CITY OF KETTERING, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2014

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

CITY OF KETTERING

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

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 Position	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
Statement of Net Position - Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Statement of Fiduciary Net Position - Fiduciary Funds	19
Statement of Changes in Fiduciary Net Position - 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 Statement of Net Position	51
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	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, 2014

TABLE OF CONTENTS - CONTINUED

	Schedule	Page
STATISTICAL SECTION		
Net Position by Category Last Ten Years	1	58
Changes in Net Position Last Ten Years	2	59
Fund Balances, Governmental Funds Last Ten Years	3	60
Changes in Fund Balances, Governmental Funds Last Ten 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 Ten 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

INTRODUCTORY SECTION

CITY OF KETTERING

CITY OF KETTERING

March 23, 2015

Honorable Mayor, Members of City Council
and Citizens of Kettering, Ohio:

The Comprehensive Annual Financial Report for the City of Kettering for the year ended December 31, 2014, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of the presentation including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

HISTORY AND BACKGROUND

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

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

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

ECONOMIC CONDITION AND OUTLOOK

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

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

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

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

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

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

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

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

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

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

OTHER INFORMATION

Independent Audit. The basic financial statements of the City of Kettering were audited by Plattenburg & Associates, Inc. Certified Public Accountants. See page 2 of the Financial Section of this report for their unmodified opinion.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kettering, Ohio for its comprehensive annual financial report for the fiscal year ended December 31, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City of Kettering has received a Certificate of Achievement for the last 32 consecutive years (fiscal years ended 1982-2013). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA. In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the fiscal year beginning January 1, 2014. In order to receive this award, the City must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

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

Respectfully submitted,

Mark Schwieterman
City Manager

Nancy H. Gregory, CPA
Director of Finance

CITY OF KETTERING, OHIO

CITY OFFICIALS

Donald E. Patterson, Mayor
Bruce E. Duke, Vice Mayor
Tony Klepacz
Bill Lautar
Amy Schrimpf
Rob Scott
Joseph D. Wanamaker

