\$93,359	\$278,079	\$184,720

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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$169,806	\$169,806	\$169,806	
Resources (inflows)				
Intergovernmental revenue	20,000	25,000	30,059	\$5,059
Charges for services	3,422,000	3,512,000	3,415,212	(96,788)
Refunds and reimbursements	141,000	117,000	86,079	(30,921)
Miscellaneous	33,000	9,000	22,960	13,960
Sale of city assets			17,265	17,265
Transfer from the general fund	5,350,000	5,534,860	5,048,300	(486,560)
Amounts available for appropriation	9,135,806	9,367,666	8,789,681	(577,985)
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	5,149,600	5,244,600	5,011,153	233,447
Operating expenditures	3,881,361	3,970,073	3,577,093	392,980
Capital outlay	104,800	91,858	73,602	18,256
Total charges to appropriations	9,135,761	9,306,531	8,661,848	644,683
Fund balance, December 31	\$45	\$61,135	\$127,833	\$66,698

See accompanying notes to the required supplementary information.

38 CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$106,515	\$106,515	\$106,515	
Resources (inflows)				
Charges for services	1,915,000	2,442,000	2,437,131	(\$4,869)
Refunds and reimbursements	5,000	1,000	1,429	429
Miscellaneous	225,000	288,000	295,099	7,099
Transfer from the general fund	520,000	520,000		(520,000)
Amounts available for appropriation	<u>2,771,515</u>	<u>3,357,515</u>	<u>2,840,174</u>	<u>(517,341)</u>
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	596,900	636,900	608,176	28,724
Operating expenditures	<u>2,158,687</u>	<u>2,210,597</u>	<u>2,108,609</u>	<u>101,988</u>
Total charges to appropriations	<u>2,755,587</u>	<u>2,847,497</u>	<u>2,716,785</u>	<u>130,712</u>
Fund balance, December 31	<u>\$15,928</u>	<u>\$510,018</u>	<u>\$123,389</u>	<u>(\$386,629)</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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,272,722	\$1,272,722	\$1,272,722	
Resources (inflows)				
Intergovernmental revenue	1,129,319	1,129,319	653,990	(\$475,329)
Investment earnings			1,654	1,654
Refunds and reimbursements	137,500	137,500	93,119	(44,381)
Miscellaneous	39,750	39,980	29,775	(10,205)
Sale of city assets	50,000	50,000	34,087	(15,913)
Amounts available for appropriation	<u>2,629,291</u>	<u>2,629,521</u>	<u>2,085,347</u>	<u>(544,174)</u>
Charges to appropriations (outflows)				
General government	772,074	782,305	367,494	414,811
Capital improvements	499,143	494,143	457,748	36,395
Total charges to appropriations	<u>1,271,217</u>	<u>1,276,448</u>	<u>825,242</u>	<u>451,206</u>
Fund balance, December 31	<u>\$1,358,074</u>	<u>\$1,353,073</u>	<u>\$1,260,105</u>	<u>(\$92,968)</u>

See accompanying notes to the required supplementary information.

40 CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - EMERGENCY MEDICAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$2,839,856	\$2,839,856	\$2,839,856	
Resources (inflows)				
Charges for services	1,200,000	1,220,000	1,465,254	\$245,254
Investment earnings	50,000	50,000	177,721	127,721
Amounts available for appropriation	4,089,856	4,109,856	4,482,831	372,975
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	120,686	120,686	93,112	27,574
Capital outlay	1,192,299	1,192,299	175,295	1,017,004
Total fire	1,312,985	1,312,985	268,407	1,044,578
Capital Improvements				
Total charges to appropriations	1,312,985	1,312,985	268,407	1,044,578
Fund balance, December 31	\$2,776,871	\$2,796,871	\$4,214,424	\$1,417,553

See accompanying notes to the required supplementary information.