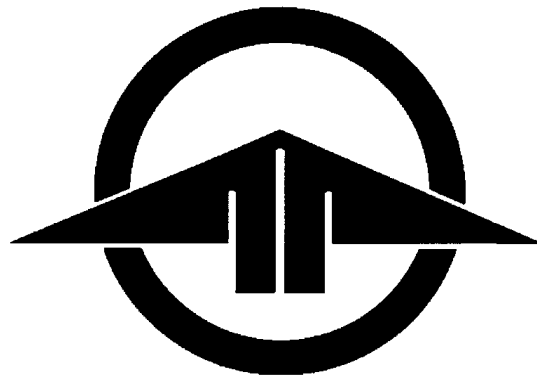


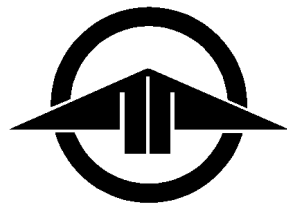
**CITY OF KETTERING, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2016**



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



CITY OF KETTERING

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FOR THE YEAR ENDED DECEMBER 31, 2016****TABLE OF CONTENTS**

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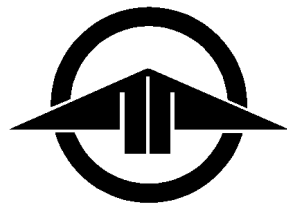
**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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## **INTRODUCTORY SECTION**



CITY OF KETTERING



March 15, 2017

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, 2016, 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 was hit hard by declining employment as a result of the recession, but this downward trend has reversed in the past few years. 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 put the City in a better position to weather the financial challenges of the uncertain economy. In addition, the City 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. This move has resulted in the establishment of a more accurate tax base allowing for more efficient follow up and improved delinquency collections.

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

Kettering's largest employers include Kettering Medical Center (KMC), Synchrony Financial, and Reynolds & Reynolds. KMC employs 3,570 and completed construction of a new \$49 million state of the art comprehensive cancer care center on vacant land across the street from the main campus. The new center includes a pedestrian walkway that spans Southern Boulevard connecting the cancer care center to the main hospital. After completion of \$1.5 million of improvements to their facility at the Kettering Business Park (KBP), Synchrony Financial increased employment from 1,450 to 2,000. Reynolds & Reynolds, a fortune 1000 company based in Dayton since 1866, increased employment from 1,150 to 1,350 at its Miami Valley Research Park campus. Other major employers in the city include Kettering City Schools, Limited Brands Inc., a catalogue order center for Victoria's Secret, and a number of engineering firms and computer hardware and software related businesses.

In the areas of new employment, expansion, and redevelopment, there is much to report. Town & Country Shopping Center completed a \$7 million revitalization that included a modern facade, improvements to parking and landscaping, and major building renovations. The center added a new primary anchor tenant TJ MAXX and junior anchors PetCo and Chick-fil-A. Alternate Solutions Health Network purchased a 200,000 sq ft building at KBP and announced a major expansion to bring more than 350 new jobs to Kettering. Xerion Advanced Battery Corporation had its grand opening in 2016 at the Miami Valley Research Park. The high-tech company moved their lab and employees from Illinois and is already planning for an expansion of space and jobs in Kettering to accommodate production. The Carlyle House Assisted Living Community completed expansion of their facility with a new, state of the art care wing specializing in advanced care for residents with memory impairment. NanoSpense, a design and manufacturing company dedicated to improving durability, reliability and functionality of composites using nanotechnology will double their facility size at the Kettering Business Park. Finally, Tenneco, a leading designer, manufacturer and distributor of clean air and ride performance automotive products, announced plans to significantly expand their Kettering plant and double their workforce bringing more than 400 new jobs to the facility.

The City continued implementing a significant capital investment in the construction of four new fire stations. This is part of a strategic planning process that began in 2006 to develop a comprehensive modernization strategy for all aspects of the Fire

Department. A key component of the strategy was addressing the physical facilities with an average age of 42 years. The existing stations were undersized for modern apparatus, void of mixed gender facilities for 24/7 operations, and did not meet ADA requirements. The first two new stations were completed and placed in full operation during 2016. The third station should be operational before the end of 2017. Construction will begin on the fourth and final station during 2017 with all stations fully functioning by 2018. As part of this significant project, the City issued General Obligation debt for \$15.5 million, about half the project cost. In conjunction with the issuance of debt, the City's bond rating was upgraded by Moody's Investors Service from Aa2 to Aa1. Moody's cited the City's strong financial management practices, healthy General Fund reserves and additional liquidity in the Capital Projects Fund, and moderate debt burden as the primary reasons for the upgrade.

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. 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 2017 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 55 of this report.

## **OTHER INFORMATION**

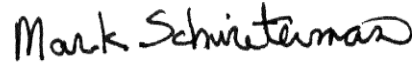
**Independent Audit.** The basic financial statements of the City of Kettering were audited by Plattenburg & Associates, Inc. Certified Public Accountants. See page 2 of the Financial Section of this report for their unmodified opinion.

**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, 2015. 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 34 consecutive years (fiscal years ended 1982-2015). 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, 2016. 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  
Rob Scott, Vice Mayor  
Bruce E. Duke  
Tony Klepacz  
Bill Lautar  
Amy Schrimpf  
Joseph D. Wanamaker

### CITY MANAGER

Mark Schwieterman

### INDEPENDENT AUDITORS

Plattenburg & Associates, Inc.  
Certified Public Accountants

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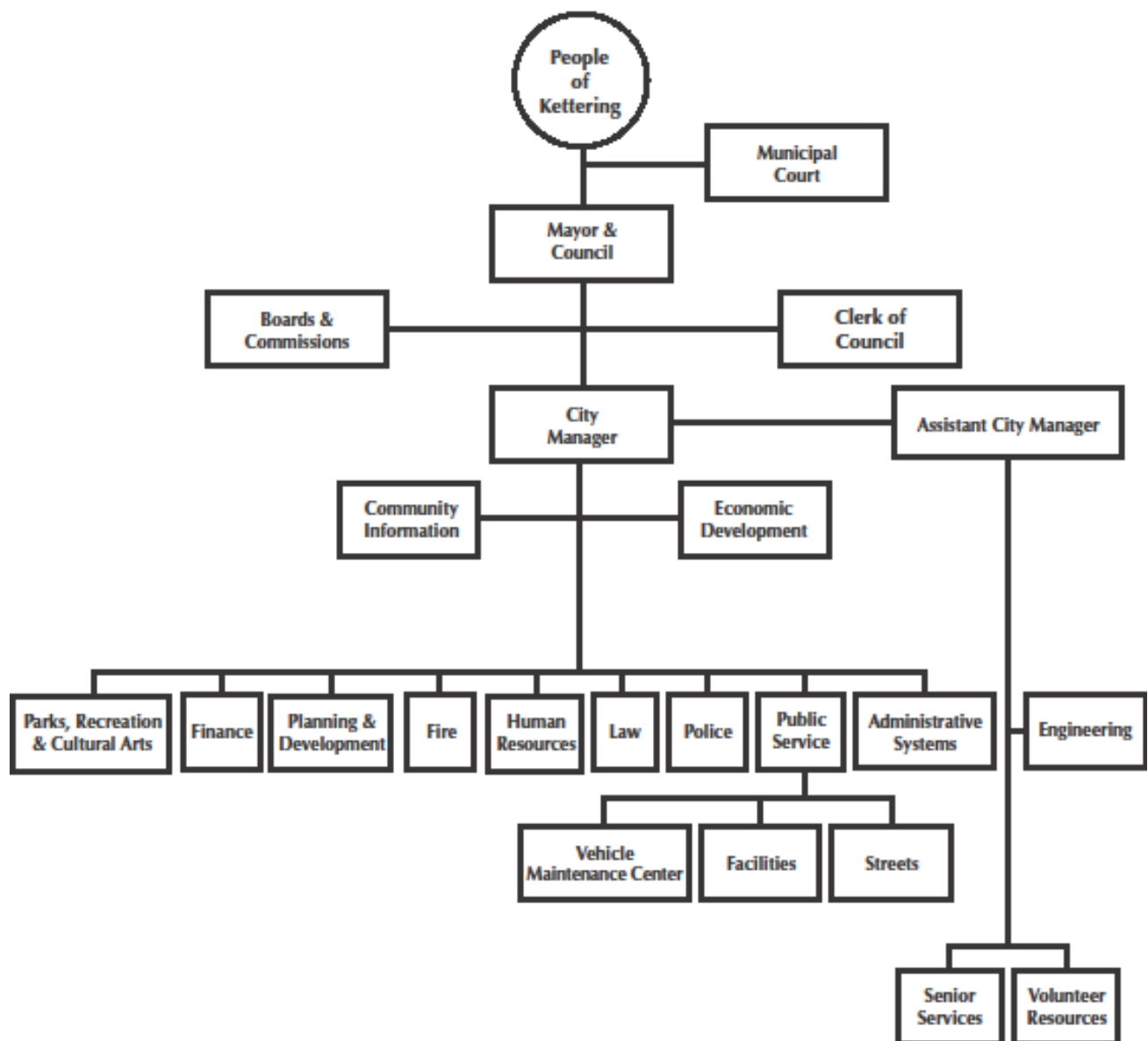
## CITY OF KETTERING, OHIO

### 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 - Part-Time
Kimberly M. Koogler	Finance Technician II
Rachel F. Dexter, CPA	Finance Technician II
Melissa K. Schultz, CPA	Finance Technician II
Jason T. Schell	Finance Technician II
Kimberly L. Stevens, CPA	Finance Technician I - Part-Time
Julie M. Byerly	Finance Technician I
Joyce A. Foley	Finance Technician I
Michelle R. Robinson	Finance Technician I
Victoria L. Adams	Finance Clerk - Part-Time

## City of Kettering 2016 Organizational Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

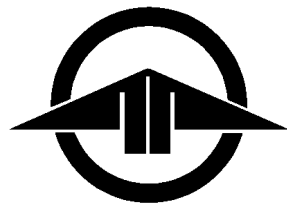
**City of Kettering  
Ohio**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**



Executive Director/CEO



CITY OF KETTERING

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S 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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of pension liabilities, pension contributions, changes in pension liability and related ratios, employer contributions, and investment returns 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.

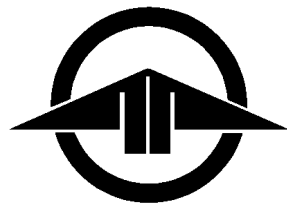
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2017, 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 15, 2017



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, 2016.

**FINANCIAL HIGHLIGHTS**

1. Net position decreased \$175,600 or .1% while unrestricted net position decreased \$5,024,800 or 8.6%.
2. Total revenues increased 8.4% while total expenses increased 7.9%.
3. Operating grants and contributions decreased 21.7% and capital grants and contributions increased 201.6%.
4. Income taxes increased \$3,186,300 or 7.1%.
5. Investment earnings increased \$387,100 or 59.4%.
6. Total costs of services increased by 8.1%, while net costs of services increased by 5.5%.
7. The General Fund reported an increase in fund balance of \$2,020,500.

**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 12 and 13) 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 14. 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 9. The fund financial statements begin on page 14 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 21. 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

The largest impact on the City's financial statement in 2016 had absolutely no impact on the City's financial condition; GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27". GASB 68 required the City to recognize a pension liability of over \$68 million. For reasons discussed below, this liability serves only to distort the true financial position of the City. Users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension. The resulting net position would be \$256,244,518, which is \$47 million more than the net position reported.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings

approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

For 2016 the City produced a .1% decrease in total net position. Revenues generated were \$80.4 million and expenses from all programs were \$80.6 million resulting in a deficit for the year of \$175,600. 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 — decreased \$5,024,800.

Explanations for the larger fluctuations between years are as follows:

- Operating grants and contributions were lower because of decreased Community Development activities.
- Capital grants and contributions were much higher last year because grant funded roadway projects.
- Income taxes were higher due to an improved economy.
- Investment earnings increased due to higher interest rates and the effects of portfolio fair market value changes.

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

### NET POSITION

	2016	2015
Current and other assets	\$129,337,358	\$136,305,207
Capital assets	177,330,595	168,256,227
Total assets	306,667,953	304,561,434
Deferred outflows of resources	22,440,574	8,423,123
Long-term debt outstanding	(31,231,773)	(32,511,505)
Net pension liability	(68,767,095)	(52,082,204)
Other liabilities	(8,346,452)	(7,964,501)
Total liabilities	(108,345,320)	(92,558,210)
Deferred inflows of resources	(11,619,611)	(11,107,157)
Net position:		
Net investment in capital assets	150,978,928	145,786,739
Restricted	4,629,490	4,972,499
Unrestricted	53,535,178	58,559,952
Total net position	\$209,143,596	\$209,319,190

### CHANGES IN NET POSITION

	2016	2015
Revenues		
Program revenues:		
Charges for services	\$12,444,497	\$11,843,992
Operating grants and contributions	1,712,929	2,188,592
Capital grants and contributions	3,971,051	1,316,827
General revenues:		
Income taxes	47,782,561	44,596,261
Property taxes	6,419,915	6,321,159
Other taxes	3,771,345	3,897,584
Investment earnings	1,038,317	651,249
Other general revenue	3,251,941	3,374,367
Total revenues	80,392,556	74,190,031
Program expenses		
General government	15,634,860	15,594,623
Police	17,158,438	15,855,597
Fire	14,562,573	12,238,987
Public works	14,974,876	14,824,412
Leisure services	17,396,893	15,228,586
Interest on long-term debt	840,510	928,772
Total expenses	80,568,150	74,670,977
Increase (decrease) in net position	(175,594)	(480,946)
Net position beginning	209,319,190	209,800,136
Net position ending	\$209,143,596	\$209,319,190

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	
	2016	2015	2016	2015
Police	\$17,158,438	\$15,855,597	\$17,124,082	\$15,802,411
Fire	14,562,573	12,238,987	12,941,202	10,600,358
Public works	14,974,876	14,824,412	11,009,852	13,511,013
Leisure services	17,396,893	15,228,586	8,565,964	6,958,597
All others	15,634,860	15,594,623	11,958,063	11,520,415
	<u>\$79,727,640</u>	<u>\$73,742,205</u>	<u>\$61,599,163</u>	<u>\$58,392,794</u>

Total costs of services for 2016 increased by \$5,985,400 while net costs of services increased by \$3,206,400. Total costs increased due to fire department overtime, 6 new firefighter positions added during the year and increased performance costs at the Frazee Pavilion. Net costs of services increased by a lesser amount because of increased grant revenue for roadway projects.

The capital asset activity for the year continued at a higher than normal rate. Capital asset additions totaled \$19.7 million compared to \$19.4 million in 2015. 2016's larger additions included over \$6.8 million in new fire stations, 8.8 million in street improvements and \$1.2 million in parks improvements. Total net capital assets for 2016 were \$177,330,595. Of this total, \$13,227,812 was not being depreciated and the capital assets being depreciated totaled \$308,043,249 with accumulated depreciation of \$143,940,466.

At December 31, 2016, the City had various debt issues outstanding, which included \$24,940,000 of general obligation bonds and \$1,073,888 of promissory notes. As of December 31, 2016, the City's net general obligation bonded debt of \$24,252,704 was well below the legal limit of \$111,308,207 and debt per capita equaled \$431.83.

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 14 and 15) reported a combined fund balance of \$96.8 million, which is 9.3% lower than last year's total of \$106.7 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.