CITY MANAGER

Mark Schwieterman

INDEPENDENT AUDITORS

Plattenburg & Associates, Inc.
Certified Public Accountants

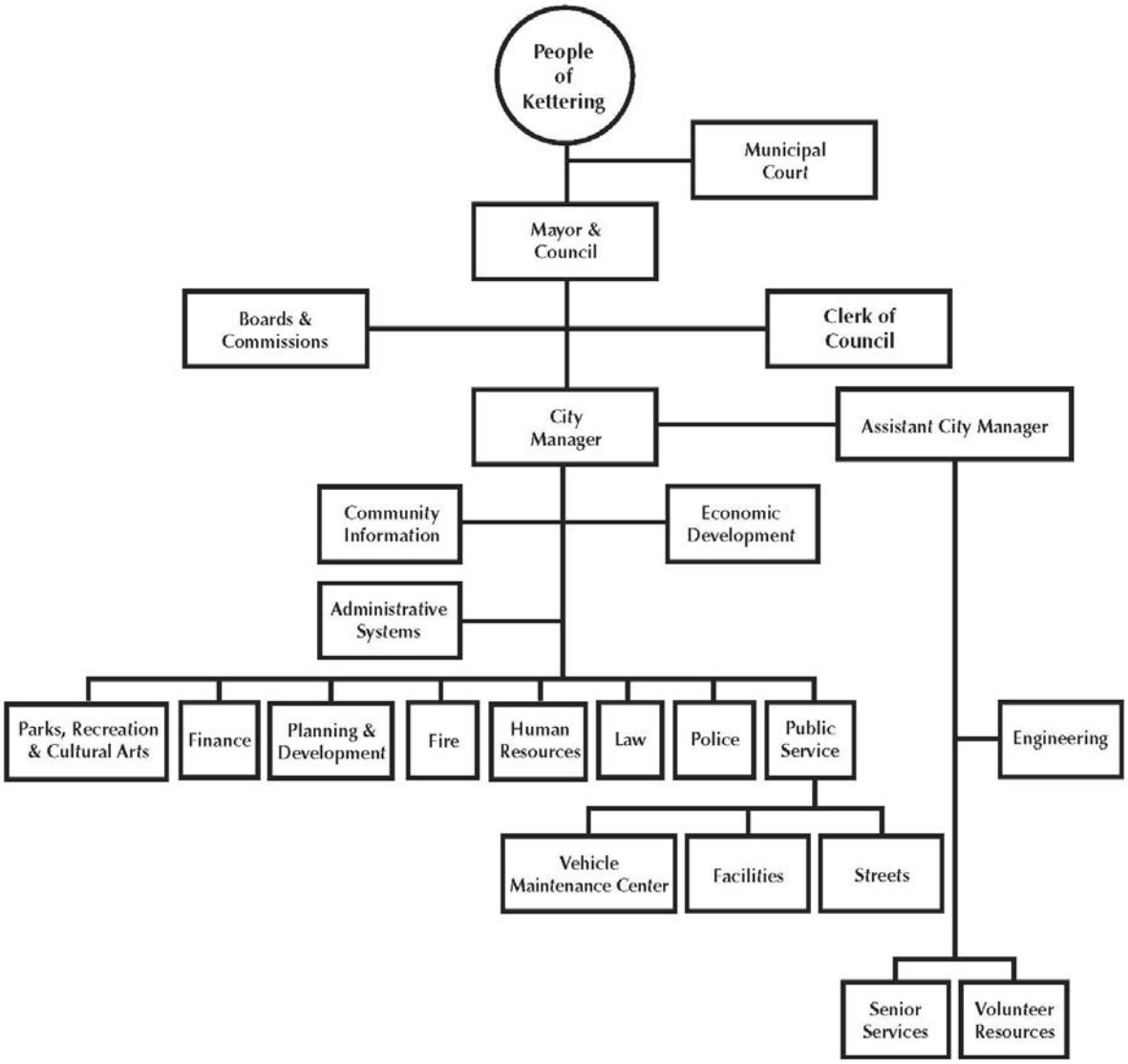
CITY OF KETTERING, OHIO

DEPARTMENT OF FINANCE

STAFF

Nancy H. Gregory, CPA	Finance Director
Scott J. Schwarberg, CPA	Assistant Finance Director
Kelly M. O'Connell, CPA	Budget Manager
Marcy K. Bare, CPA	Tax Manager
Estelle O. Gibson, CPA	Purchasing Manager
Joy J. Kuhn	Secretary
Martin J. Van Oss, CPA	Financial Analyst
Justin R. Wiedle, CPA	Financial Analyst
Rhonda L. South	Finance Technician II
Mary Anne Marshall	Finance Technician II
Sharin L. Day	Finance Technician II
Lynn A. Blumenschein	Finance Technician II
Kimberly M. Koogler	Finance Technician II
Rachel F. Dexter, CPA	Finance Technician II
Michelle A. Moraites	Finance Technician II
Julie M. Byerly	Finance Technician I
Joyce A. Foley	Finance Technician I
Melissa K. Schultz, CPA inactive	Finance Technician I
Kimberly L. Stevens, CPA	Finance Technician I - Part-Time
Candace M. Grooms	Finance Clerk - Part-Time
Victoria L. Adams	Finance Clerk - Part-Time

City of Kettering
2014 Organizational Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kettering
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

CITY OF KETTERING

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

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

Plattenburg & Associates, Inc.

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

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, 2014.

FINANCIAL HIGHLIGHTS

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

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

- Proprietary funds — The City uses internal service funds (a component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities. An example of an internal service fund would be the City's Administrative Operations Fund, which accounts for activities of the Vehicle Maintenance Center, the Print Shop, and others. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

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

THE CITY AS A WHOLE

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

Explanations for the larger fluctuations between years are as follows:

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

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

NET POSITION

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

CHANGES IN NET POSITION

	2014	2013
Revenues		
Program revenues:		
Charges for services	$11,524,734	$11,102,659
Operating grants and contributions	1,434,454	1,790,624
Capital grants and contributions	2,995,300	5,271,888
General revenues:		
Income taxes	42,905,808	39,240,269
Property taxes	7,649,073	8,044,281
Other taxes	4,782,894	47,022,663
Investment earnings	563,252	305,672
Other general revenue	2,139,791	2,074,040
Total revenues	73,995,306	114,852,096
Program expenses		
General government	15,387,775	14,294,069
Police	15,015,613	14,806,948
Fire	11,574,483	11,303,884
Public works	14,548,773	13,726,430
Leisure services	15,285,794	14,949,267
Interest on long-term debt	526,129	547,172
Total expenses	72,338,567	69,627,770
Increase (decrease) in net position	1,656,739	45,224,326
Net position beginning	252,755,268	207,530,942
Net position ending	$254,412,007	$252,755,268

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

GOVERNMENTAL ACTIVITIES

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Police	$15,015,613	$14,806,948	$14,957,063	$14,768,131
Fire	11,574,483	11,303,884	10,060,676	9,858,972
Public works	14,548,773	13,726,430	11,616,128	8,703,648
Leisure services	15,285,794	14,949,267	6,893,407	6,854,050
All others	15,387,775	14,294,069	12,330,676	10,730,626
	$71,812,438	$69,080,598	$55,857,950	$50,915,427

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

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

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

For more detail on capital asset and long-term debt activity, refer to note 7 and note 12 respectively in the Notes to the Basic Financial Statements.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheets on pages 12 and 13) reported a combined fund balance of $103.6 million, which is 3.2% lower than last year's total of $107.05 million.

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

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

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

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

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

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

STATEMENT OF NET POSITION
DECEMBER 31, 2014

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

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Total Net (Expense) Revenue and Changes in Net Position
General government	$15,387,775	$2,321,931	$662,233	$72,935	($12,330,676)
Police	15,015,613	37,262	21,288		(14,957,063)
Fire	11,574,483	1,511,654	2,153		(10,060,676)
Public works	14,548,773	10,280		2,922,365	(11,616,128)
Leisure services	15,285,794	7,643,607	748,780		(6,893,407)
Interest on long-term debt	526,129				(526,129)
Total	$72,338,567	$11,524,734	$1,434,454	$2,995,300	(56,384,079)

General revenues:	
Taxes:	
Income taxes	42,905,808
Property taxes, levied for general purposes	6,763,220
Property taxes, levied for debt service	885,853
Estate taxes	947,540
Sales taxes	756,552
Gasoline taxes	1,919,957
Vehicle license taxes	766,476
Cell phone taxes	128,871
Miscellaneous other taxes	263,498
Investment earnings	563,252
Refunds and reimbursements	1,936,888
Miscellaneous	202,903
Total general revenues	58,040,818
Change in net position	1,656,739
Net position--beginning	252,755,268
Net position--ending	$254,412,007

