

Kettering City School District

Montgomery County, Ohio



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO



**Comprehensive Annual
Financial Report**

of the

Kettering City School District

Montgomery County, Ohio

for the

Fiscal Year Ended June 30, 2017

Prepared by:
Mr. Daniel Schall
Treasurer

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**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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MONTGOMERY COUNTY, OHIO**

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**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

Introductory Section

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Kettering City School District

3750 Far Hills Avenue
Kettering, Ohio 45429

Treasurer's Office: phone (937) 499-1409

fax (937)-499-1467

December 22, 2017

TO THE CITIZENS AND BOARD OF EDUCATION
OF THE KETTERING CITY SCHOOL DISTRICT:

We are pleased to present the twenty-third Comprehensive Annual Financial Report (CAFR) of the Kettering City School District (the District) for the fiscal year ended June 30, 2017. This report was prepared by the Treasurer's Office, and includes the unmodified opinion of our independent auditors, the Ohio Auditor of State. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. 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 various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included. The CAFR conforms to generally accepted accounting principles (GAAP) applicable to government entities.

The Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis to accompany the basic financial statements. This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditor's Report.

Copies of this report will be widely distributed throughout the District. A copy will be sent to all school buildings, the Chamber of Commerce, major taxpayers, the Public Library, Moody's and Standard and Poor's financial rating services, banks, and any other interested parties.

This report includes all funds of the District. The District provides a full range of traditional and non-traditional educational programs and services. These include elementary and secondary curriculum offerings at the general, college preparatory and vocational levels; a broad range of co-curricular and extracurricular activities; adult and community education offerings; special education programs and facilities and community recreation facilities.

In addition to providing these general activities, the District receives pass-through State funds, which are distributed to private and parochial schools located within the District boundaries. The private school served by the Kettering City School District is the Montessori Center of South Dayton. The parochial schools served by the Kettering City School District are St. Albert the Great Elementary School, St. Charles Borromeo Elementary School, Ascension Elementary School and Archbishop Alter High School. While these organizations share operational and service similarity with the District, each is a separate and distinct entity. Because of their independent nature, none of these organizations' financial statements are included in this report. The District has no component units.

HISTORY AND BACKGROUND

The 2017 school year marked the 176th year of existence for the Van Buren/Kettering City School District. Van Buren Township was established on June 26, 1841, through separation from Dayton. The township was at first divided into small one-room district schools (#1, #6, #9, #10, #11 and #12) and later into Carrmonte, Pasadena, and Fairmont elementary districts. Oakwood and Belmont were originally part of Van Buren Township. Oakwood formed its own district in 1926. Later, the Belmont area was annexed to Dayton.

Kettering City, the third largest public school district in the greater Dayton metropolitan area, lies south of Dayton and Oakwood, north of Centerville/Washington Township and west of Greene County. The City of Kettering and part of the City of Moraine fall under the jurisdiction of the school district.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

LETTER OF TRANSMITTAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Three names have been associated with the current Kettering City School District; Van Buren, Kettering and Moraine.

Van Buren Township was named for President Martin Van Buren. In 1803, Montgomery County was created, and four townships were formed. Dayton Township included the area now known as Kettering. Van Buren Township separated from Dayton in 1841 and remained a separate township with its own schools until 1952, when residents voted to become the Village of Kettering.

In 1954, Dayton proposed annexing the Delco facilities. The earlier annexation of Belmont did not sit well with Van Buren Township. Not wanting further erosion of the township, Van Buren countered, applied for, and was granted exempted village status, the last time such status was given in Ohio. Then Superintendent Dwight L. Barnes and Assistant Superintendent J. E. Prass spearheaded this move. The exempted village status precluded the proposed Delco annexation by Dayton and secured the area for Van Buren/Kettering.

A special census conducted in 1954-55 verified that the township had more than 10,000 residents, and in 1955, the township became the City of Kettering.

The City of Kettering and hence the Kettering City School District were named in honor of Charles F. Kettering, the noted inventor of the automobile self-starter and holder of more than 150 patents. Together with Edward A. Deeds, Mr. Kettering formed a partnership in 1909, known as the "Barn Gang" since they, and other engineers, worked in Deeds' barn. The partnership developed into the Dayton Engineering Laboratories Company (DELCO), with Deeds as President and Kettering as Vice-President. In 1916, DELCO was sold to General Motors. During World War I, Deeds and Kettering organized the Dayton Wright Airplane Company and invented "The Bug" a remote-controlled, unmanned aircraft. The war ended before "The Bug" could be used. Charles F. Kettering's other accomplishments included work with leaded gasoline, Freon refrigeration, diesel locomotion, and quick-drying car paint.