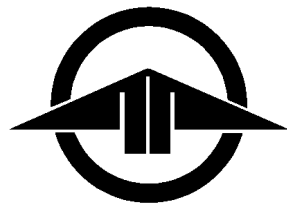
The City's General Fund experienced a \$3,410,266, or 6.1% overall increase in revenues for 2016. At the same time expenditures increased by \$744,400 or 1.8%, and transfers out decreased by \$2,602,300 or 15.2%. The City's General Fund balance increased in 2016 reversing the decline in 2015. The increase in revenues can be attributed primarily to an improving economy and as a result, increased income tax receipts. Transfers out decreased to the Capital Projects Fund due to increased grant funding. Total revenues for the General Fund were \$59.1 million while

total expenditures were \$42.6 million. Transfers to other funds totaled \$14.6 million resulting in the \$2.0 million, or 4.6% increase to the General Fund balance.

Revenues in the Capital Projects fund increased by \$2.1 million or 109%. This increase was due to increased grant revenue for roadway projects. The roadway projects likewise are responsible for the \$2.2 million or 13% increase in capital project expenditures. There were no other material changes to the major funds in 2016.

There was a significant variance between General fund 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, 2016 produced an 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.



CITY OF KETTERING

**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**
**ASSETS**

Pooled cash and investments (note 2)	\$99,722,182
Receivables:	
Income taxes (net of allowance for \$1,249,143)	10,532,000
Property taxes	6,614,231
Payments in lieu of taxes	259,000
Interest	629,665
Accounts	562,766
Special assessments	965,000
Loans (net of allowance for \$262,769)	6,524,657
Due from other governments	2,437,486
Prepaid expenses	559,306
Inventory	531,065
Capital assets not being depreciated (note 7)	13,227,812
Capital assets being depreciated, net (note 7)	164,102,783
Total assets	<u>306,667,953</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	22,440,574
Total deferred outflows	<u>22,440,574</u>

**LIABILITIES**

Accounts payable	4,820,831
Salary and benefits payable	1,378,581
Accrued interest payable	73,030
Accrued health claims	455,052
Unearned revenue	1,618,958
Noncurrent liabilities (note 12)	
Due within one year	4,431,818
Due in more than one year	
Net pension liability	68,767,095
Other amounts	26,799,955
Total liabilities	<u>108,345,320</u>

**DEFERRED INFLOWS OF RESOURCES**

Property taxes	7,579,231
Grants, other taxes and payments in lieu of taxes	3,266,979
Pensions	773,401
Total deferred inflows	<u>11,619,611</u>

**NET POSITION**

Net investment in capital assets	150,978,928
Restricted for:	
Debt service	1,084,375
Social services	1,219,193
Public safety	432,816
Road construction/Public works	96,706
Leisure services	52,356
Municipal court activities	1,744,044
Unrestricted	53,535,178
Total net position	<u>\$209,143,596</u>

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$15,634,860	\$2,600,210	\$1,055,772	\$20,815	(\$11,958,063)
Police	17,158,438	27,897	6,459		(17,124,082)
Fire	14,562,573	1,618,549	2,822		(12,941,202)
Public works	14,974,876	10,080	4,708	3,950,236	(11,009,852)
Leisure services	17,396,893	8,187,761	643,168		(8,565,964)
Interest on long-term debt	840,510				(840,510)
Total	<u>\$80,568,150</u>	<u>\$12,444,497</u>	<u>\$1,712,929</u>	<u>\$3,971,051</u>	<u>(62,439,673)</u>
General revenues:					
Taxes:					
					47,782,561
					5,672,208
					747,707
					640,122
					1,898,855
					778,880
					141,109
					312,379
					965,871
					276,395
					1,038,317
					1,736,932
					272,743
					<u>62,264,079</u>
					(175,594)
					<u>209,319,190</u>
					<u>\$209,143,596</u>

See accompanying notes to the basic financial statements.

FUND BALANCE SHEETS - GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	General Fund	Major Special		
		Street Maintenance	Parks, Recreation & Cultural Arts	Fraze Pavilion
ASSETS				
Pooled cash and investments	\$41,965,876	\$869,071	\$463,790	\$2,279,458
Receivables:				
Income taxes (net of allowance for \$1,249,143)	10,532,000			
Property taxes	5,580,231			
Payments in lieu of taxes				
Interest	629,665			
Accounts	19,864		51,472	
Special assessments	400,000			
Loans (net of allowance for \$262,769)	5,642,979			
Due from other governments	932,014	1,070,585		
Prepaid expenditures	383,822	42,340	68,579	21,219
Inventory		172,591		
Total assets	<u>\$66,086,451</u>	<u>\$2,154,587</u>	<u>\$583,841</u>	<u>\$2,300,677</u>
LIABILITIES				
Accounts payable	\$1,400,226	\$127,052	\$226,316	\$73,601
Accrued payroll	884,199	97,738	129,017	10,867
Unearned revenue	1,504,881		59,418	54,659
Total liabilities	<u>3,789,306</u>	<u>224,790</u>	<u>414,751</u>	<u>139,127</u>
DEFERRED INFLOWS OF RESOURCES				
Income taxes	6,583,699			
Property taxes	5,980,231			
Grants, other taxes and payments in lieu of taxes	3,721,412	876,400		
Total deferred inflows of resources	<u>16,285,342</u>	<u>876,400</u>		
FUND BALANCES				
Nonspendable: Inventory, prepaids and loans	3,018,822	214,931	68,579	21,219
Restricted for:				
Debt service				
Social services				
Public safety				
Road construction / Public works				
Leisure services				
Municipal court activities				
Committed to:				
Social services	62,583			
Public safety	367,325			
Road construction / Public works	15,626	838,466		
Leisure services			100,511	2,140,331
Economic development	3,693,388			
Other purposes	537,856			
Assigned for future appropriations	5,056,600			
Unassigned:	33,259,603			
Total fund balances	<u>46,011,803</u>	<u>1,053,397</u>	<u>169,090</u>	<u>2,161,550</u>
Total liabilities, deferred inflows & fund balances	<u>\$66,086,451</u>	<u>\$2,154,587</u>	<u>\$583,841</u>	<u>\$2,300,677</u>

See accompanying notes to the basic financial statements.

Revenue Funds					
Community Development	Emergency Medical	Debt Service	Capital Projects	Other Special Revenue Governmental Funds	Total Governmental Funds
\$202,183	\$936,528	\$987,476	\$43,851,665	\$3,259,606	\$94,815,653
					10,532,000
		750,000		284,000	6,614,231
			259,000		259,000
					629,665
28	121,161	363,485		2,455	558,465
			565,000		965,000
881,678					6,524,657
143,471		56,600	42,160	192,655	2,437,485
549				3,481	519,990
					172,591
<u>\$1,227,909</u>	<u>\$1,057,689</u>	<u>\$2,157,561</u>	<u>\$44,717,825</u>	<u>\$3,742,197</u>	<u>\$124,028,737</u>
\$8,058	\$1,692	\$5,077	\$2,598,352	\$249,164	\$4,689,538
				167,276	1,289,097
					1,618,958
<u>8,058</u>	<u>1,692</u>	<u>5,077</u>	<u>2,598,352</u>	<u>416,440</u>	<u>7,597,593</u>
					6,583,699
		750,000	565,000	284,000	7,579,231
86,023	87,170	318,109	267,201	122,670	5,478,985
<u>86,023</u>	<u>87,170</u>	<u>1,068,109</u>	<u>832,201</u>	<u>406,670</u>	<u>19,641,915</u>
					3,323,551
		1,084,375			1,084,375
1,133,828					1,133,828
			59,300	345,646	404,946
				12,639	12,639
				35,253	35,253
				1,744,044	1,744,044
				4,706	67,289
	968,827		7,542,447	13,020	8,891,619
			1,082,488		1,936,580
			1,057,384	731,944	4,030,170
					3,693,388
			31,545,653	31,835	32,115,344
					5,056,600
					33,259,603
<u>1,133,828</u>	<u>968,827</u>	<u>1,084,375</u>	<u>41,287,272</u>	<u>2,919,087</u>	<u>96,789,229</u>
<u>\$1,227,909</u>	<u>\$1,057,689</u>	<u>\$2,157,561</u>	<u>\$44,717,825</u>	<u>\$3,742,197</u>	

Amounts reported for governmental activities in the Statement of Net Position (page 12) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Other noncurrent assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Income taxes receivable

Grants and other taxes receivable

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.

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

Pensions

Vacation and sick leave benefits

Accrued interest on bonds payable

Net Position of Governmental Activities

176,315,832

6,583,699

2,212,005

3,071,695

(26,410,967)

(44,963,284)

(4,381,583)

(73,030)

\$209,143,596

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - FOR THE YEAR ENDED DECEMBER 31, 2016

		Major		Special
	General	Street	Parks, Recreation & Cultural Arts	Fraze Pavilion
	Fund	Maintenance		
REVENUES				
Income taxes	\$46,876,012			
Property taxes	5,388,268			
Payments in lieu of taxes				
Licenses and permits	629,267	\$10,080		
Intergovernmental revenue	1,787,656	2,513,688	\$29,095	
Charges for services	199,113		3,635,997	\$4,551,763
Fines and forfeits	1,194,135			
Investment earnings	582,984			
Special assessments	415,657			
Refunds and reimbursements	2,003,053	193,423	58,396	1,295
Miscellaneous	59,537	3,362	39,410	537,964
Total revenues	<u>59,135,682</u>	<u>2,720,553</u>	<u>3,762,898</u>	<u>5,091,022</u>
EXPENDITURES				
Current:				
General government	12,533,919			
Police	14,507,611			
Fire	12,688,407			
Public works	2,865,815	6,348,065		
Leisure services			9,812,006	5,403,929
Capital improvements				
Debt service:				
Principal				
Interest				
Total expenditures	<u>42,595,752</u>	<u>6,348,065</u>	<u>9,812,006</u>	<u>5,403,929</u>
Excess (deficiency) of revenues over expenditures	16,539,930	(3,627,512)	(6,049,108)	(312,907)
OTHER FINANCING SOURCES (USES)				
Transfers in		3,501,900	5,576,000	
Transfers out	(14,561,565)			
Sale of city assets	42,125	99,157	313,555	
Net change in fund balance	2,020,490	(26,455)	(159,553)	(312,907)
Fund balances--beginning	43,991,313	1,079,852	328,643	2,474,457
Fund balances--ending	<u>\$46,011,803</u>	<u>\$1,053,397</u>	<u>\$169,090</u>	<u>\$2,161,550</u>

See accompanying notes to the basic financial statements.

Revenue Funds					
Community Development	Emergency Medical	Debt Service	Capital Projects	Other Special Revenue Governmental Funds	Total Governmental Funds
					\$46,876,012
		\$747,707		\$283,939	6,419,914
			\$276,396		276,396
					639,347
\$660,502		113,160	2,567,500	1,030,086	8,701,687
	\$377,854	1,133,564		79,974	9,978,265
				525,618	1,719,753
404	9,574	6,403	414,207	24,746	1,038,318
			664,908		1,080,565
		40,000	66,152	23,872	2,386,191
11,614				128,127	780,014
<u>672,520</u>	<u>387,428</u>	<u>2,040,834</u>	<u>3,989,163</u>	<u>2,096,362</u>	<u>79,896,462</u>
646,793		54,715		822,028	14,057,455
				1,900,752	16,408,363
	18,513			2,532	12,709,452
				151,273	9,365,153
				31,518	15,247,453
267,441			19,145,678	701,880	20,114,999
		1,547,660			1,547,660
		874,380			874,380
<u>914,234</u>	<u>18,513</u>	<u>2,476,755</u>	<u>19,145,678</u>	<u>3,609,983</u>	<u>90,324,915</u>
(241,714)	368,915	(435,921)	(15,156,515)	(1,513,621)	(10,428,453)
		404,000	3,697,143	1,382,522	14,561,565
					(14,561,565)
20,533			2,919		478,289
(221,181)	368,915	(31,921)	(11,456,453)	(131,099)	(9,950,164)
1,355,009	599,912	1,116,296	52,743,725	3,050,186	106,739,393
<u>\$1,133,828</u>	<u>\$968,827</u>	<u>\$1,084,375</u>	<u>\$41,287,272</u>	<u>\$2,919,087</u>	<u>\$96,789,229</u>

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2016

	Governmental Activities- Internal Service Funds
<b>ASSETS</b>	
Current Assets:	
Pooled cash and investments	\$4,906,530
Accounts receivable	4,302
Prepaid expenses	39,316
Inventory	358,474
Total current assets	<u>5,308,622</u>
Noncurrent Assets:	
Capital assets:	
Buildings and improvements	757,936
Machinery and equipment	2,396,902
Less: Accumulated depreciation	(2,140,075)
Total noncurrent assets	<u>1,014,763</u>
Total assets	<u>6,323,385</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	<u>1,453,905</u>
Total deferred outflows	<u>1,453,905</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	131,295
Accrued payroll	89,483
Accrued health claims	455,052
Total current liabilities	<u>675,830</u>
Noncurrent liabilities:	
Accrued vacation and sick benefits due within one year	259,141
Accrued vacation and sick benefits due within more than one year	180,081
Net pension liability	3,504,193
Total noncurrent liabilities	<u>3,943,415</u>
Total liabilities	<u>4,619,245</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	<u>86,350</u>
Total deferred inflows	<u>86,350</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,014,763
Unrestricted	2,056,932
Total net position	<u>\$3,071,695</u>

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$13,163,313
Total operating revenues	<u>13,163,313</u>
OPERATING EXPENSES	
Personal services	3,785,678
Repairs and maintenance	1,201,123
Contractual services	6,208,550
Other materials and expenses	496,111
Depreciation	253,568
Total operating expenses	<u>11,945,030</u>
Operating income (loss)	<u>1,218,283</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	31,897
Change in net position	<u>1,250,180</u>
Total net position--beginning	<u>1,821,515</u>
Total net position--ending	<u><u>\$3,071,695</u></u>

See accompanying notes to the basic financial statements.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**Increase (Decrease) in cash**

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received for services	\$13,152,323
Cash paid to suppliers for goods or services	(7,934,333)
Cash paid to employees for services	(3,794,753)
Net cash provided (used) by operating activities	<u>1,423,237</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(215,650)
Sale of capital assets	8,859
Net cash used by capital and related financing activities	<u>(206,791)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	31,897
Net cash provided by investing activities	<u>31,897</u>
Net increase (decrease) in cash	1,248,343
Cash at beginning of year	3,658,187
Cash at end of year	<u><u>\$4,906,530</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$1,218,283
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	253,568
Increase (decrease) in net pension liability	1,067,032
(Increase) decrease in deferred outflows - pension	(932,497)
Increase (decrease) in deferred inflows - pension	41,483
(Increase) decrease in receivables	(2,131)
(Increase) decrease in inventories	(24,065)
Increase (decrease) in accounts payable	(23,847)
Increase (decrease) in accrued health claims	(117,339)
Net (increase) decrease in other operating net position	(57,250)
Net cash provided (used) by operating activities	<u><u>\$1,423,237</u></u>

See accompanying notes to the basic financial statements.

## FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2016

	Volunteer Firefighter Pension	Deceased Police Dependents Private Purpose Trust	Agency Funds
ASSETS			
Pooled cash and investments		\$94,007	\$589,420
Investments with fiscal agent, at fair value:			
Unallocated insurance contracts	\$2,086,506		
Other investments			303,120
Total assets	<u>2,086,506</u>	<u>94,007</u>	<u>\$892,540</u>
LIABILITIES			
Accounts payable			\$29,424
Withholdings payable			550,339
Undistributed moneys			303,120
Unclaimed moneys			9,657
Total liabilities			<u>\$892,540</u>
NET POSITION			
Restricted for pension benefits and other purposes	<u>\$2,086,506</u>	<u>\$94,007</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016

ADDITIONS		
Employer contributions	\$58,317	
Investment earnings (loss)	74,048	\$909
Total additions	<u>132,365</u>	<u>909</u>
DEDUCTIONS		
Pension payments	141,018	
Total deductions	<u>141,018</u>	
Net increase (decrease)	(8,653)	909
Net position--beginning of year	<u>2,095,159</u>	<u>93,098</u>
Net position--end of year	<u>\$2,086,506</u>	<u>\$94,007</u>

See accompanying notes to the basic financial statements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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## 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 Frazee 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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension plans report investments at fair value.

## K. 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 \$7,954,902. Of this amount, \$4,182,432 was insured; the remaining \$3,772,470 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 (STAR Ohio). 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. At year-end, \$2,127,071 of the securities in the corporate bond category below are rated "BAA1", the remaining \$85,832,053 are rated "A" or better. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Star Ohio are valued at Star Ohio's share price which is the price the investment could be sold for on December 31, 2016. STAR Ohio carries a rating of AAAM. All other investment types listed are unrated.

As of December 31, 2016 the City had the following investments and maturities.

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Investment Maturities (in Years)</u></b>			
		<b><u>Less than 1</u></b>	<b><u>1-3</u></b>	<b><u>3-6</u></b>	<b><u>6-7</u></b>
Corporate Bonds	\$87,959,124	\$61,906,247	\$26,052,877		
STAR Ohio	5,523,826	5,523,826			
Pension Plan Pooled Invest Fund	2,086,506				\$2,086,506
Total	<u>\$95,569,456</u>	<u>\$67,430,073</u>	<u>\$26,052,877</u>		<u>\$2,086,506</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2016:

- Corporate bonds of \$87,959,124 are valued using a matrix pricing model (Level 2 inputs)
- Pooled investment funds (STAR Ohio) of \$5,523,826 and unallocated insurance contracts funds (Volunteer Firefighter Pension) of \$2,086,506 measured at net asset value (NAV).

### 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. 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 2014.

The property tax calendar is as follows:

Levy date	December 31, 2015
Lien date	December 31, 2015
Tax bill mailed	January 20, 2016
First installment payment due	February 15, 2016
Second installment payment due	July 14, 2016

The assessed values for the City at December 31, 2015 were as follows:

	<b>Assessed Value</b>
	<b>Category</b>
Real Estate	\$1,037,563,750
Public Utility Real Property	16,330
Public Utility Personal Property	22,498,080
Total	<u>\$1,060,078,160</u>

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

### 5. LOANS RECEIVABLE AND NOTES RECEIVABLE

The City used a portion of the Federal Community Development Block Grant (CDBG) to provide low interest loans for housing rehabilitation, as well as for economic and job development. The loans are payable in installments to 2041. Fund balance has been classified as restricted for the loans receivable at December 31, 2016. 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, 2016.

### 6. INTERFUND TRANSFERS

All transfers for 2016 were out of the General Fund and into all other funds listed on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

## 7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$12,959,784		(\$392,065)	\$12,567,719
Right of Way	631,475	\$28,618		660,093
Subtotal	<u>13,591,259</u>	<u>28,618</u>	<u>(392,065)</u>	<u>13,227,812</u>
Capital assets being depreciated:				
Buildings and improvements	66,069,486	6,881,096		72,950,582
Machinery and equipment	20,227,317	1,987,180	(1,746,886)	20,467,611
Infrastructure	206,715,409	10,791,676	(2,882,029)	214,625,056
Subtotal	<u>293,012,212</u>	<u>19,659,952</u>	<u>(4,628,915)</u>	<u>308,043,249</u>
Accumulated depreciation:				
Buildings and improvements	(35,885,066)	(2,017,857)		(37,902,923)
Machinery and equipment	(12,626,550)	(1,406,899)	1,639,719	(12,393,730)
Infrastructure	(89,835,628)	(6,690,214)	2,882,029	(93,643,813)
Subtotal	<u>(138,347,244)</u>	<u>(10,114,970) *</u>	<u>4,521,748</u>	<u>(143,940,466)</u>
Net capital assets being depreciated	<u>154,664,968</u>	<u>9,544,982</u>	<u>(107,167)</u>	<u>164,102,783</u>
Net capital assets	<u>\$168,256,227</u>	<u>\$9,573,600</u>	<u>(\$499,232)</u>	<u>\$177,330,595</u>

\*Depreciation expense was charged to governmental functions as follows:

General government	\$655,572
Police	262,636
Fire	757,677
Public works	6,508,112
Leisure services	1,677,405
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.	253,568
Total depreciation expense	<u>\$10,114,970</u>

## 8. RISK MANAGEMENT

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

Insurance coverage is as follows:

**Property** – \$1,000,000,000 per occurrence  
**Crime** - \$2,000,000 per occurrence  
**Liability** - \$12,000,000 per occurrence  
**Boiler & Machinery** - \$100,000,000 per occurrence  
**Public Official Liability** - \$12,000,000 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 - \$500,000 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, 2016, 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 \$455,052 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
2015	\$479,452	\$5,924,675	\$5,831,737	\$572,390
2016	572,390	5,492,437	5,609,775	455,052

## 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).

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net

pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

#### 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 information, required supplementary information and detailed information about OP&F's fiduciary net position. 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](http://www.op-f.org).

#### Plan Description and Plan Benefits:

City full-time police and firefighters upon attaining a qualifying age with sufficient years of service may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

The Ohio Revised Code provides statutory authority for employee and employer contributions. During 2016, plan members were required to contribute 12.25% of their annual covered payroll. During 2016, the City was required to contribute 19.5% and 24% respectively of annual covered payroll for police officers and firefighters. The City's contractually required contribution to OP&F was \$3,202,381 for 2016.

#### Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources:

OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. The City reported a net pension liability of \$41,781,375, consisting of \$19,481,845 for firefighters and \$22,299,530 for police officers, as its proportionate share. The City's

proportion was 0.302839% for firefighters and 0.346639% for police officers. The City recognized \$4,982,669 in pension expense.

The following amounts are reported as deferred outflows and inflows of resources at December 31, 2016:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected & actual economic experience		(\$117,320)
Employer contributions subsequent to measurement date	\$3,202,381	
Net difference between projected & actual investment earnings	5,712,836	
Changes in proportions & diff in contrib and proportionate share of contrib	2,521,046	
Total	<u>\$11,436,263</u>	<u>(\$117,320)</u>

\$3,202,381 reported as deferred outflows of resources relate to pension resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows and deferred inflows related to pension will be recognized in pension expense as follows:

Year	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Pension Expense
2017	\$2,036,232	(\$22,605)	\$2,013,627
2018	2,036,232	(22,605)	2,013,627
2019	2,036,232	(22,605)	2,013,627
2020	1,696,873	(22,605)	1,674,268
2021	359,927	(22,605)	337,322
Thereafter	68,386	(4,295)	64,091
Total	<u>\$8,233,882</u>	<u>(\$117,320)</u>	<u>\$8,116,562</u>

#### Actuarial Assumptions:

OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25%
Projected Salary Increases	4.25% - 11.00%
Payroll Increases	3.75%
Inflation Assumptions	3.25%
Cost of Living Adjustments	2.60% and 3.00%

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	- %
Domestic Equity	16.00	7.80
Non-US Equity	16.00	8.00
Core Fixed Income *	20.00	5.35
Global Inflation Protected *	20.00	4.73
High Yield	15.00	7.21
Real Estate	12.00	7.43
Private Markets	8.00	10.73
Timber	5.00	7.35
Master Limited Partnerships	8.00	10.75
Total	<u>120.00 %</u>	

\* levered 2x

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

The discount rate used to measure the total pension liability was 8.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

The following chart represents the City's proportionate share in thousands of the net pension liability at the 8.25% discount rate as well as the sensitivity to a 1% increase and 1% decrease in the current discount rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$55,104	\$41,781	\$30,495

## OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the Traditional Pension Plan (TP), the Combined Plan (CO) and the Member-Directed Plan (MD). All public employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. While members may elect the CO and MD, substantially all employees are in the TP; therefore, the following disclosure focuses on the TP.

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 that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

### Plan Description and Plan Benefits:

The TP is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and final average salary. The pension benefits are funded by both member and employer contributions, and investment earnings on those contributions.

The CP is a defined benefit plan with elements of a defined contribution plan. Under the CP, members earn a formula benefit similar to, but at a factor less than, the TP benefit. This defined benefit is funded by employer contributions and associated investment earnings. Additionally, member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement or termination, the member may choose a defined contribution retirement distribution that is equal in amount to the member's contributions to the plan and investment earnings (or losses) on those contributions. Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

The MD is a defined contribution plan in which members self-direct the investment of both member and employer contributions. The retirement distribution under this plan is equal to the sum of member and vested employer contributions, plus investment earnings (or losses) on those contributions. Employer contributions and associated investment earnings vest over a five-year period at a rate of 20% per year. Upon retirement or termination, the member may choose a defined contribution retirement distribution, or may elect to use his/her defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

The Board of Trustees, pursuant to Chapter 145, has elected to maintain funds to provide health care coverage to eligible TP and CP retirees and survivors of members. Health care coverage does not vest and is not required under Chapter 145. As a result, coverage may be reduced or eliminated at the discretion of the Board.

Senate Bill (SB) 343 enacted into law new legislation with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

Benefits in the TP are calculated on the basis of age, final average salary, and service credit. Members in transition Groups A and B are eligible for retirement benefits at age 60 with 5 years of service credit or at age 55 with 25 or more years of service credit. Members in transition Group C are eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2%

for the first 35 years and a factor of 2.5% for the years of service in excess of 35. The final average salary represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on an average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Benefits in the CP consist of both an age and service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, final average salary, and years of service. Eligibility regarding age and years of service in the CP is the same as the TP. The benefit formula for the defined benefit component of the plan for members in transition Groups A and B applies a factor of 1.0% to the member's final average salary for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's final average salary for the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions, plus or minus any investment gains or losses on those contributions.

MD defined contribution plan benefits are established in the plan documents, which may be amended by the Board. MD and CP members who have met the eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the CP was discussed above. MD participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the MD consists of the member's contributions, vested employer contributions and investment gains and losses resulting from the member's investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of the entire account balance, net of taxes withheld, or a combination of these options.

#### Funding Policy:

The OPERS funding policy provides for periodic employee and employer contributions to all three plans at rates established by the Board, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of OPERS' external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code. Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2016. Plan members were required to contribute 10% of covered payroll. The City's contribution rate was 14% of covered payroll. The City's contractually required contributions to OPERS for 2016 was \$2,987,604.

#### Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources:

The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. The City reported a net pension liability of \$26,624,822 as its proportionate share. The City's proportion was 0.154071% for the TP. The City recognized \$3,776,076 in pension expense.

The following amounts are reported as deferred outflows and inflows of resources at December 31, 2016:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected & actual economic experience	\$4,829	(\$543,717)
Employer contributions subsequent to measurement date	2,987,604	
Net difference between projected & actual investment earnings	7,871,999	
Changes in proportions & diff in contrib and proportionate share of contrib	72,661	(\$112,363)
Total	<u>\$10,937,093</u>	<u>(\$656,080)</u>

\$2,987,604 reported as deferred outflows of resources relate to pension resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows and deferred inflows related to pension will be recognized in pension expense as follows:

Year	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Pension Expense
2017	\$2,039,338	(\$360,111)	\$1,679,227
2018	2,039,338	(236,082)	1,803,256
2019	2,039,338	(38,888)	2,000,450
2020	1,790,671	(4,277)	1,786,394
2021	8,983	(4,277)	4,706
Thereafter	31,821	(12,445)	19,376
Total	<u>\$7,949,489</u>	<u>(\$656,080)</u>	<u>\$7,293,409</u>

#### Actuarial Assumptions:

Total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Traditional Plan
Investment rate of return	8.00%
Wage inflation	3.75%
Projected salary increases	4.25% - 10.05% (includes wage inflation)
Cost-of-living adjustments	3.00% simple
Actuarial Cost Method	Individual Entry Age

Mortality rates are the RP-2000 mortality table projected 20 years using Projected Scale AA. For males, 105% of the combined health male mortality rates were used. For females, 100% of the combined health female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disable female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit

portfolio includes the investment assets of the TP, the defined benefit component of the CP, the annuitized accounts of the MD and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is .4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

The discount rate used to measure the total pension liability was 8.0% for the TP. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the TP was applied to all periods of projected benefit payments to determine the total pension liability.

The following chart represents the City's proportionate share in thousands of the net pension liability at the 8% discount rate as well as the sensitivity to a 1% increase and 1% decrease in the current discount rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$42,541	\$26,625	\$13,340

#### VOLUNTEER FIREFIGHTERS PENSION

Principal Life Insurance Company administers a single-employer, defined benefit pension plan for the Volunteer Firefighters. At January 1, 2016, the plan's membership consisted of the following:

Active plan members	11
Inactive plan members entitled to but not yet receiving benefits	32
Retired plan members or beneficiaries currently receiving benefits	78
Total	121

On August 1<sup>st</sup>, 2010 the City implemented a soft freeze so that no new members could join the pension plan after that date. On October 1<sup>st</sup>, 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 1<sup>st</sup>, 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. There are no, nor have there ever been any, COLA's associated with the plan. The pension plan's board consists of all seven, elected City Council members. Contribution requirements are established or may be amended by City Ordinance. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's Actuarial Valuation report. City Council, through the annual appropriation ordinance, then decides the actual amount they want to contribute for the year. The City's funding policy is to provide for periodic employer contributions that 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. Active members are not required to contribute. The actuarially determined contribution for the measurement period ending 12/31/15 and the upcoming 12/31/16 period is \$62,062 and \$53,110 respectively. There have been no changes in plan provisions during the measurement period or through the date of this report.

There is no pension plan investment policy. There are no procedures and authority for establishing and amending investment policy decisions and no policies pertaining to asset allocation. There have been no investment policy changes during the reporting period. All plan assets are invested in the Principal Financial Group General Investment Account and this represents 100% of the plan's fiduciary net position as of the measurement date. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on plan investments for the measurement period of 1/1/15 to 12/31/15 is 3.94%. The actual date and amount of each contribution and benefit payment was used in the calculation of the money-weighted rate of return.

There are no long-term contracts for contributions to the pension plan. There are no allocated insurance contracts excluded from pension plan assets. There are no policies for setting aside reserves that otherwise would be available for existing pensions. The pension plan does not provide for DROP benefits.

The components of the City's net pension liability as of December 31, 2015, determined by an actuarial valuation as of that date, are as follows:

Total pension liability	\$2,456,055
Plan fiduciary net position	<u>2,095,159</u>
Net pension liability	<u>\$360,896</u>
Plan fiduciary net position as a percentage of the total pension liability	85.31%

The City recognized (\$65,011) in pension expense.