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2014

		Major Special		
	General Fund	Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
ASSETS				
Pooled cash and investments	$46,075,539	$682,005	$418,148	$2,438,723
Receivables:				
Income taxes (net of allowance for $1,033,123)	8,916,700			
Property taxes	6,436,368			
Interest	759,246			
Accounts	22,313	3,060	51,758	376
Special assessments	400,000			
Loans (net of allowance for $28,716)	252,305			
Due from other governments	550,960	1,212,000	482	
Prepaid expenditures	3,761	429	967	49,556
Inventory		442,518		
Total assets	$63,417,192	$2,340,012	$471,355	$2,488,655
LIABILITIES				
Accounts payable	$802,118	$208,145	$177,398	$20,770
Accrued payroll	1,247,883	128,242	185,253	14,828
Unearned revenue	1,759,930		64,527	276,472
Total liabilities	3,809,931	336,387	427,178	312,070
DEFERRED INFLOWS OF RESOURCES				
Income taxes	5,200,915			
Property taxes	6,836,368			
Grants and other taxes	348,215	877,700		
Total deferred inflows of resources	12,385,498	877,700		
FUND BALANCES				
Nonspendable: Inventory, prepaids and loans	256,066	442,947	967	49,556
Restricted for:				
Debt service				
Social services				
Public safety				
Road construction / Public works				
Leisure services				
Municipal court activities				
Committed to:				
Social services	59,104			
Public safety	368,497			
Road construction / Public works	51,620	682,978		
Leisure services			43,210	2,127,029
Economic development	1,392,707			
Other purposes	698,667			
Unassigned:	44,395,102			
Total fund balances	47,221,763	1,125,925	44,177	2,176,585
Total liabilities, deferred inflows & fund balances	$63,417,192	$2,340,012	$471,355	$2,488,655

See accompanying notes to the basic financial statements.

Revenue Funds					
Community Development	Emergency Medical	Debt Service	Capital Projects	Other Special Revenue Governmental Funds	Total Governmental Funds
$417,930	$451,336	$808,237	$48,116,110	$3,967,926	$103,375,954
					8,916,700
		883,000	380,000	320,000	8,019,368
					759,246
	85,667	257,002		821	420,997
			390,000		790,000
826,731					1,079,036
124,362			31,185	144,432	2,063,421
					54,713
					442,518
$1,369,023	$537,003	$1,948,239	$48,917,295	$4,433,179	$125,921,953
$116,119	$14,145	$452	$1,291,858	$88,447	$2,719,452
				257,793	1,833,999
					2,100,929
116,119	14,145	452	1,291,858	346,240	6,654,380
					5,200,915
		883,000	770,000	320,000	8,809,368
124,362	54,316	162,947	7,291	87,611	1,662,442
124,362	54,316	1,045,947	777,291	407,611	15,672,725
					749,536
		901,840			901,840
1,239,726					1,239,726
				716,246	716,246
				81,278	81,278
				18,142	18,142
				1,638,022	1,638,022
				5,114	64,218
	468,542		20,660,015	12,480	21,509,534
			436,552		1,171,150
			1,417,851	1,134,374	4,722,464
					1,392,707
			24,333,728	73,672	25,106,067
(111,184)					44,283,918
1,128,542	468,542	901,840	46,848,146	3,679,328	103,594,848
$1,369,023	$537,003	$1,948,239	$48,917,295	$4,433,179	

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

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

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

		Major	Special
	General Fund	Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
REVENUES				
Income taxes	$41,624,574			
Property taxes	6,383,176			
Licenses and permits	514,255	$10,280		
Intergovernmental revenue	1,003,956	2,507,547	$19,914	
Charges for services	181,506		3,280,940	$4,362,667
Fines and forfeits	1,137,979			
Investment earnings	770,437			
Special assessments	407,844			
Refunds and reimbursements	1,900,495	576,357	100,846	8,062
Miscellaneous	24,088	13,859	35,231	574,444
Total revenues	53,948,310	3,108,043	3,436,931	4,945,173
EXPENDITURES				
Current:				
General government	12,430,770			
Police	13,434,912			
Fire	11,070,796			
Public works	2,601,098	6,324,579		
Leisure services			9,231,566	4,448,044
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	39,537,576	6,324,579	9,231,566	4,448,044
Excess (deficiency) of revenues over expenditures	14,410,734	(3,216,536)	(5,794,635)	497,129
OTHER FINANCING SOURCES (USES)				
Transfers in		3,828,500	5,777,000	
Transfers out	(14,354,474)			
Sale of city assets	90,765	42,942	29,057	
Net change in fund balance	147,025	654,906	11,422	497,129
Fund balances--beginning	47,074,738	471,019	32,755	1,679,456
Fund balances--ending	$47,221,763	$1,125,925	$44,177	$2,176,585