The following amounts are reported as deferred outflows and inflows of resources at December 31, 2016:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Employer contributions subsequent to measurement date	\$58,317	
Effects of changes in assumptions	0	
Net difference between projected & actual investment earnings	8,901	
Differences between expected and actual experience	0	
Total	<u>\$67,218</u>	

\$58,317 reported as deferred outflows of resources relate to pension resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows and deferred inflows related to pension will be recognized in pension expense as follows:

Year	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Pension Expense
2017	\$2,542		\$2,542
2018	2,542		2,542
2019	2,541		2,541
2020	1,276		1,276
2021	0		0
Total	<u>\$8,901</u>		<u>\$8,901</u>

#### Actuarial Assumptions:

Total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return beginning of period	4.25%
Investment rate of return end of period	4.25%
Inflation	2.25%
Projected salary increases	0%
Cost-of-living adjustments	0%
Actuarial Cost Method	Individual Entry Age

Mortality rates are 2015 IRS Prescribed Mortality-Optional Combined Table for Small Plans, male and female. Withdrawal rates are 2003 Society of Actuaries Small Plan Age Table, multiplied by 0.75. Funding policy assumes 100% of the estimated actuarially determined contribution amount is contributed midway during each projection period.

The long-term rate of return on defined benefit investment assets was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2014. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2014 is 20-30 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA for other credible studies. The target allocation for the plan is a 100% Fixed Income asset class with a long-term expected real rate of return equal to 4.25%.

The discount rate used to determine the total pension liability at 12/31/2015 is 4.25%. The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater

than or equal to the expected benefit payments for each period from 2015 to 2094. Benefit payments after 2094 are projected to be \$0. The long-term rate of return of 4.25% is used to calculate the actuarial present value of projected payments for each future period when the projected Fiduciary Net Position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.98% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the 12/31/2015 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

#### Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at 1/1/2015	\$2,606,712	\$2,114,299	\$492,413
Changes for the year:			
Interest	107,064		107,064
Benefit payments	(157,789)	(157,789)	0
Differences between expected and actual experience	(104,423)		(104,423)
Changes in assumptions	4,491		4,491
Employer contributions		58,218	(58,218)
Net investment income		80,431	(80,431)
Net changes	(150,657)	(19,140)	(131,517)
Balances at 12/31/2015	\$2,456,055	\$2,095,159	\$360,896

The following chart represents the net pension liability of the City calculated using the current discount rate of 4.25% as well as the sensitivity to a 1% increase and 1% decrease in the current discount rate:

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
City's proportionate share of the net pension liability	\$633,680	\$360,896	\$132,611

#### 10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

##### OHIO POLICE AND FIRE PENSION FUND OPEB

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

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the ORC to the OP&F board of trustees. The board of trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2016, 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 2014, 2015 and 2016 were \$64,612, \$70,040 and \$75,242 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](http://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 2016, 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 2014, 2015 and 2016 were \$405,761, \$423,844 and \$426,630 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 2016 were \$384,777.

Significant commitments and encumbrances at December 31, 2016 included:

Capital Projects Fund \$7,081,000

#### 12. NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2016, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
<b>General Obligation Bonds:</b>					
Court Facility Refunding, 1% - 4%	2,170,000		220,000	1,950,000	\$230,000
Court Facility premium	70,443		7,827	62,616	
Recreation & Parks Improvements 3% - 5%	9,160,000		545,000	8,615,000	570,000
Recreation & Parks premium	160,133		11,988	148,145	
Fire Station Improvements, 1% - 4%	14,995,000		620,000	14,375,000	630,000
Fire Station premium	196,668		10,350	186,318	
Total general obligation bonds	<u>26,752,244</u>	<u>0</u>	<u>1,415,165</u>	<u>25,337,079</u>	<u>1,430,000</u>
<b>Net Pension Liability:</b>					
OPERS	18,704,224	10,773,830	2,853,232	26,624,822	
OP&F	32,885,567	11,799,214	2,903,406	41,781,375	
Volunteer Firefighter	492,413		131,517	360,896	
Total net pension liability	<u>52,082,204</u>	<u>22,573,044</u>	<u>5,888,155</u>	<u>68,767,093</u>	
<b>Other:</b>					
Accrued vacation and sick leave benefits	4,522,713	2,844,275	2,546,182	4,820,806	2,844,275
Ohio Public Works Commission Long-Term Promissory Notes, 0-3%	1,236,548		162,660	1,073,888	157,543
Total other	<u>5,759,261</u>	<u>2,844,275</u>	<u>2,708,842</u>	<u>5,894,694</u>	<u>3,001,818</u>
Total noncurrent liabilities	<u>\$84,593,709</u>	<u>\$25,417,319</u>	<u>\$10,012,162</u>	<u>\$99,998,866</u>	<u>\$4,431,818</u>

The accrued vacation and sick leave benefits liability will be liquidated by several of the City's governmental and internal service funds. In the past, approximately 77% has been paid by the General Fund, 7% 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 \$3.52 million.

The annual requirements to pay principal and interest on noncurrent obligations at December 31, 2016, are as follows:

	<b>General Obligation Bonds</b>		<b>Promissory Notes</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	\$1,430,000	\$826,968	\$157,543	\$7,977
2018	1,475,000	772,668	158,580	6,939
2019	1,525,000	728,818	159,645	5,874
2020	1,560,000	685,818	160,738	4,780
2021	1,605,000	643,330	161,861	3,658
2022-2026	8,260,000	2,461,244	275,521	4,348
2027-2031	6,115,000	1,009,813		
2032-2034	2,970,000	195,000		
	<u>\$24,940,000</u>	<u>\$7,323,659</u>	<u>\$1,073,888</u>	<u>\$33,576</u>

The Ohio Revised Code (ORC) provides that the total net debt (as defined in the ORC) of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. At December 31, 2016 the City had a legal debt margin for total debt of \$87,055,503 and a legal debt margin for unvoted debt of \$42,814,740.

### 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. NEGATIVE FUND NET POSITION

The Administrative Operations Internal Service Fund ended the year with a negative net position of \$863,565. This negative net position is a result of the implementation of GASB Statement No. 68. The requirements of GASB 68 make it unlikely that this fund will ever have a positive fund balance.

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## 15. GASB IMPLEMENTATIONS

In 2016 the City implemented GASB Statement No. 72, “Fair Value Measurement and Application”, GASB Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”, GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, GASB Statement No. 77, “Tax Abatement Disclosures”, and GASB Statement No. 79, “Certain External Investment Pools and Pool Participants”.

44 **CITY OF KETTERING, OHIO**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OHIO POLICE & FIRE PENSION FUND  
LAST THREE YEARS <sup>(1)</sup>**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.649478%	0.634806%	0.634806%
City's proportionate share of the net pension liability	41,781,375	32,885,567	30,917,014
City's covered-employee payroll	13,038,487	12,775,178	12,749,428
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	320.45%	257.42%	242.50%
Plan fiduciary net position as a percentage of the total pension liability <sup>(2)</sup>	66.77%	72.20%	

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST THREE YEARS <sup>(1)</sup>**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.154071%	0.155483%	0.155483%
City's proportionate share of the net pension liability	26,624,822	18,704,224	18,316,130
City's covered-employee payroll	21,200,679	20,296,179	19,941,750
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	125.58%	92.16%	91.85%
Plan fiduciary net position as a percentage of the total pension liability <sup>(2)</sup>	81.08%	86.45%	

(1) Information prior to 2013 is unavailable

(2) Information prior to 2014 is unavailable

See accompanying notes to the required supplementary information.

# **CITY OF KETTERING, OHIO**

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **SCHEDULE OF THE CITY'S CONTRIBUTIONS**

#### **OHIO POLICE & FIRE PENSION FUND**

##### **LAST TEN YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$3,202,381	\$2,958,704	\$2,728,747	\$2,723,226	\$2,658,962	\$2,667,129	\$2,618,896	\$2,572,780	\$2,448,027	\$2,262,695
Contributions in relation to the contractually required contribution	(3,202,381)	(2,958,704)	(2,728,747)	(2,723,226)	(2,658,962)	(2,667,129)	(2,618,896)	(2,572,780)	(2,448,027)	(2,262,695)
Contribution deficiency (excess)										
City's covered-employee payroll	14,880,253	13,848,552	12,775,178	12,749,428	12,450,605	12,475,082	12,242,541	12,016,559	11,470,472	10,627,874
Contributions as a percentage of covered-employee payroll	21.5%	21.4%	21.4%	21.4%	21.4%	21.4%	21.4%	21.4%	21.3%	21.3%

### **SCHEDULE OF THE CITY'S CONTRIBUTIONS**

#### **OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

##### **LAST TEN YEARS**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$2,987,604	\$2,968,095	\$2,841,465	\$2,791,845	\$2,736,865	\$2,761,028	\$2,758,135	\$2,725,560	\$2,683,518	\$2,560,130
Contributions in relation to the contractually required contribution	(2,987,604)	(2,968,095)	(2,841,465)	(2,791,845)	(2,736,865)	(2,761,028)	(2,758,135)	(2,725,560)	(2,683,518)	(2,560,130)
Contribution deficiency (excess)										
City's covered-employee payroll	21,340,029	21,200,679	20,296,179	19,941,750	19,504,609	19,721,630	19,700,961	19,468,289	19,167,985	18,286,642
Contributions as a percentage of covered-employee payroll	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS**  
**VOLUNTEER FIREFIGHTERS PENSION PLAN**  
**LAST TWO YEARS <sup>(1)</sup>**

	<u>2015</u>	<u>2014</u>
Total pension liability		
Interest	\$107,064	\$111,630
Differences between expected and actual experience	(104,423)	5,677
Change in assumptions	4,491	73,815
Benefit payments	(157,789)	(140,484)
Net change in total pension liability	(150,657)	50,638
Total pension liability - beginning	<u>2,606,712</u>	<u>2,556,074</u>
Total pension liability - ending (a)	<u>\$2,456,055</u>	<u>\$2,606,712</u>
Plan fiduciary net position		
Employer contributions	\$58,218	\$63,285
Net investment income	80,431	85,075
Benefit payments	(157,789)	(140,484)
Net change in plan fiduciary net position	(19,140)	7,876
Plan fiduciary net position - beginning	<u>2,114,299</u>	<u>2,106,423</u>
Plan fiduciary net position - ending (b)	<u>\$2,095,159</u>	<u>\$2,114,299</u>
City's net pension liability - ending (a) - (b)	360,896	492,413
Plan fiduciary net position as a percentage of the total pension liability	85.31%	81.11%
Covered-employee payroll	0	0
City's net pension liability as a percentage of covered-employee payroll	n/a	n/a
End of period assumptions		
Long-term rate of return	4.25%	4.25%
Discount rate	4.25%	4.25%
Retirement age assumption	NRA	NRA
Plan changes	none	none
For 2014 the change in assumption was a change in the long-term rate of return from 4.5% to 4.25%		

(1) Information prior to 2014 is unavailable

See accompanying notes to the required supplementary information.

# CITY OF KETTERING, OHIO

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF EMPLOYERS CONTRIBUTIONS VOLUNTEER FIREFIGHTERS PENSION PLAN LAST TEN YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined employer contributions	\$62,062	\$57,413	\$34,813	\$38,176	\$45,905	\$59,726	\$91,662	\$69,847	\$67,025	\$70,294
Contributions in relation to the actuarially determined contribution	(58,218)	(63,285)	(59,581)	(44,427)	(45,905)	(59,726)	(91,662)	(69,847)	(67,025)	(70,294)
Contribution excess (deficiency)	<u>(\$3,844)</u>	<u>\$5,872</u>	<u>\$24,768</u>	<u>\$6,251</u>						
Covered-employee payroll	0	0	0	0	0	0	0	0	0	0
Contributions as a percentage of covered-employee payroll	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

#### Actuarially determined contribution (ADC) assumptions:

ADC rates are calculated as of 12/31, one year prior to the year of contribution

Long-term rate of return	4.25%	4.25%	4.50%	5.25%	5.25%	6.00%	6.00%	6.25%	6.25%	6.25%
Interest rate	4.25%	4.25%	4.50%	5.25%	5.25%	6.00%	6.00%	6.25%	6.25%	6.25%
Retirement age assumption	NRA	NRA	NRA	NRA	NRA	NRA	NRA	NRA	NRA	NRA
Plan changes	none	none	none	none	none	none	none	none	none	none

### SCHEDULE OF INVESTMENT RETURNS VOLUNTEER FIREFIGHTERS PENSION PLAN LAST TWO YEARS <sup>(1)</sup>

	2015	2014
Annual money-weighted rate of return, net of investment expense	3.94%	4.19%

(1) Information prior to 2014 is unavailable

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$43,991,313	\$43,991,313	\$43,991,313	
Resources (inflows)				
Income taxes	45,324,000	46,500,000	46,876,012	\$376,012
Property taxes	5,330,000	5,388,000	5,388,268	268
Licenses and permits	528,000	580,000	629,267	49,267
Intergovernmental revenue	1,615,000	1,770,000	1,787,656	17,656
Charges for services	183,000	190,000	199,113	9,113
Fines and forfeits	1,215,000	1,213,000	1,194,135	(18,865)
Investment earnings	520,000	400,000	582,984	182,984
Special assessments	400,000	415,000	415,657	657
Refunds and reimbursements	1,608,000	2,100,000	2,003,053	(96,947)
Miscellaneous	40,000	54,000	59,537	5,537
Sale of city assets	30,000	30,000	42,125	12,125
Amounts available for appropriation	100,784,313	102,631,313	103,169,120	537,807
Charges to appropriations (outflows)				
General government:				
Mayor and Council:				
Personal services	109,500	109,500	107,924	1,576
Operating expenditures	85,120	85,120	65,549	19,571
Capital outlay				
Total mayor and council	194,620	194,620	173,473	21,147
Municipal court:				
Personal services	1,028,700	1,028,700	1,006,593	22,107
Operating expenditures	259,595	243,595	235,367	8,228
Capital outlay		16,000	16,000	
Total municipal court	1,288,295	1,288,295	1,257,960	30,335
Clerk of courts:				
Personal services	944,300	944,300	927,328	16,972
Operating expenditures	137,552	137,552	119,406	18,146
Capital outlay				
Total clerk of courts	1,081,852	1,081,852	1,046,734	35,118
Office of City Manager:				
Personal services	643,000	639,700	637,892	1,808
Operating expenditures	67,840	71,140	70,946	194
Capital outlay				
Total office of city manager	710,840	710,840	708,838	2,002
Law department:				
Personal services	834,900	824,900	815,921	8,979
Operating expenditures	182,040	247,540	177,626	69,914
Capital outlay				
Total law department	1,016,940	1,072,440	993,547	78,893
Finance department:				
Personal services	2,058,100	2,058,100	2,029,462	28,638
Operating expenditures	554,761	554,635	448,525	106,110
Capital outlay				
Total finance department	2,612,861	2,612,735	2,477,987	134,748
Administrative support:				
Personal services	687,000	687,000	670,018	16,982
Operating expenditures	695,206	688,056	249,087	438,969
Capital outlay				0
Total administrative support	1,382,206	1,375,056	919,105	455,951

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government:				
Human resources department:				
Personal services	\$729,700	\$731,800	\$731,740	\$60
Operating expenditures	447,583	444,375	294,724	149,651
Capital outlay				
Total human resources department	<u>1,177,283</u>	<u>1,176,175</u>	<u>1,026,464</u>	<u>149,711</u>
Planning and development:				
Personal services	2,054,100	2,054,100	2,009,187	44,913
Operating expenditures	474,761	449,995	378,760	71,235
Capital outlay				
Total planning and development	<u>2,528,861</u>	<u>2,504,095</u>	<u>2,387,947</u>	<u>116,148</u>
Economic development:				
Personal services	147,100	147,100	147,014	86
Operating expenditures	619,580	654,580	559,545	95,035
Capital outlay				
Total economic development	<u>766,680</u>	<u>801,680</u>	<u>706,559</u>	<u>95,121</u>
Miscellaneous:				
Operating expenditures	1,018,548	1,058,528	835,305	223,223
Total miscellaneous	<u>1,018,548</u>	<u>1,058,528</u>	<u>835,305</u>	<u>223,223</u>
Total general government	<u>13,778,986</u>	<u>13,876,316</u>	<u>12,533,919</u>	<u>1,342,397</u>
Police:				
Personal services	12,017,800	12,253,500	12,109,446	144,054
Operating expenditures	2,317,322	2,469,324	1,983,401	485,923
Capital outlay	531,116	421,463	414,764	6,699
Total police	<u>14,866,238</u>	<u>15,144,287</u>	<u>14,507,611</u>	<u>636,676</u>
Fire:				
Personal services	10,647,700	10,921,300	10,886,996	34,304
Operating expenditures	2,055,558	2,079,399	1,640,802	438,597
Capital outlay	187,225	187,225	160,609	26,616
Total fire	<u>12,890,483</u>	<u>13,187,924</u>	<u>12,688,407</u>	<u>499,517</u>
Public works:				
Engineering department:				
Personal services	2,046,100	2,046,100	1,912,544	133,556
Operating expenditures	514,158	506,949	408,258	98,691
Capital outlay	70,000	70,000	28,407	41,593
Total engineering department	<u>2,630,258</u>	<u>2,623,049</u>	<u>2,349,209</u>	<u>273,840</u>
Street lighting:				
Operating expenditures	491,000	521,000	516,606	4,394
Total street lighting	<u>491,000</u>	<u>521,000</u>	<u>516,606</u>	<u>4,394</u>
Total public works	<u>3,121,258</u>	<u>3,144,049</u>	<u>2,865,815</u>	<u>278,234</u>
Transfers to other funds	19,345,000	18,535,368	14,561,565	3,973,803
Total charges to appropriations	<u>64,001,965</u>	<u>63,887,944</u>	<u>57,157,317</u>	<u>6,730,627</u>
Fund balance, December 31	<u>\$36,782,348</u>	<u>\$38,743,369</u>	<u>\$46,011,803</u>	<u>\$7,268,434</u>

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - STREET MAINTENANCE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,079,852	\$1,079,852	\$1,079,852	
Resources (inflows)				
Licenses and permits	6,000	10,000	10,080	\$80
Intergovernmental revenue	2,500,000	2,500,000	2,513,688	13,688
Refunds and reimbursements	180,000	236,000	193,423	(42,577)
Miscellaneous	10,000	3,000	3,362	362
Sale of city assets	20,000	95,000	99,157	4,157
Transfer from the general fund	4,161,000	4,272,600	3,501,900	(770,700)
Amounts available for appropriation	7,956,852	8,196,452	7,401,462	(794,990)
Charges to appropriations (outflows)				
Public works:				
Street department:				
Personal services	4,042,700	4,042,700	3,893,441	149,259
Operating expenditures	2,342,799	2,440,520	1,608,047	832,473
Capital outlay	1,309,850	1,311,349	846,577	464,772
Total charges to appropriations	7,695,349	7,794,569	6,348,065	1,446,504
Fund balance, December 31	\$261,503	\$401,883	\$1,053,397	\$651,514

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -**  
**PARKS, RECREATION AND CULTURAL ARTS FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$328,643	\$328,643	\$328,643	
Resources (inflows)				
Intergovernmental revenue	35,000	35,000	29,095	(\$5,905)
Charges for services	3,786,000	3,681,000	3,635,997	(45,003)
Refunds and reimbursements	53,000	55,000	58,396	3,396
Miscellaneous	35,000	35,000	39,410	4,410
Sale of city assets	325,000	293,000	313,555	20,555
Transfer from the general fund	6,215,000	6,215,000	5,576,000	(639,000)
Amounts available for appropriation	10,777,643	10,642,643	9,981,096	(661,547)
Charges to appropriations (outflows)				
Leisure services:				
Parks, recreation and cultural arts department:				
Personal services	6,063,200	5,933,200	5,561,941	371,259
Operating expenditures	4,366,391	4,359,806	3,952,226	407,580
Capital outlay	336,239	336,239	297,839	38,400
Total charges to appropriations	10,765,830	10,629,245	9,812,006	817,239
Fund balance, December 31	\$11,813	\$13,398	\$169,090	\$155,692

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - FRAZE PAVILION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$2,474,457	\$2,474,457	\$2,474,457	
Resources (inflows)				
Charges for services	3,625,000	4,431,000	4,551,763	\$120,763
Refunds and reimbursements			1,295	1,295
Miscellaneous	405,000	520,000	537,964	17,964
Amounts available for appropriation	6,504,457	7,425,457	7,565,479	140,022
Charges to appropriations (outflows)				
Leisure services:				
Fraze pavilion:				
Personal services	1,053,900	1,248,900	1,212,545	36,355
Operating expenditures	3,284,609	4,401,609	4,191,384	210,225
Total charges to appropriations	4,338,509	5,650,509	5,403,929	246,580
Fund balance, December 31	\$2,165,948	\$1,774,948	\$2,161,550	\$386,602

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION**
**BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE -  
 COMMUNITY DEVELOPMENT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$1,355,009	\$1,355,009	\$1,355,009	
Resources (inflows)				
Intergovernmental revenue	1,233,565	1,233,565	660,502	(\$573,063)
Investment earnings	1,000	1,000	404	(596)
Refunds and reimbursements				
Miscellaneous	7,600	7,600	11,614	4,014
Sale of city assets	108,000	108,000	20,533	(87,467)
Transfer from the general fund				
Amounts available for appropriation	2,705,174	2,705,174	2,048,062	(657,112)
Charges to appropriations (outflows)				
General government	1,116,787	1,116,787	646,793	469,994
Capital improvements	431,008	491,002	267,441	223,561
Total charges to appropriations	1,547,795	1,607,789	914,234	693,555
Fund balance, December 31	\$1,157,379	\$1,097,385	\$1,133,828	\$36,443

See accompanying notes to the required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION****BUDGET(GAAP BUDGET) TO ACTUAL COMPARISON SCHEDULE - EMERGENCY MEDICAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Fund balance, January 1	\$599,912	\$599,912	\$599,912	
Resources (inflows)				
Charges for services	362,000	375,000	377,854	\$2,854
Investment earnings			9,574	9,574
Transfer from the general fund				
Amounts available for appropriation	961,912	974,912	987,340	12,428
Charges to appropriations (outflows)				
Fire:				
Operating expenditures	31,327	30,639	18,513	12,126
Capital outlay				0
Total fire	31,327	30,639	18,513	12,126
Capital Improvements				
Transfer to the capital projects fund				
Total charges to appropriations	31,327	30,639	18,513	12,126
Fund balance, December 31	\$930,585	\$944,273	\$968,827	\$24,554

See accompanying notes to the required supplementary information.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**1. BUDGETS AND BUDGETARY ACCOUNTING**

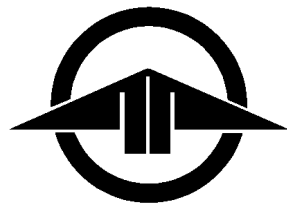
An annual budget for all governmental fund types covering the period January 1 through December 31 of the following year showing estimated revenues and expenditures is submitted to the County Auditor as Secretary of the County Budget Commission. The budget is passed by City Council, after public hearings 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, 2016**

	State Highway	Cemetery	Police Pension	DESC Reuse	Special Safety Grants & Programs	Total Governmental Funds
<b>ASSETS</b>						
Pooled cash and investments	\$110	\$422,931	\$173,269	\$52,916	\$2,610,380	\$3,259,606
Receivables:						
Property taxes			284,000			284,000
Accounts				1,955	500	2,455
Due from other governments	96,964		21,662	808	73,221	192,655
Prepaid expenditures					3,481	3,481
Total assets	<u>\$97,074</u>	<u>\$422,931</u>	<u>\$478,931</u>	<u>\$55,679</u>	<u>\$2,687,582</u>	<u>\$3,742,197</u>
<b>LIABILITIES</b>						
Accounts payable	\$368			\$23,844	\$224,952	\$249,164
Accrued payroll			\$162,782		4,494	167,276
Total liabilities	<u>368</u>		<u>162,782</u>	<u>23,844</u>	<u>229,446</u>	<u>416,440</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes			284,000			284,000
Grants and other taxes	84,067		21,500		17,103	122,670
Total deferred inflows of resources	<u>84,067</u>		<u>305,500</u>		<u>17,103</u>	<u>406,670</u>
<b>FUND BALANCES</b>						
Nonspendable: Prepaids						
Restricted for:						
Public safety			10,649		334,997	345,646
Road construction / Public works	12,639					12,639
Leisure services					35,253	35,253
Municipal court activities					1,744,044	1,744,044
Committed to:						
Social services					4,706	4,706
Public safety					13,020	13,020
Leisure services		\$422,931			309,013	731,944
Other purposes				31,835		31,835
Total fund balances	<u>12,639</u>	<u>422,931</u>	<u>10,649</u>	<u>31,835</u>	<u>2,441,033</u>	<u>2,919,087</u>
Total liab, defer inflows & fund bals	<u>\$97,074</u>	<u>\$422,931</u>	<u>\$478,931</u>	<u>\$55,679</u>	<u>\$2,687,582</u>	<u>\$3,742,197</u>

NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCES - BUDGET AND ACTUAL (GAAP BUDGET)  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	State Highway			Cemetery		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes						
Intergovernmental revenue	\$677,000	\$662,769	(\$14,231)			
Charges for services				\$11,000	\$11,811	\$811
Fines and forfeits						
Investment earnings	1,000	2,295	1,295	4,000	4,104	104
Refunds and reimbursements				1,000	1,000	
Miscellaneous				3,000	5,420	2,420
Total revenues	<u>678,000</u>	<u>665,064</u>	<u>(12,936)</u>	<u>19,000</u>	<u>22,335</u>	<u>3,335</u>
EXPENDITURES						
Current:						
General government				30,000	21,001	8,999
Police						
Fire						
Public works	205,000	144,548	60,452			
Leisure services						
Capital improvements	662,250	658,845	3,405			
Total expenditures	<u>867,250</u>	<u>803,393</u>	<u>63,857</u>	<u>30,000</u>	<u>21,001</u>	<u>8,999</u>
Excess (deficiency) of revenues over expenditures	(189,250)	(138,329)	50,921	(11,000)	1,334	12,334
OTHER FINANCING SOURCES (USES)						
Transfers in	88,750	13,300	(75,450)			
Transfers out						
Sale of city assets						
Net change in fund balance	(100,500)	(125,029)	(24,529)	(11,000)	1,334	12,334
Fund balances--beginning	137,668	137,668		421,597	421,597	
Fund balances--ending	<u>\$37,168</u>	<u>\$12,639</u>	<u>(\$24,529)</u>	<u>\$410,597</u>	<u>\$422,931</u>	<u>\$12,334</u>

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - BUDGET AND ACTUAL (GAAP BUDGET) - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Police Pension			DESC Reuse		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes	\$284,000	\$283,939	(\$61)			
Intergovernmental revenue	43,000	42,972	(28)			
Charges for services				\$69,000	\$68,163	(\$837)
Fines and forfeits						
Investment earnings						
Refunds and reimbursements		7	7	12,000	12,374	374
Miscellaneous						
Total revenues	<u>327,000</u>	<u>326,918</u>	<u>(82)</u>	<u>81,000</u>	<u>80,537</u>	<u>(463)</u>
EXPENDITURES						
Current:						
General government				319,976	188,819	131,157
Police	1,655,700	1,602,521	53,179			
Fire						
Public works						
Leisure services						
Capital improvements						
Total expenditures	<u>1,655,700</u>	<u>1,602,521</u>	<u>53,179</u>	<u>319,976</u>	<u>188,819</u>	<u>131,157</u>
Excess (deficiency) of revenues over expenditures	(1,328,700)	(1,275,603)	53,097	(238,976)	(108,282)	130,694
OTHER FINANCING SOURCES (USES)						
Transfers in	1,332,000	1,276,000	(56,000)	221,000	86,000	(135,000)
Transfers out						
Sale of city assets						
Net change in fund balance	<u>3,300</u>	<u>397</u>	<u>(2,903)</u>	<u>(17,976)</u>	<u>(22,282)</u>	<u>(4,306)</u>
Fund balances--beginning	10,252	10,252		54,117	54,117	
Fund balances--ending	<u>\$13,552</u>	<u>\$10,649</u>	<u>(\$2,903)</u>	<u>\$36,141</u>	<u>\$31,835</u>	<u>(\$4,306)</u>

NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCES - BUDGET AND ACTUAL (GAAP BUDGET) - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Safety Grants & Programs			Total		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
REVENUES						
Property taxes				\$284,000	\$283,939	(\$61)
Intergovernmental revenue	\$406,197	\$324,345	(\$81,852)	1,126,197	1,030,086	(96,111)
Charges for services				80,000	79,974	(26)
Fines and forfeits	534,000	525,618	(8,382)	534,000	525,618	(8,382)
Investment earnings	1,000	18,347	17,347	6,000	24,746	18,746
Refunds and reimbursements		10,491	10,491	13,000	23,872	10,872
Miscellaneous	117,000	122,707	5,707	120,000	128,127	8,127
Total revenues	1,058,197	1,001,508	(56,689)	2,163,197	2,096,362	(66,835)
EXPENDITURES						
Current:						
General government	1,018,980	612,208	406,772	1,368,956	822,028	546,928
Police	422,435	298,231	124,204	2,078,135	1,900,752	177,383
Fire	3,532	2,532	1,000	3,532	2,532	1,000
Public works	6,725	6,725	0	211,725	151,273	60,452
Leisure services	73,684	31,518	42,166	73,684	31,518	42,166
Capital improvements	57,805	43,035	14,770	720,055	701,880	18,175
Total expenditures	1,583,161	994,249	588,912	4,456,087	3,609,983	846,104
Excess (deficiency) of revenues over expenditures	(524,964)	7,259	532,223	(2,292,890)	(1,513,621)	779,269
OTHER FINANCING SOURCES (USES)						
Transfers in	8,018	7,222	(796)	1,649,768	1,382,522	(267,246)
Transfers out						
Sale of city assets						
Net change in fund balance	(516,946)	14,481	531,427	(643,122)	(131,099)	512,023
Fund balances--beginning	2,426,552	2,426,552		3,050,186	3,050,186	
Fund balances--ending	\$1,909,606	\$2,441,033	\$531,427	\$2,407,064	\$2,919,087	\$512,023

DEBT SERVICE FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual	Variance
REVENUES			
Property taxes	\$748,000	\$747,707	(\$293)
Intergovernmental revenue	114,000	113,160	(840)
Charges for services	1,125,000	1,133,564	8,564
Investment earnings	10,000	6,403	(3,597)
Refunds and reimbursements	40,000	40,000	
Total revenues	<u>2,037,000</u>	<u>2,040,834</u>	<u>3,834</u>
EXPENDITURES			
Current:			
General government	68,416	54,715	13,701
Debt service:			
Principal	1,547,660	1,547,660	
Interest	<u>874,380</u>	<u>874,380</u>	
Total expenditures	<u>2,490,456</u>	<u>2,476,755</u>	<u>13,701</u>
Deficiency of revenues over expenditures	(453,456)	(435,921)	17,535
OTHER FINANCING SOURCES (USES)			
Transfers in	404,000	404,000	
Net change in fund balance	<u>(49,456)</u>	<u>(31,921)</u>	<u>17,535</u>
Fund balances--beginning	<u>1,116,296</u>	<u>1,116,296</u>	
Fund balances--ending	<u><u>\$1,066,840</u></u>	<u><u>\$1,084,375</u></u>	<u><u>\$17,535</u></u>

CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL (GAAP BUDGET)  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Final Budget	Actual	Variance
REVENUES			
Property taxes			
Payments in lieu of taxes	\$272,000	\$276,396	\$4,396
Intergovernmental revenue	2,701,533	2,567,500	(134,033)
Investment earnings	285,000	414,207	129,207
Special assessments	664,000	664,908	908
Refunds and reimbursements	67,000	66,152	(848)
Miscellaneous			
Total revenues	<u>3,989,533</u>	<u>3,989,163</u>	<u>(370)</u>
EXPENDITURES			
Capital improvements	<u>32,498,042</u>	<u>19,145,678</u>	<u>13,352,364</u>
Total expenditures	<u>32,498,042</u>	<u>19,145,678</u>	<u>13,352,364</u>
Deficiency of revenues over expenditures	(28,508,509)	(15,156,515)	13,351,994
OTHER FINANCING SOURCES (USES)			
Transfers in	5,994,000	3,697,143	(2,296,857)
Sale of City Assets	<u>3,000</u>	<u>2,919</u>	
Net change in fund balance	(22,511,509)	(11,456,453)	11,055,137
Fund balances--beginning	<u>52,743,725</u>	<u>52,743,725</u>	
Fund balances--ending	<u>\$30,232,216</u>	<u>\$41,287,272</u>	<u>\$11,055,137</u>

CAPITAL PROJECTS FUND  
DETAILED SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (GAAP BUDGET)  
FOR THE YEAR ENDED DECEMBER 31, 2016

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	Final Budget	Actual	Variance
Capital improvements:			
Traffic controls	\$1,609,666	\$658,533	\$951,133
Street construction	9,541,366	8,314,123	1,227,243
Drainage	50,000	32,698	17,302
Parks and recreation	2,652,418	1,669,771	982,647
Tree planting and landscaping	243,306	184,386	58,920
Other	18,401,286	8,286,167	10,115,119
Total capital projects fund	<u>\$32,498,042</u>	<u>\$19,145,678</u>	<u>\$13,352,364</u>

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	Administrative Operations	Health Insurance	Totals
ASSETS			
Current Assets:			
Pooled cash and investments	\$517,849	\$4,388,681	\$4,906,530
Accounts receivable	2,440	1,862	4,302
Prepaid expenses	39,316		39,316
Inventory	358,474		358,474
Total current assets	918,079	4,390,543	5,308,622
Noncurrent Assets:			
Capital assets:			
Buildings and improvements	757,936		757,936
Machinery and equipment	2,396,902		2,396,902
Less: Accumulated depreciation	(2,140,075)		(2,140,075)
Total noncurrent assets	1,014,763		1,014,763
Total assets	1,932,842	4,390,543	6,323,385
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	1,453,905		1,453,905
Total deferred outflows	1,453,905		1,453,905
LIABILITIES			
Current Liabilities:			
Accounts payable	131,064	231	131,295
Accrued payroll	89,483		89,483
Accrued health claims		455,052	455,052
Total current liabilities	220,547	455,283	675,830
Noncurrent liabilities:			
Accrued vacation and sick benefits due within 1 year	259,141		259,141
Accrued vacation and sick benefits due in more than 1 year	180,081		180,081
Net pension liability	3,504,193		3,504,193
Total noncurrent liabilities	3,943,415		3,943,415
Total liabilities	4,163,962	455,283	4,619,245
DEFERRED INFLOWS OF RESOURCES			
Pensions	86,350		86,350
Total deferred inflows	86,350		86,350
NET POSITION			
Net investment in capital assets	1,014,763		1,014,763
Unrestricted	(1,878,328)	3,935,260	2,056,932
Total net position	(\$863,565)	\$3,935,260	\$3,071,695

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Administrative Operations	Health Insurance	Totals
OPERATING REVENUES			
Charges for services	\$6,407,319	\$6,755,994	\$13,163,313
Total operating revenues	6,407,319	6,755,994	13,163,313
OPERATING EXPENSES			
Personal services	3,785,678		3,785,678
Repairs and maintenance	1,201,123		1,201,123
Contractual services	716,113	5,492,437	6,208,550
Other materials and expenses	496,111		496,111
Depreciation	253,568		253,568
Total operating expenses	6,452,593	5,492,437	11,945,030
Operating income (loss)	(45,274)	1,263,557	1,218,283
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	6,087	25,810	31,897
Change in net position	(39,187)	1,289,367	1,250,180
Total net position--beginning	(824,378)	2,645,893	1,821,515
Total net position--ending	(\$863,565)	\$3,935,260	\$3,071,695

INTERNAL SERVICE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2016  
 Increase (Decrease) in cash

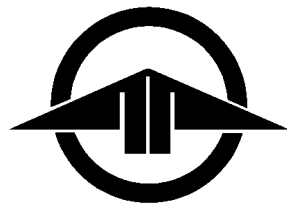
	Administrative Operations	Health Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for services	\$6,397,592	\$6,754,731	\$13,152,323
Cash paid to suppliers for goods or services	(2,313,099)	(5,621,234)	(7,934,333)
Cash paid to employees for services	(3,794,753)		(3,794,753)
Net cash provided (used) by operating activities	289,740	1,133,497	1,423,237
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(215,650)		(215,650)
Sale of capital assets	8,859		8,859
Net cash used by capital and related financing activities	(206,791)		(206,791)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	6,087	25,810	31,897
Net cash provided by investing activities	6,087	25,810	31,897
Net increase (decrease) in cash	89,036	1,159,307	1,248,343
Cash at beginning of year	428,813	3,229,374	3,658,187
Cash at end of year	\$517,849	\$4,388,681	\$4,906,530
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	(\$45,274)	\$1,263,557	\$1,218,283
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	253,568		253,568
Increase (decrease) in net pension liability	1,067,032		1,067,032
(Increase) decrease in deferred outflows - pension	(932,497)		(932,497)
Increase (decrease) in deferred inflows - pension	41,483		41,483
(Increase) decrease in receivables	(869)	(1,262)	(2,131)
(Increase) decrease in inventories	(24,065)		(24,065)
Increase (decrease) in accounts payable	(12,388)	(11,459)	(23,847)
Increase (decrease) in accrued health claims		(117,339)	(117,339)
Net (increase) decrease in other operating net position	(57,250)		(57,250)
Net cash provided (used) by operating activities	\$289,740	\$1,133,497	\$1,423,237

AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance December 31 2015	Additions	Deductions	Balance December 31 2016
<u>PAYROLL WITHHOLDING FUND</u>				
ASSETS - Cash	\$564,930	\$12,487,637	\$12,502,228	\$550,339
LIABILITIES - Withholdings payable	\$564,930	\$12,487,637	\$12,502,228	\$550,339
<u>MUNICIPAL COURT FUND</u>				
ASSETS - Investments with fiscal agent	\$320,787	\$3,508,361	\$3,526,028	\$303,120
LIABILITIES - Undistributed moneys	\$320,787	\$3,508,361	\$3,526,028	\$303,120
<u>UNCLAIMED MONEY AND OTHER MISCELLANEOUS FUND</u>				
ASSETS - Cash	\$8,205	\$60,426	\$29,550	\$39,081
LIABILITIES				
Accounts payable	\$5,474	\$50,651	\$26,701	\$29,424
Unclaimed moneys	2,731	9,775	2,849	9,657
Total liabilities	\$8,205	\$60,426	\$29,550	\$39,081
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash	\$573,135	\$12,548,063	\$12,531,778	\$589,420
Investments with fiscal agent	320,787	3,508,361	3,526,028	303,120
Total assets	\$893,922	\$16,056,424	\$16,057,806	\$892,540
LIABILITIES				
Accounts payable	\$5,474	\$50,651	\$26,701	\$29,424
Withholdings payable	564,930	12,487,637	12,502,228	550,339
Undistributed moneys	320,787	3,508,361	3,526,028	303,120
Unclaimed moneys	2,731	9,775	2,849	9,657
Total liabilities	\$893,922	\$16,056,424	\$16,057,806	\$892,540

DEBT SCHEDULE  
DECEMBER 31, 2016

PURPOSE	Schedule of Bonds and Notes						
	Date Issued	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding	Payments Due in 2017	
						Principal	Interest
General Obligation Bonds:							
Court facility refunding	2/4/2015	1.0-4.0	12/1/2024	\$2,215,000	\$1,950,000	\$230,000	\$46,600
Court facility refunding premium					62,616		
Recreation & parks improvement	5/28/2009	3.0-5.0	12/1/2028	12,300,000	8,615,000	570,000	357,518
Recreation & parks improv premium					148,145		
Fire station improvement	2/4/2015	1.0-4.0	12/1/2034	15,500,000	14,375,000	630,000	422,850
Fire station improvement premium					186,318		
Total general obligation bonds					<u>25,337,079</u>	<u>1,430,000</u>	<u>826,968</u>
Promissory Notes:							
Ohio public works commission:							
Spaulding Road	12/1/2001	0.00	7/1/2022	1,520,719	456,215	76,036	0
Bigger Road	12/1/2001	3.00	7/1/2023	511,071	214,286	27,947	6,221
County Line Widening	12/31/2002	0.00	1/1/2023	686,098	222,982	34,305	0
Ridgeway Bridge Rehab	12/31/2004	1.00	7/1/2025	380,000	180,405	19,255	1,756
Total promissory notes					<u>1,073,888</u>	<u>157,543</u>	<u>7,977</u>
Total					<u>\$26,410,967</u>	<u>\$1,587,543</u>	<u>\$834,945</u>



CITY OF KETTERING

## STATISTICAL SECTION

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

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

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

## SCHEDULE 1

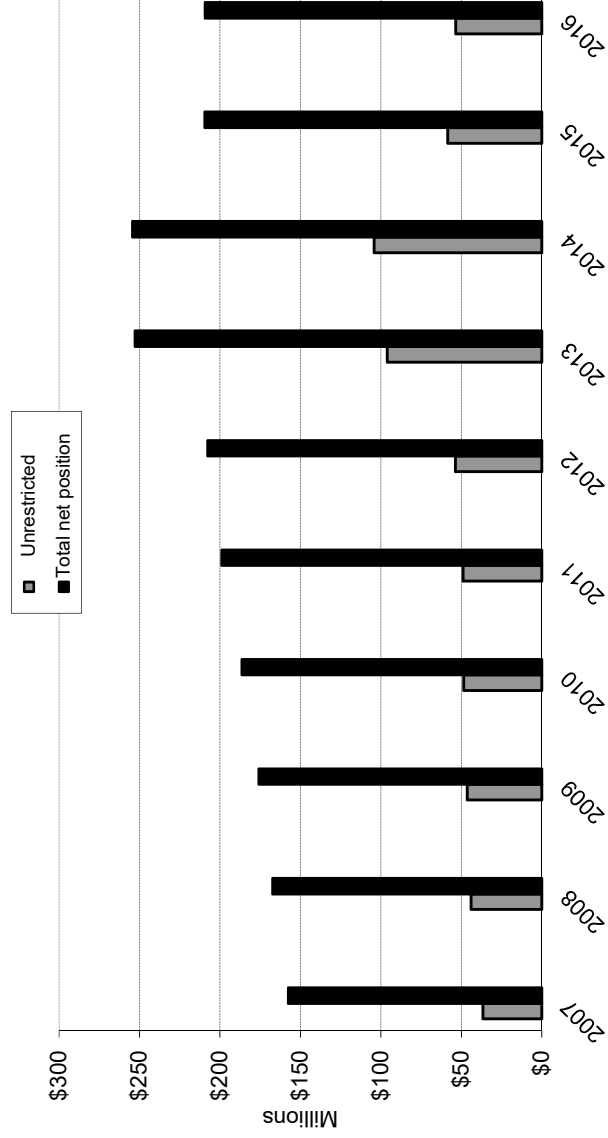
## NET POSITION BY CATEGORY

## LAST TEN YEARS (accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$113,438,967	\$113,942,666	\$105,196,955	\$124,238,000	\$134,783,717	\$138,528,286	\$141,039,021	\$145,363,355	\$145,786,739	\$150,978,928
Restricted for:										
Debt service	16,697	12,367	715,127	797,685	872,911	867,379	834,621	901,840	1,116,296	1,084,375
Social services	1,495,228	1,409,593	1,691,954	1,913,673	1,858,591	1,412,417	1,654,973	1,364,088	1,394,703	1,219,193
Public safety	4,550,806	6,472,806	8,422,177	9,189,154	10,725,180	11,231,818	11,346,847	770,562	516,345	432,816
Leisure services	64,198	58,234	12,064,953	86,165	16,073	35,726	46,416	32,138	54,890	52,356
Municipal court activities	876,020	1,054,048	1,236,513	1,399,197	1,537,730	1,632,059	1,624,709	1,638,022	1,681,096	1,744,044
Other purposes	327,576	279,542	171,133	204,394	158,709	98,742	149,788	152,478	209,169	96,706
Unrestricted	36,673,435	44,019,123	46,312,490	48,507,291	48,971,606	53,724,515	96,058,893	104,189,524	58,559,952	53,535,178
Total net position	\$157,442,927	\$167,248,379	\$175,811,302	\$186,335,559	\$198,924,517	\$207,530,942	\$252,755,268	\$254,412,007	\$209,319,190	\$209,143,596