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
					$41,624,574
		$885,853	$36,977	$343,067	7,649,073
					524,535
$775,521			3,021,484	453,185	7,781,607
	$1,353,270	94,055		76,564	9,349,002
				448,889	1,586,868
2,424	101,990	15,709	(348,612)	21,304	563,252
			526,619		934,463
20		46,344	28,341	14,176	2,674,641
10,392				154,409	812,423
788,357	1,455,260	1,041,961	3,264,809	1,511,594	73,500,438
699,718		452		732,351	13,863,291
				1,683,013	15,117,925
	1,576,264			1,800	12,648,860
				146,400	9,072,077
				47,607	13,727,217
135,155			10,491,326	716,063	11,342,544
		869,735			869,735
		539,555			539,555
834,873	1,576,264	1,409,742	10,491,326	3,327,234	77,181,204
(46,516)	(121,004)	(367,781)	(7,226,517)	(1,815,640)	(3,680,766)
32,583		435,000	12,831,561	1,285,142	24,189,786
	(9,835,312)				(24,189,786)
7,239				54,535	224,538
(6,694)	(9,956,316)	67,219	5,605,044	(475,963)	(3,456,228)
1,135,236	10,424,858	834,621	41,243,102	4,155,291	107,051,076
$1,128,542	$468,542	$901,840	$46,848,146	$3,679,328	$103,594,848

Net change in Fund Balance - Governmental Funds		($3,456,228)
Amounts reported for governmental activities in the Statement of Activities (page 11) are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	Capital outlays	12,496,167
	Depreciation expense	(8,986,898)
In the Statement of Activities, only the gain on the sale of city assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differ from the change in fund balance by the book value of the asset sold.		(559,567)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
	Income taxes receivable	1,281,234
	Grants receivable	(169,322)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Position.		869,735
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	Vacation and sick leave benefits	160,341
	Interest payable	13,426
Internal service funds are used by management to charge the costs of certain activities, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (See page 17.)		7,851
Change in Net Position on the Statement of Activities		$1,656,739

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

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

See accompanying notes to the basic financial statements.

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

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

See accompanying notes to the basic financial statements.

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

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

See accompanying notes to the basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2014

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

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

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

See accompanying notes to the basic financial statements.

CITY OF KETTERING

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

C. Basis of Accounting

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

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

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

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

D. Pooled Cash and Investments and Investment with Fiscal Agent

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

E. Inventory

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

F. Capital Assets

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

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

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

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

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

G. Interfund Transactions and Transfers

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

H. Fund Balance Classifications

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

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

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

I. Grants and Other Intergovernmental Revenues

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

J. Use of Estimates

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

2. POOLED CASH AND INVESTMENTS

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

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

Deposits: At year-end, the City's bank balance was $7,953,681. Of this amount, $2,239,005 was insured; the remaining $5,714,676 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name per Ohio Revised Code Section 135.181. This statute requires all financial institutions acting as public depositories to pledge a pool of collateral with a market value of at least 105% of the total amount of public deposits secured. The City has no deposit policy for custodial credit risk.

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

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

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

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

3. INCOME TAXES

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

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

4. PROPERTY TAXES

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

The property tax calendar is as folows:

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

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

	Assessed Value Category
Real Estate	$1,039,317,400
Public Utility Real Property	17,220
Public Utility Personal Property	22,006,090
Total	$1,061,340,710

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

5. LOANS RECEIVABLE AND NOTES RECEIVABLE

The City used a portion of the Federal Community Development Block Grant (CDBG) to provide low interest loans for housing rehabilitation, as well as for economic and job development. The loans are payable in installments to 2039. Fund balance has been classified as restricted for the loans receivable at December 31, 2014. CDBG regulations require the City to reinvest loan repayments in permissible CDBG loans or expenditures. The City made several loans from the General Fund for economic development purposes. Fund balance has been classified as nonspendable for the loans receivable at December 31, 2014.

6. INTERFUND TRANSFERS

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

7. CAPITAL ASSETS

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

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

*Depreciation expense was charged to governmental functions as follows:

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

8. RISK MANAGEMENT

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

Insurance coverage is as follows:

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

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

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

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

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

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

9. PENSION PLAN OBLIGATIONS

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

OHIO POLICE AND FIRE PENSION FUND (OP&F)

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. During 2014 from Jan. 1 thru July 1, and from July 2 thru Dec. 31 plan members were required to contribute 10.75% and 11.5% of their annual covered salary respectively. Throughout all of 2014 the City was required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to the plan for the years ending December 31, 2012, 2013 and 2014, were $2,658,962, $2,723,226 and $2,728,747 respectively, equal to the required contributions for the year.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

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

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

VOLUNTEER FIREFIGHTERS PENSION

Principal Life Insurance Company administers a single-employer, defined benefit pension plan for the Volunteer Firefighters. At January 1, 2014, the plan's membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	79
Terminated employees entitled to benefits but not yet receiving them	26
Active members	32
Total	137

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

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

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

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

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

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

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

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

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

OHIO POLICE AND FIRE PENSION FUND OPEB

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

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

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

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB

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

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

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

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

11. LEASES AND CONSTRUCTION COMMITMENTS

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

Significant commitments and encumbrances at December 31, 2014 included:
Capital Projects Fund $12,769,000

12. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation bonds:					
Court Facility, 3.0%-4.5%	$2,560,000		$190,000	$2,370,000	$195,000
Court Facility discount	(15,240)		1,355	(13,885)	
Recreation & Parks Improvements 3.0%-5.0%	10,190,000		505,000	9,685,000	525,000
Recreation & Parks premium	184,107		11,987	172,120	
Total general obligation bonds	12,918,867		708,342	12,213,235	720,000
Other:					
Accrued vacation and sick leave benefits	4,599,378	$2,795,420	2,926,646	4,468,152	2,725,573
Ohio Public Works Commission Long-Term Promissory Notes, 0-3%	1,582,228		174,735	1,407,493	170,945
Total other	6,181,606	2,795,420	3,101,381	5,875,645	2,896,518
Total noncurrent liabilities	$19,100,473	$2,795,420	$3,809,723	$18,088,880	$3,616,518

The accrued vacation and sick leave benefits liability will be liquidated by several of the City's governmental and internal service funds. In the past, approximately 77% has been paid by the General Fund, 9% by the Street Maintenance Fund and the remainder by the other governmental and internal service funds. The City uses the "vesting method" to determine the appropriate liability.

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

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

	General Obligation Bonds		Promissory Notes	
	Principal	Interest	Principal	Interest
2015	$720,000	$500,823	$170,944	$9,973
2016	750,000	471,048	162,660	8,988
2017	785,000	440,198	157,542	7,977
2018	815,000	403,098	158,580	6,939
2019	855,000	367,773	159,645	5,874
2020-2024	4,795,000	1,304,651	577,267	12,629
2025-2028	3,335,000	364,091	20,855	157
	$12,055,000	$3,851,682	$1,407,493	$52,537

The Ohio Revised Code (ORC) provides that the total net debt (as defined in the ORC) of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. At December 31, 2014 the City had a legal debt margin for total debt of $105,713,067 and a legal debt margin for unvoted debt of $59,747,483.

13. CONTINGENT LIABILITIES

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

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

14. SUBSEQUENT EVENTS

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

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

CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

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

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

See accompanying notes to the required supplementary information.

CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

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

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

See accompanying notes to the required supplementary information.

CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - STREET MAINTENANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

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

See accompanying notes to the required supplementary information.

CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -
PARKS, RECREATION AND CULTURAL ARTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

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

See accompanying notes to the required supplementary information.

CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

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

See accompanying notes to the required supplementary information.

CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

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

See accompanying notes to the required supplementary information.

CITY OF KETTERING, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - EMERGENCY MEDICAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

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

See accompanying notes to the required supplementary information.

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

1. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

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

CITY OF KETTERING

FINANCIAL STATEMENTS

OF

INDIVIDUAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET DECEMBER 31, 2014

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

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BUDGET)
FOR THE YEAR ENDED DECEMBER 31, 2014

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

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BUDGET) - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

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

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BUDGET) - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DEBT SCHEDULE
DECEMBER 31, 2014

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

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.

Category	Schedule #s
Financial Trends	**1, 2, 3 & 4**
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	**5 & 6**
These schedules contain information to help the reader assess the City's most significant local revenue source, the income tax.	
Debt Capacity	**7 & 8**
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.	
Economic and Demographic Information	**9 & 10**
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	**11, 12 & 13**
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.	