**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.

## Net Position (accrual basis)



# CITY OF KETTERING, OHIO

## SCHEDULE 2

### CHANGES IN NET POSITION

#### LAST TEN YEARS (accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
General government	\$17,232,295	\$13,755,091	\$13,175,646	\$12,813,463	\$13,824,699	\$14,533,955	\$14,294,069	\$15,387,775	\$15,594,623	\$15,634,860
Police	12,849,315	13,760,327	13,658,265	14,161,364	14,346,393	14,631,811	14,806,948	15,015,613	15,855,597	17,158,438
Fire	8,932,687	9,666,999	9,968,087	10,504,095	10,533,420	10,903,086	11,303,884	11,574,483	12,238,987	14,562,573
Public works	12,263,789	13,404,095	12,901,084	13,425,510	13,388,960	14,186,561	13,722,684	14,548,773	14,824,412	14,974,876
Leisure services	12,234,615	13,254,478	12,836,109	13,038,928	13,840,098	14,030,681	14,949,267	15,285,794	15,228,586	17,396,893
Interest on long term debt	1,148,457	1,144,483	504,262	671,334	635,755	585,092	547,172	526,129	928,772	840,510
Total expenses	64,661,158	64,985,473	63,043,453	64,614,694	66,569,325	68,871,186	69,627,770	72,338,567	74,670,977	80,568,150
<b>Program Revenues</b>										
Charges for services:										
General government	2,623,279	2,644,901	2,443,428	2,475,623	2,428,295	2,530,640	2,377,070	2,321,931	2,676,780	2,600,210
Fire	1,433,964	1,522,104	1,430,458	1,407,084	1,638,795	1,529,866	1,444,912	1,511,654	1,604,628	1,618,549
Leisure services	5,852,344	6,439,659	6,001,520	6,142,517	6,650,937	6,999,653	7,222,684	7,643,607	7,523,924	8,187,761
Other activities	64,520	85,171	63,138	42,761	40,415	48,366	57,993	47,542	38,660	37,977
Operating grants and contributions	1,225,065	2,367,960	1,484,287	1,594,869	725,501	1,431,456	1,790,624	1,434,454	2,188,592	1,712,929
Capital grants and contributions:										
Public works	3,286,179	1,677,377	3,692,950	4,944,692	9,465,720	4,812,912	5,000,557	2,922,365	1,290,531	3,950,236
Other activities	302,002	36,521	163,106	1,286,315	584,159	771,398	271,331	72,935	26,296	20,815
Total program revenues	14,787,353	14,773,693	15,278,887	17,893,861	21,533,822	18,124,291	18,165,171	15,954,488	15,349,411	18,128,477
<b>Net (Expense)/Revenue <sup>1</sup></b>										
General government	(13,528,315)	(10,308,033)	(9,710,841)	(7,945,813)	(10,483,009)	(10,504,831)	(10,730,626)	(12,330,676)	(11,520,415)	(11,958,063)
Police	(12,776,771)	(13,656,869)	(13,526,758)	(14,120,321)	(14,293,832)	(14,558,780)	(14,768,131)	(14,957,063)	(15,802,411)	(17,124,082)
Fire	(7,495,208)	(8,144,890)	(8,537,529)	(9,096,708)	(8,894,525)	(9,373,220)	(9,858,972)	(10,060,676)	(10,600,358)	(12,941,202)
Public works	(8,935,470)	(10,692,207)	(9,200,350)	(8,464,176)	(3,917,494)	(9,360,343)	(8,703,648)	(11,616,128)	(13,511,013)	(11,009,852)
Leisure services	(5,989,584)	(6,265,298)	(6,284,826)	(6,422,481)	(6,810,888)	(6,364,629)	(6,854,050)	(6,893,407)	(6,958,597)	(8,565,964)
Interest on long term debt	(1,148,457)	(1,144,483)	(504,262)	(671,334)	(635,755)	(585,092)	(547,172)	(526,129)	(928,772)	(840,510)
Total net expense	(49,873,805)	(50,211,780)	(47,764,566)	(46,720,833)	(45,035,503)	(50,746,895)	(51,462,599)	(56,384,079)	(59,321,566)	(62,439,673)
<b>General Revenues</b>										
Taxes										
Income taxes	37,037,639	38,381,641	34,846,179	37,352,248	36,303,996	42,345,005	39,240,269	42,905,808	44,596,261	47,782,561
Property taxes, levied for general purposes	8,054,971	8,220,419	8,094,861	8,117,860	7,920,953	7,278,599	7,161,176	5,821,692	5,585,311	5,672,208
Property taxes, levied for debt service	1,288,494	1,303,288	1,252,025	1,276,080	975,771	897,462	883,105	763,381	735,848	747,707
Other taxes	7,849,842	8,607,168	7,464,283	7,630,175	10,292,717	6,253,383	47,022,663	4,782,894	3,897,584	3,771,345
Investment earnings	2,094,842	1,954,419	2,963,720	1,173,152	629,983	791,959	305,672	563,252	651,249	1,038,317
Refunds & reimbursements	1,249,838	1,296,369	1,484,720	1,516,425	1,271,393	1,801,694	1,938,118	1,936,888	1,798,358	1,736,932
Miscellaneous	244,846	253,928	221,701	179,150	229,648	186,924	135,922	1,266,903	1,576,009	1,515,009
Total general revenues	57,820,472	60,017,232	56,327,489	57,245,090	57,624,641	59,555,026	96,686,925	58,040,818	58,840,620	62,264,079
<b>Change in Net Position</b>	<b>\$7,946,667</b>	<b>\$9,805,452</b>	<b>\$8,562,923</b>	<b>\$10,524,257</b>	<b>\$12,588,958</b>	<b>\$8,808,131</b>	<b>\$45,224,326</b>	<b>\$1,656,739</b>	<b>(\$480,946)</b>	<b>(\$175,594)</b>

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

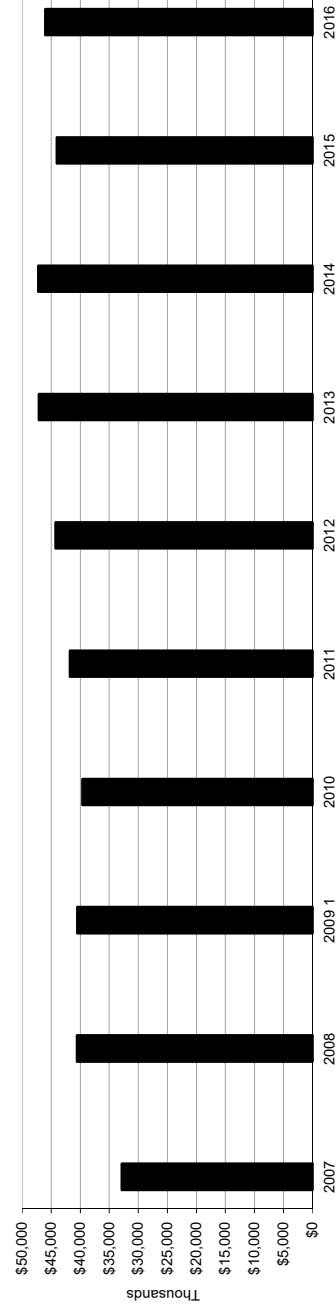
## SCHEDULE 3

## FUND BALANCES, GOVERNMENTAL FUNDS

## LAST TEN YEARS (modified accrual basis of accounting)

	Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$1,309,942	\$873,976								
Unreserved	31,525,822	39,652,679								
Nonspendable			\$20,601	\$24,580	\$23,113	\$16,988	\$18,449	\$256,066	\$1,458,395	\$3,018,822
Committed			851,917	642,664	621,688	1,517,592	2,178,599	2,570,595	5,758,268	4,676,778
Assigned			237,019	104,717					5,752,730	5,056,600
Unassigned			39,347,709	38,823,402	41,119,258	42,706,182	44,877,690	44,395,102	31,021,920	33,259,603
Total general fund	<u>\$32,835,764</u>	<u>\$40,526,655</u>	<u>\$40,457,246</u>	<u>\$39,595,363</u>	<u>\$41,764,059</u>	<u>\$44,240,762</u>	<u>\$47,074,738</u>	<u>\$47,221,763</u>	<u>\$43,991,313</u>	<u>\$46,011,803</u>
All Other Governmental Funds										
Reserved	\$2,799,221	\$3,621,226								
Unreserved, reported in:										
Special revenue funds	6,350,672	7,336,947								
Debt service fund	16,697	12,367								
Capital project fund	1,196,328	19,910								
Nonspendable, reported in:										
Special revenue funds			\$205,878	\$145,322	\$149,325	\$147,470	\$205,180	\$493,470	\$260,042	\$304,729
Restricted, reported in:										
Special revenue funds			10,998,459	12,249,153	13,930,248	14,101,831	14,275,357	3,693,414	3,657,802	3,271,410
Debt service fund			715,127	797,685	872,911	867,379	834,621	901,840	1,116,296	1,084,375
Capital project fund			12,012,909	6,834,838					5,519,305	59,300
Committed, reported in:										
Special revenue funds			1,802,782	2,266,782	2,645,510	3,169,632	3,660,390	4,547,399	4,970,215	4,829,640
Capital project fund			4,101,197	5,956,668	4,161,787	2,022,492	41,243,102	46,848,146	47,224,420	41,227,972
Unassigned, reported in:										
Special revenue funds			(427,369)	(379,052)	(501,760)		(242,312)	(111,184)		
Total all other governmental funds	<u>\$10,362,918</u>	<u>\$10,990,450</u>	<u>\$29,408,983</u>	<u>\$27,871,396</u>	<u>\$21,258,021</u>	<u>\$20,308,804</u>	<u>\$59,976,338</u>	<u>\$56,373,085</u>	<u>\$62,748,080</u>	<u>\$50,777,426</u>

General Fund Balance



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

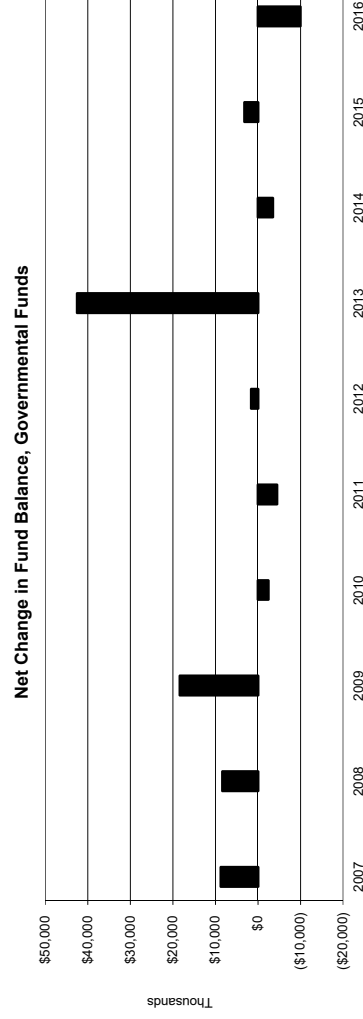
# CITY OF KETTERING, OHIO

## SCHEDULE 4

### CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

#### LAST TEN YEARS (modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>REVENUES</b>										
Income taxes	\$37,128,614	\$38,244,422	\$35,321,466	\$36,417,018	\$37,392,845	\$39,891,659	\$39,386,072	\$41,624,574	\$44,120,027	\$46,876,012
Property taxes	9,341,465	9,399,507	9,345,887	9,391,640	8,970,024	8,131,160	8,043,981	7,649,073	6,321,159	6,419,914
Licenses and permits	567,742	626,290	528,823	491,322	459,696	525,190	538,267	524,535	716,026	639,347
Intergovernmental revenue	11,238,227	10,158,897	11,890,457	14,648,675	20,011,549	11,090,451	50,075,115	7,781,607	6,783,492	8,701,687
Charges for services	7,517,918	8,152,788	7,663,257	7,730,157	8,352,103	8,794,951	8,937,684	9,349,002	9,370,812	9,978,265
Fines and forfeits	1,919,736	1,867,005	1,780,070	1,835,344	1,828,209	1,837,695	1,640,474	1,586,868	1,732,868	1,719,753
Investment earnings	2,094,842	1,954,417	2,963,721	1,173,151	629,984	791,959	305,673	563,252	651,249	1,038,318
Special assessments	978,014	1,024,719	1,006,879	1,019,237	924,751	965,122	961,250	934,463	1,015,407	1,080,565
Refunds and reimbursements	1,993,372	2,898,427	2,101,691	2,931,420	2,181,056	2,227,342	2,884,888	2,674,641	2,497,078	2,386,191
Miscellaneous	555,991	691,840	555,813	560,693	523,814	754,921	737,739	812,423	1,146,765	1,056,410
<b>Total revenues</b>	<b>73,335,921</b>	<b>75,018,312</b>	<b>73,158,064</b>	<b>76,198,657</b>	<b>81,274,031</b>	<b>75,010,450</b>	<b>113,511,143</b>	<b>73,500,438</b>	<b>74,354,883</b>	<b>79,896,462</b>
<b>EXPENDITURES</b>										
Current:										
General government	12,117,032	12,558,705	12,153,096	12,476,529	12,050,675	12,553,463	12,815,451	13,863,291	14,845,101	14,057,455
Police	12,828,081	13,576,481	13,641,191	13,976,571	14,398,245	14,822,534	14,957,275	15,117,925	16,152,056	16,408,363
Fire	8,807,160	9,553,065	9,564,579	11,028,998	10,357,123	10,794,655	10,935,461	12,648,860	12,324,248	12,709,452
Public works	8,117,038	10,145,609	8,514,496	8,391,628	8,631,543	8,395,339	8,314,119	9,072,077	9,664,515	9,365,153
Leisure services	11,387,262	12,487,222	12,084,992	12,173,718	12,450,737	12,551,728	13,361,886	13,727,217	13,727,146	15,247,453
Capital improvements	9,676,701	6,652,398	10,221,062	18,983,100	25,101,663	13,270,898	9,546,221	11,342,544	18,193,929	20,114,999
Debt service:										
Principal	667,018	642,739	775,290	1,021,134	1,062,000	1,092,888	848,799	869,735	1,440,945	1,547,660
Interest	1,144,194	1,140,310	463,231	672,521	637,150	599,394	559,885	539,555	824,584	874,380
<b>Total expenditures</b>	<b>64,744,486</b>	<b>66,756,529</b>	<b>67,417,937</b>	<b>78,724,199</b>	<b>84,689,136</b>	<b>74,080,899</b>	<b>71,338,897</b>	<b>77,181,204</b>	<b>87,172,524</b>	<b>90,324,915</b>
Excess (deficiency) of revenues over expenditures	8,591,435	8,261,783	5,740,127	(2,525,542)	(3,415,105)	929,551	42,172,246	(3,680,766)	(12,817,641)	(10,428,453)
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	8,733,378	9,835,396	15,445,122	15,221,132	10,508,166	11,903,130	10,434,938	24,189,786	17,163,833	14,561,565
Transfers out	(8,733,378)	(9,835,396)	(15,445,122)	(15,221,132)	(11,658,166)	(11,903,130)	(10,434,938)	(24,189,786)	(17,163,833)	(14,561,565)
General obligation debt issuance			12,539,751						15,734,713	
Sale of city assets	110,201	56,640	69,246	126,073	120,426	597,935	329,264	224,538	227,473	478,289
<b>Net change in fund balance</b>	<b>\$8,701,636</b>	<b>\$8,318,423</b>	<b>\$18,349,124</b>	<b>(\$2,399,469)</b>	<b>(\$4,444,679)</b>	<b>\$1,527,486</b>	<b>\$42,501,510</b>	<b>(\$3,456,228)</b>	<b>\$3,144,545</b>	<b>(\$9,950,164)</b>
Debt service as a percentage of noncapital expenditures	3.29%	2.96%	2.16%	2.85%	2.79%	2.72%	2.25%	2.18%	3.31%	3.42%

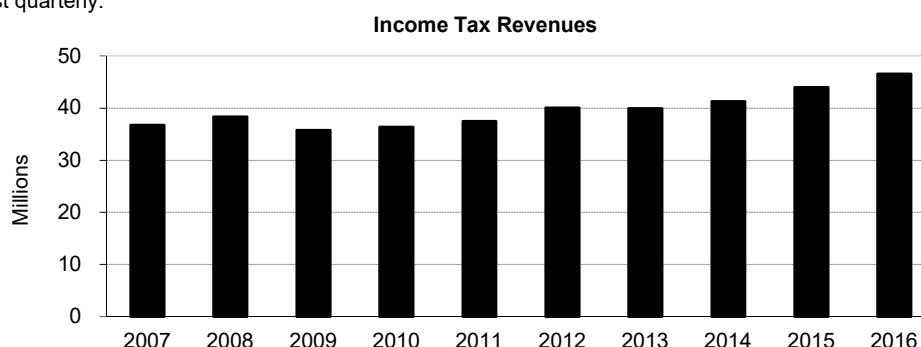


INCOME TAX BY PAYER TYPE AND INCOME TAX RATE  
LAST TEN YEARS (*cash basis of accounting*)

Year	Individual		Total			Total	Income Tax Rate
	Withholding	Non-withholding	Individual	Corporate	Partnership		
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%
2015	32,904,326	5,324,890	38,229,216	4,202,997	1,558,207	43,990,420	2.25%
2016	34,344,622	5,749,565	40,094,187	4,747,831	1,676,035	46,518,053	2.25%

Source: City of Kettering, Ohio, Finance Department

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



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

2016		2006			
Rank	Name	2016 Rank	Rank	Name	
1	Kettering Medical Center	3	1	Reynolds & Reynolds Company	
2	Synchrony Bank	1	2	Kettering Medical Center	
3	Reynolds & Reynolds Company	-	3	Delphi Automotive Systems LLC	
4	Federal Government	2 <sup>1</sup>	4	GEMB Servicing Company Inc.	
5	Kettering Board of Education	4	5	Federal Government	
6	City of Kettering	5	6	Kettering Board of Education	
7	Limited Brands Inc. & Subs	10 <sup>1</sup>	7	Kodak Versamark Inc.	
8	Tenneco Automotive Inc.	6	8	City of Kettering	
9	Charter Communications Inc.	7 <sup>1</sup>	9	Intimate Brands Inc.	
10	Eastman Kodak Company	9 <sup>1</sup>	10	Time Warner Entertainment Inc.	
Combined percentage of		Combined percentage of			
Total Income taxes		32.8%		Total Income taxes	
				38.4%	

Source: City of Kettering, Ohio, Finance Department

Due to legal restrictions and confidentiality requirements, the City cannot disclose the amount of withholdings by taxpayer.

(1) Synchrony Bank reports the activity formerly known as GEMB Servicing Company Inc.; Eastman Kodak Co. was formerly known as Kodak Versamark Inc.; Limited Brands Inc. & Subs reports the activity formerly known as Intimate Brands Inc.; Charter Communications Inc. was formerly known as Time Warner Entertainment Inc.

# CITY OF KETTERING, OHIO

## SCHEDULE 7

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Obligation Bonds	\$4,218,631	\$3,879,270	\$15,689,899	\$14,963,217	\$14,204,735	\$13,425,000	\$12,750,000	\$12,055,000	\$26,325,000	\$25,337,079
Percent of estimated actual property value	0.11%	0.10%	0.44%	0.42%	0.41%	0.42%	0.40%	0.38%	0.87%	0.84%
Per capita	73	67	273	266	253	239	227	215	469	451
Special Assessment Bonds	619,149	510,730	395,101	271,783	140,265					
Promissory Notes	2,637,298	2,442,338	2,272,048	2,100,914	1,928,915	1,756,027	1,582,228	1,407,493	1,236,548	1,073,888
Total Gross Indebtedness	7,475,078	6,832,338	18,357,048	17,335,914	16,273,915	15,181,027	14,332,228	13,462,493	27,561,548	26,410,967
Percentage of personal income	0.39%	0.35%	1.02%	0.93%	0.85%	0.77%	0.73%	0.67%	1.33%	1.27%
Per capita	130	119	319	309	290	270	255	240	491	470
Less debt outside limitations:										
Special Assessment Debt	619,149	510,730	395,101	271,783	140,265					
Promissory Notes	2,637,298	2,442,338	2,272,048	2,100,914	1,928,915	1,756,027	1,582,228	1,407,493	1,236,548	1,073,888
Less debt service fund balance	16,697	12,367	715,127	797,685	872,911	867,379	834,621	901,840	1,116,296	1,084,375
Net debt within limitations for both Voted and Unvoted debt	4,201,934	3,866,903	14,974,772	14,165,532	13,331,824	12,557,621	11,915,379	11,153,160	25,208,704	24,252,704
Debt limitation for both Voted and Unvoted debt										
10.5% of assessed valuation	132,966,025	131,355,181	129,749,975	131,262,545	128,476,660	117,348,942	117,738,192	116,866,227	111,440,775	111,308,207
Legal debt margin for Voted and Unvoted debt	\$128,764,091	\$127,488,278	\$114,775,203	\$117,097,013	\$115,144,836	\$104,791,321	\$105,822,813	\$105,713,067	\$86,232,071	\$87,055,503
Net debt within limitations for both Voted and Unvoted debt as a percentage of debt limit	3.16%	2.94%	11.54%	10.79%	10.38%	10.70%	10.12%	9.54%	22.62%	21.79%
Net debt within limitations for both Voted and Unvoted debt										
Voted and Unvoted limitation	\$4,201,934	\$3,866,903	\$14,974,772	\$14,165,532	\$13,331,824	\$12,557,621	\$11,915,379	\$11,153,160	\$25,208,704	\$24,252,704
Less voted debt	82,780	0	12,075,000	11,625,000	11,160,000	10,685,000	10,190,000	9,685,000	9,160,000	8,763,145
Net debt within limitations for Unvoted debt	4,119,154	3,866,903	2,899,772	2,540,532	2,171,824	1,872,621	1,725,379	1,468,160	16,048,704	15,489,559
Debt limitation for Unvoted debt										
5.5% of assessed valuation	69,648,870	68,805,095	67,964,273	68,756,571	67,297,298	61,468,493	61,672,386	61,215,643	58,373,739	58,304,299
Legal debt margin for Unvoted debt	\$65,529,716	\$64,938,192	\$65,064,501	\$66,216,039	\$65,125,474	\$59,595,872	\$59,947,007	\$59,747,483	\$42,325,035	\$42,814,740
Net debt within limitations for Unvoted debt as a percentage of debt limit	5.91%	5.62%	4.27%	3.69%	3.23%	3.05%	2.80%	2.40%	27.49%	26.57%

Source: City of Kettering, Ohio, Finance Department

**DIRECT AND OVERLAPPING DEBT**  
**DECEMBER 31, 2016**

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable to City of Kettering<sup>1</sup></u>	<u>Amount Applicable to City of Kettering</u>
City of Kettering	\$26,410,968	100.0%	\$26,410,968
Overlapping debt:			
Kettering City School District	68,569,000	90.2%	61,849,238
Montgomery County	20,000,000	11.7%	2,340,000
Beavercreek Local School District	86,557,000	0.8%	692,456
Total overlapping debt	175,126,000		64,881,694
Total direct and overlapping debt	<u>\$201,536,968</u>		<u>\$91,292,662</u>

Source: Individual jurisdictions.

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

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

## SCHEDULE 9

**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN YEARS**

<u>Year</u>	<u>Population</u> <sup>1</sup>	<u>Personal Income</u> <sup>2</sup>	<u>Per capita Personal Income</u> <sup>1,2</sup>	<u>Unemployment Rate</u> <sup>3</sup>	<u>Avg Sale Price for a Single Family Home</u> <sup>4</sup>	<u>Total Assessed Property Value</u> <sup>5</sup>	<u>Estimated Actual Property Value</u> <sup>5</sup>
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	8.2%	108,793	1,223,587,240	3,490,854,036
2012	56,163	1,960,626,848	34,910	7.0%	110,466	1,117,608,970	3,187,939,565
2013	56,163	1,960,626,848	34,910	7.1%	114,781	1,118,117,290	3,189,050,388
2014	56,163	2,012,910,298	35,841	5.1%	116,414	1,113,011,690	3,173,886,488
2015	56,163	2,077,748,043	36,995	4.1%	134,150	1,061,340,710	3,026,043,126
2016	56,163	2,179,108,736	38,800	4.1%	139,320	1,060,078,160	3,022,293,674

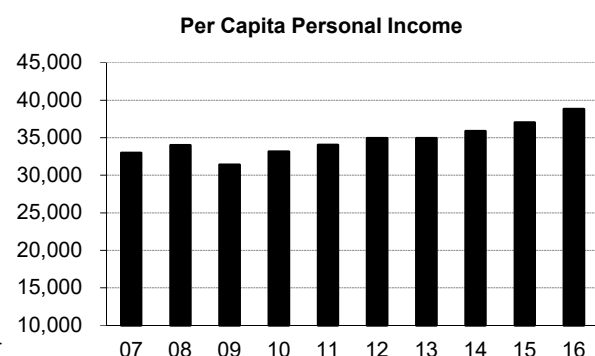
(1) 2000 & 2010 United States Census Bureau.

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

(3) Ohio Bureau of Employment Services.

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

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



PRINCIPAL EMPLOYERS  
CURRENT YEAR AND TEN YEARS AGO

2016			2006		
<u>Employer</u>	<u>Employees</u>	<u>% of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>% of Total City Employment</u>
Kettering Medical Center	3,570	12.70%	Kettering Medical Center	3,100	10.51%
Synchrony Financial	2,000	7.12%	GE Money <sup>2</sup>	1,700	5.76%
Reynolds & Reynolds Company	1,350	4.80%	Delphi Automotive Systems	1,300	4.41%
Kettering City Schools	1,032	3.67%	Reynolds & Reynolds Company	950	3.22%
Limited Brands Inc.	1,000	3.56%	Intimate Brands Inc <sup>1</sup>	900	3.05%
Kroger	630	2.24%	Kettering City Schools	900	3.05%
City of Kettering	553	1.97%	Kodak Versamark	640	2.17%
Meijer Inc.	550	1.96%	Meijer Inc.	550	1.86%
Tenneco	522	1.86%	City of Kettering	549	1.85%
Total	11,207	39.88%	Total	10,589	35.88%

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

(1) Limited Brands Inc. owns Intimate Brands Inc

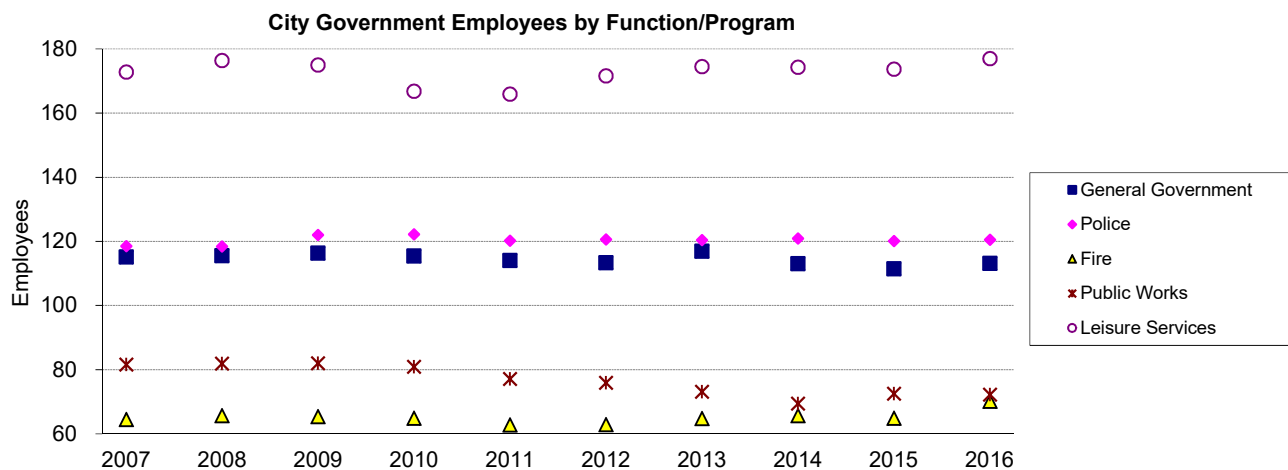
(2) GE Money is now Synchrony Financial

## SCHEDULE 11

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

<u>Function/program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government	115.1	115.5	116.3	115.4	114.0	113.3	116.9	113.0	111.4	113.1
Police	118.5	118.4	122.0	122.2	120.2	120.6	120.4	120.9	120.1	120.5
Fire	64.4	65.6	65.3	64.8	62.7	62.9	64.7	65.7	64.8	70.1
Public Works	81.6	81.9	82.0	80.9	77.1	75.9	73.2	69.4	72.5	72.3
Leisure Services	172.8	176.4	175.0	166.8	165.9	171.5	174.5	174.3	173.7	177.0
Total	552.4	557.8	560.6	550.3	539.8	544.2	549.6	543.2	542.5	553.1

Source: City of Kettering, Ohio, Finance Department



OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN YEARS

<u>Function/program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government										
Positions filled <sup>1</sup>	14	26	10	7	14	21	26	24	38	38
Permits issued <sup>2</sup>	2,884	2,779	2,467	2,857	2,773	2,520	2,705	3,249	2,679	3,180
Inspections performed <sup>2</sup>	7,639	6,871	6,254	7,101	5,933	6,100	6,118	6,115	6,260	7,024
CDBG loan applications <sup>3</sup>	96	86	53	60	44	60	36	51	75	62
Payroll checks processed <sup>4</sup>	20,093	20,819	20,955	20,873	20,629	20,873	20,712	21,287	22,310	21,350
Purchase orders issued <sup>5</sup>	2,054	2,281	2,166	1,978	2,158	2,000	2,051	2,030	1,984	1,880
Ordinances & resolutions <sup>6</sup>	182	211	236	198	175	201	162	172	185	182
Court cases <sup>7</sup>	22,962	22,051	20,657	19,903	20,049	18,640	17,630	16,710	14,970	15,739
Police										
Criminal arrests <sup>8</sup>	2,812	2,762	2,710	2,813	3,171	3,400	3,201	3,059	3,299	4,059
Calls for service <sup>9</sup>	67,287	65,131	62,172	61,684	67,331	66,441	64,962	60,686	61,085	68,614
Fire										
Fire alarms <sup>10</sup>	1,197	1,544	1,599	1,603	1,960	1,786	1,990	1,664	1,851	1,719
Medic alarms <sup>10</sup>	5,815	5,896	5,485	5,600	5,557	5,565	5,490	6,192	6,596	6,925
Public Works										
Asphalt resurfacing (miles) <sup>11</sup>	4	7	10	11	14	9	10	10	9	18
Truckloads of leaves picked-up <sup>12</sup>	1,837	1,655	1,858	1,623	1,388	1,298	1,540	1,660	1,525	1,358
Tons of snow melting salt used <sup>12</sup>	4,544	6,341	3,368	5,917	4,708	1,603	5,529	5,397	3,808	3,655
Leisure Services										
Recreation complex attendance <sup>13</sup>	1,199,370	1,175,368	1,110,815	1,168,708	981,121	1,046,817	1,009,534	927,240	887,967	835,631
Fraze Pavilion tickets sold <sup>13</sup>	90,232	90,825	87,969	82,511	92,883	90,343	97,973	101,012	100,762	94,210

(1) City of Kettering, Human Resources Department

(2) City of Kettering, Planning and Development Dept. Permits and inspections performed include Building, Electrical, Plumbing & Heating.

(3) City of Kettering, Planning and Development Department. Community Development Block Grant (CDBG) loan applications processed include housing rehabilitation, purchase rehabilitation, and business loan applications.

(4) City of Kettering, Finance Department. Payroll checks include electronic funds transfers processed for payroll.

(5) City of Kettering, Finance Department.

(6) City of Kettering, Law Department

(7) City of Kettering, Municipal Court

(8) City of Kettering, Police Department. Criminal arrests include arrests by detective section and patrol.

(9) City of Kettering, Police Department.

(10) City of Kettering, Fire Department.

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

(12) City of Kettering, Public Service Department, Street Division

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

## SCHEDULE 13

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

<u>Function/program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government										
Square footage occupied <sup>1</sup>	43,108	54,933	54,933	54,933	54,933	54,933	54,933	54,933	54,933	54,933
Police										
Stations <sup>1</sup>	1	1	1	1	1	1	1	1	1	1
Square footage of building <sup>1</sup>	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515	16,515
Fire										
Stations <sup>1</sup>	7	7	7	7	7	7	6	6	5	5
Public Works										
Miles of roads <sup>2</sup>	246	246	246	246	246	247	248	248	248	248
Miles of storm sewer/channel <sup>2</sup>	175	175	175	175	175	175	175	175	176	176
Leisure Services										
Number of parks <sup>3</sup>	21	21	21	21	21	21	21	21	21	21
Area of parks (acres) <sup>3</sup>	419	419	419	419	419	419	419	419	419	419
Recreation complexes square ft <sup>1</sup>	153,512	153,512	153,512	161,119	161,119	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