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

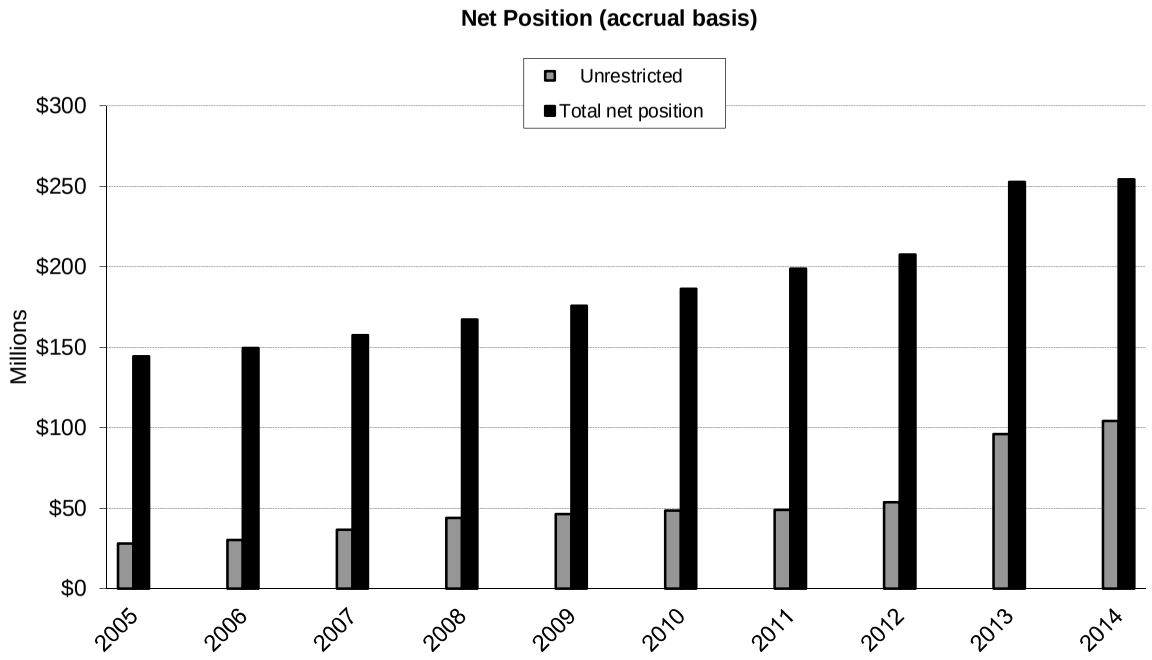
CITY OF KETTERING, OHIO

SCHEDULE 1

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

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

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



CITY OF KETTERING, OHIO

SCHEDULE 2

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

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

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

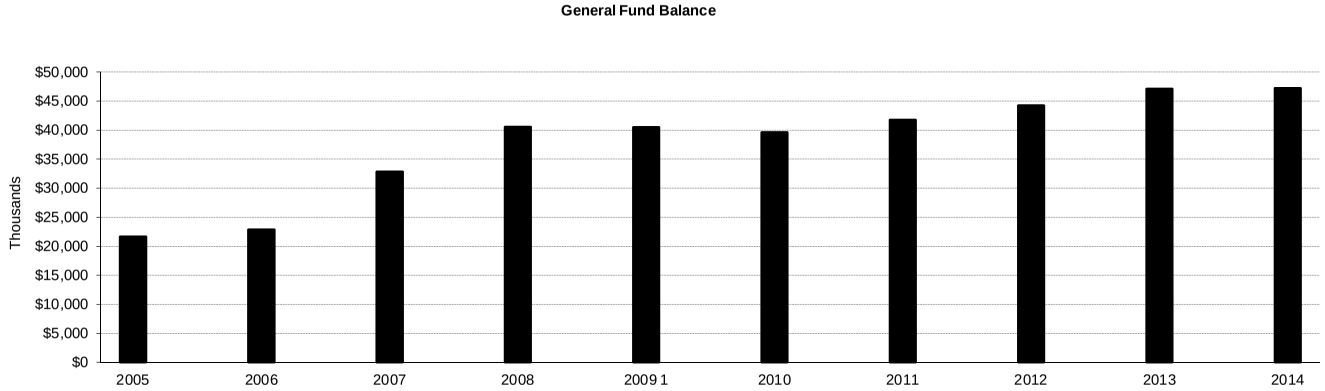
CITY OF KETTERING, OHIO

SCHEDULE 3

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

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

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

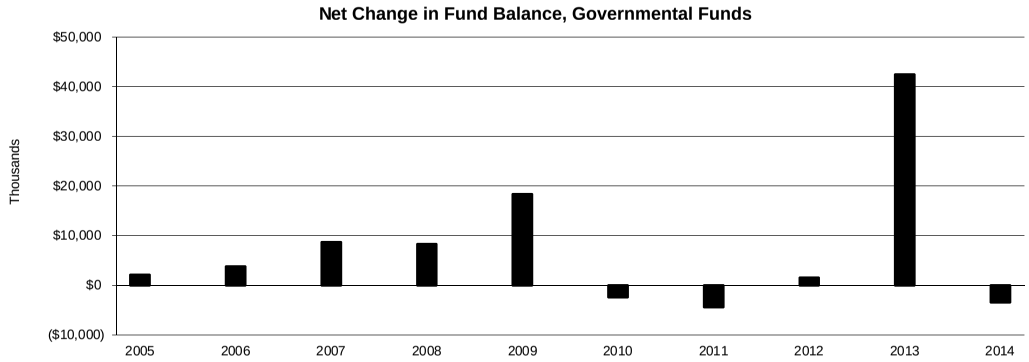


CITY OF KETTERING, OHIO

SCHEDULE 4

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
REVENUES										
Income taxes	$27,221,521	$31,241,870	$37,128,614	$38,244,422	$35,321,466	$36,417,018	$37,392,845	$39,891,659	$39,386,072	$41,624,574
Property taxes	8,811,235	9,433,041	9,341,465	9,399,507	9,345,887	9,391,640	8,970,024	8,131,160	8,043,981	7,649,073
Licenses and permits	488,598	541,457	567,742	626,290	528,823	491,322	459,696	525,190	538,267	524,535
Intergovernmental revenue	9,156,001	11,159,023	11,238,227	10,158,897	11,890,457	14,648,675	20,011,549	11,090,451	50,075,115	7,781,607
Charges for services	6,925,229	6,909,899	7,517,918	8,152,788	7,663,257	7,730,157	8,352,103	8,794,951	8,937,684	9,349,002
Fines and forfeits	1,914,989	1,762,075	1,919,736	1,867,005	1,780,070	1,835,344	1,828,209	1,837,695	1,640,474	1,586,868
Investment earnings	983,308	1,717,776	2,094,842	1,954,417	2,963,721	1,173,151	629,984	791,959	305,673	563,252
Special assessments	1,402,805	902,767	978,014	1,024,719	1,006,879	1,019,237	924,751	965,122	961,250	934,463
Refunds and reimbursements	3,078,251	2,318,409	1,993,372	2,898,427	2,101,691	2,931,420	2,181,056	2,227,342	2,884,888	2,674,641
Miscellaneous	503,483	540,471	555,991	691,840	555,813	560,693	523,814	754,921	737,739	812,423
Total revenues	60,485,420	66,526,788	73,335,921	75,018,312	73,158,064	76,198,657	81,274,031	75,010,450	113,511,143	73,500,438
EXPENDITURES										
Current:										
General government	11,687,503	13,105,797	12,117,032	12,558,705	12,153,096	12,476,529	12,050,675	12,553,463	12,815,451	13,863,291
Police	11,308,886	12,901,716	12,828,081	13,576,481	13,641,191	13,976,571	14,398,245	14,822,534	14,957,275	15,117,925
Fire	8,328,226	8,152,880	8,807,160	9,553,065	9,564,579	11,028,998	10,357,123	10,794,655	10,935,461	12,648,860
Public works	7,674,931	7,528,693	8,117,038	10,145,609	8,514,496	8,391,628	8,631,543	8,395,339	8,314,119	9,072,077
Leisure services	10,602,498	10,725,786	11,387,262	12,487,222	12,084,992	12,173,718	12,450,737	12,551,728	13,361,686	13,727,217
Capital improvements	10,294,799	7,966,574	9,676,701	6,652,398	10,221,062	18,983,100	25,101,663	13,270,898	9,546,221	11,342,544
Debt service:										
Principal	1,387,380	1,313,385	667,018	642,739	775,290	1,021,134	1,062,000	1,092,888	848,799	869,735
Interest	1,153,773	1,178,485	1,144,194	1,140,310	463,231	672,521	637,150	599,394	559,885	539,555
Total expenditures	62,437,996	62,873,316	64,744,486	66,756,529	67,417,937	78,724,199	84,689,136	74,080,899	71,338,897	77,181,204
Excess (deficiency) of revenues over expenditures	(1,952,576)	3,653,472	8,591,435	8,261,783	5,740,127	(2,525,542)	(3,415,105)	929,551	42,172,246	(3,680,766)
OTHER FINANCING SOURCES (USES)										
Transfers in	8,980,139	10,657,427	8,733,378	9,835,396	15,445,122	15,221,132	10,508,166	11,903,130	10,434,938	24,189,786
Transfers out	(8,980,139)	(10,657,427)	(8,733,378)	(9,835,396)	(15,445,122)	(15,221,132)	(11,658,166)	(11,903,130)	(10,434,938)	(24,189,786)
General obligation debt issuance	3,987,766				12,539,751					
Sale of city assets	83,731	127,789	110,201	56,640	69,246	126,073	120,426	597,935	329,264	224,538
Net change in fund balance	$2,118,921	$3,781,261	$8,701,636	$8,318,423	$18,349,124	($2,399,469)	($4,444,679)	$1,527,486	$42,501,510	($3,456,228)
Debt service as a percentage of noncapital expenditures	4.97%	4.60%	3.29%	2.96%	2.16%	2.85%	2.79%	2.72%	2.25%	2.18%



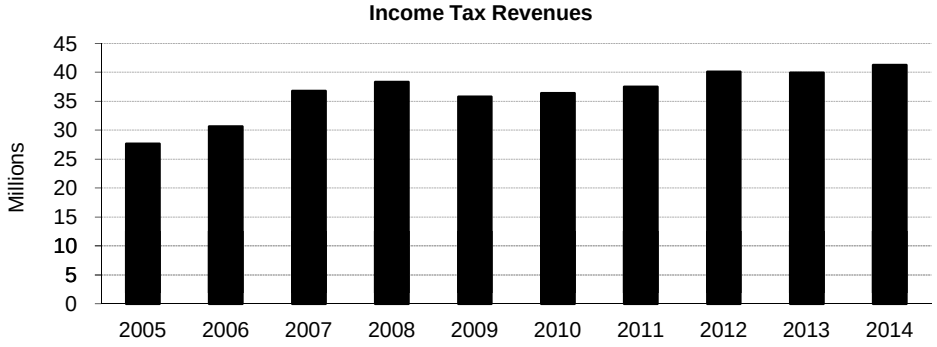
SCHEDULE 5

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

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

Source: City of Kettering, Ohio, Finance Department

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



SCHEDULE 6

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

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

Source: City of Kettering, Ohio, Finance Department

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

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

CITY OF KETTERING, OHIO

SCHEDULE 7

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

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

Source: City of Kettering, Ohio, Finance Department

SCHEDULE 8

DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2014

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

Source: Individual jurisdictions.

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

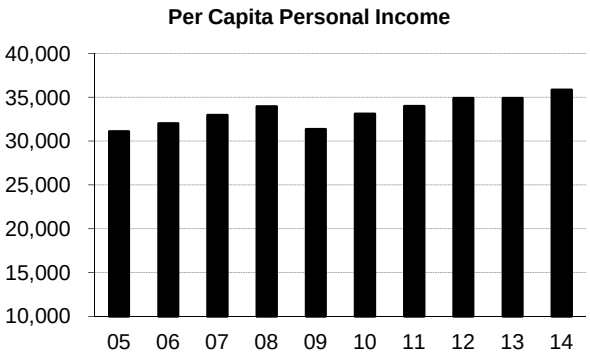
Individual jurisdictions with immaterial amounts of overlapping debt are excluded from this table.

SCHEDULE 9

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

Year	Population [1]	Personal Income [2]	Per capita Personal Income [1,2]	Unemployment Rate [3]	Avg Sale Price for a Single Family Home [4]	Total Assessed Property Value [5]	Estimated Actual Property Value [5]
2005	57,502	1,787,162,160	31,080	5.2%	141,345	1,167,896,415	3,423,470,549
2006	57,502	1,840,777,025	32,012	4.7%	137,664	1,279,568,048	3,789,173,634
2007	57,502	1,895,821,619	32,970	5.1%	136,445	1,266,343,094	3,826,742,530
2008	57,502	1,952,885,850	33,962	6.2%	124,105	1,251,001,727	3,906,048,887
2009	57,502	1,803,685,371	31,367	9.8%	121,340	1,235,714,050	3,567,340,682
2010	56,163	1,859,630,280	33,111	9.9%	125,734	1,250,119,480	3,583,279,738
2011	56,163	1,909,460,933	33,999	8.3%	108,793	1,223,587,240	3,490,854,036
2012	56,163	1,960,626,848	34,910	6.9%	110,466	1,117,608,970	3,187,939,565
2013	56,163	1,960,626,848	34,910	6.9%	114,781	1,118,117,290	3,189,050,388
2014	56,163	2,012,910,298	35,841	3.9%	116,414	1,113,011,690	3,173,886,488

(1) 2000 & 2010 United States Census Bureau.
(2) City of Kettering, Ohio, Finance Department.
(3) Ohio Bureau of Employment Services.
(4) Dayton Area Board of Realtors, Dayton, Ohio.
(5) Montgomery County, Ohio, Auditor's Office.



SCHEDULE 10

PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO

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

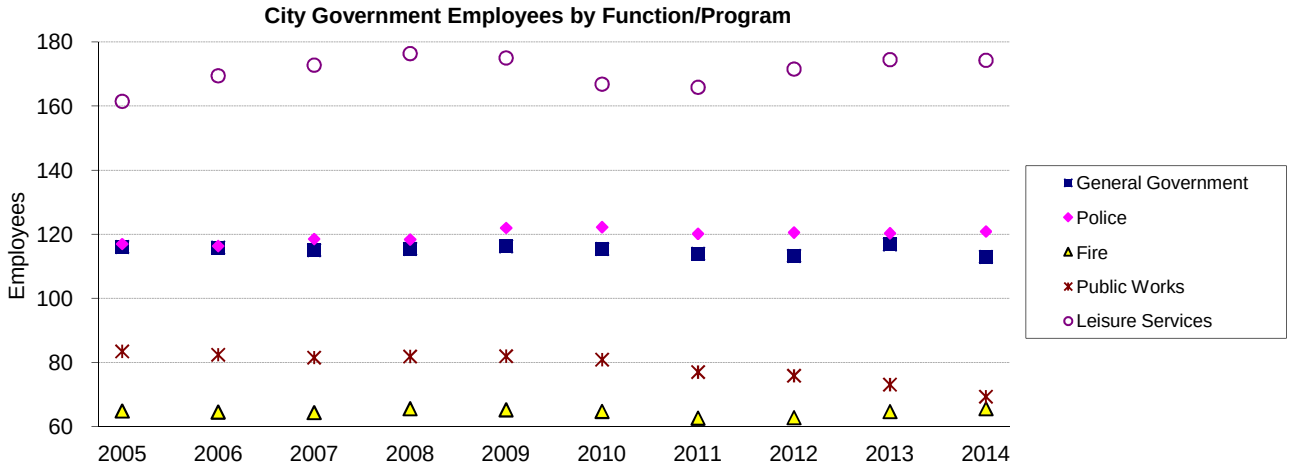
Source: City of Kettering, Ohio, Office of Economic Development
(1) Limited Brands Inc. owns Intimate Brands Inc
(2) Monogram Services Co. LLC is now Synchrony Financial

SCHEDULE 11

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

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

Source: City of Kettering, Ohio, Finance Department



SCHEDULE 12

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS

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

(1) City of Kettering, Human Resources Department
(2) City of Kettering, Planning and Development Dept. Permits and inspections performed include Building, Electrical, Plumbing & Heating.
(3) City of Kettering, Planning and Development Department. Community Development Block Grant (CDBG) loan applications processed include housing rehabilitation, purchase rehabilitation, and business loan applications.
(4) City of Kettering, Finance Department. Payroll checks include electronic funds transfers processed for payroll.
(5) City of Kettering, Finance Department.
(6) City of Kettering, Law Department
(7) City of Kettering, Municipal Court
(8) City of Kettering, Police Department. Criminal arrests include arrests by detective section and patrol.
(9) City of Kettering, Police Department.
(10) City of Kettering, Fire Department.
(11) City of Kettering, Public Service Department, Engineering Division
(12) City of Kettering, Public Service Department, Street Division
(13) City of Kettering, Parks, Recreation, and Cultural Arts Department

SCHEDULE 13

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM
LAST TEN YEARS

Function/program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Square footage occupied[1]	43,108	43,108	43,108	54,933	54,933	54,933	54,933	54,933	54,933	54,933
Police										
Stations[1]	1	1	1	1	1	1	1	1	1	1
Square footage of building[1]	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515
Fire										
Stations[1]	7	7	7	7	7	7	7	7	6	6
Public Works										
Miles of roads[2]	246	246	246	246	246	246	246	247	248	248
Miles of storm sewer/channel[2]	175	175	175	175	175	175	175	175	175	175
Leisure Services										
Number of parks[3]	21	21	21	21	21	21	21	21	21	21
Area of parks (acres)[3]	419	419	419	419	419	419	419	419	419	419
Recreation complexes square ft[1]	153,512	153,512	153,512	153,512	153,512	161,119	161,119	161,119	161,119	161,119

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