Kettering was a very civic-minded man, directing both his efforts and funds into the Sloan-Kettering Institute for Cancer Research, the Kettering Foundation, which works to strengthen the public role in government, educational and science policy, and the Miami Conservancy District, instrumental in flood control.

Moraine took its name from the pre-historic glacier, which deposited vast amounts of sand and gravel over the terrain. Because of concern over police and fire departments services, the west Moraine section voted to become a separate township in 1953. They became a village in 1957 and a city in 1965. Throughout this period, Moraine has retained its ties to the Kettering City School District.

The Kettering City School District currently has a population of about 61,613 and covers 21.3 square miles. The City of Moraine has 6,307 residents and encompasses 9.22 square miles of which approximately 2.9 are within the Kettering City School District.

The official opening enrollment of the District was 7,369 enrolled in eight elementary schools, two middle schools and one high school during the 2016-17 school year; enrollment increased to 7,405 students during fiscal year 2017. The District projects enrollment to remain stable. The District's school buildings range in age from 10 years to 68 years old. Other facilities operated by the District include a maintenance building, a transportation building, and the Central Office Building that had been a high school and junior high school previously. The Central Office Building also houses the District's alternative high school program.

On September 15, 1998 the Kettering City School District Board of Education passed a resolution to change the name of the District from the Kettering-Moraine City School District to the Kettering City School District effective July 1, 1998.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

LETTER OF TRANSMITTAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

ORGANIZATION OF THE DISTRICT

The Board of Education of the Kettering City School District is a five member body politic and corporate, as defined by Section 3313.02, Ohio Revised Code. The Board serves as the taxing authority, contracting body, policy maker, and ensures that all other general laws of the State of Ohio are followed in the expenditure of the District's tax dollar, and approves the annual appropriation resolution and tax budget.

The Board members on June 30, 2017 were as follows:

George H. Bayless
Jennifer Kane
Julie A. Gilmore
Lori E. Simms-Parks
James T. Ambrose

The Superintendent is the chief executive officer of the District, responsible directly to the Board for all operations. L. Scott Inskeep was appointed as Superintendent effective September 1, 2014.

The Treasurer/CFO is the chief financial officer of the District, responsible directly to the Board for maintaining all financial records, issuing all payments, maintaining custody of all District funds and assets, and investing idle funds as specified by Ohio Law. Daniel Schall was appointed Treasurer effective May 5, 2014.

ECONOMIC CONDITION AND OUTLOOK

Economic Condition and Outlook (Kettering)

The economic environment for Kettering's business community continued to be one of relative stability during 2017.

According to the City of Kettering, although the City has been negatively impacted by the decline in employment in the area, the overall effect was diminished due to the diversity of the employment base. Kettering's business base ranges from some major employers headquartered in Kettering to many midsize companies specializing in technology or professional services and smaller, family-owned businesses. Kettering's largest employers include Kettering Medical Center (KMC), Synchrony Financial, and Reynolds & Reynolds Co. KMC employs 3,570 people and recently completed construction on a new \$49 million state of the art comprehensive cancer care center on vacant land across the street from the main campus. Reynolds & Reynolds Co., a Fortune 1000 company based in Dayton since 1866, continues to employ 1,350 people at its Miami Valley Research Park campus. Synchrony Financial employs 2,000 people and recently invested \$1.5 million for improvements in their facility at the Kettering Business Park (KBP).

In the area of new employment, Town & County Shopping Center completed a \$7 million revitalization that included a modern façade, improvements to parking and landscaping, and major building renovations. Alternate Solutions Health Network purchased a 200,000 square foot 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. The Carlyle House Assisted Living Community has expanded 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 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, which will bring more than 400 new jobs to the facility.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

LETTER OF TRANSMITTAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Economic Condition and Outlook (Moraine)

According to the City of Moraine, the City's local economy is showing an improvement over the decline from the past several years. The City's manufacturing sector continued a robust rebound with Fuyao, Harco/SunSong, Dmax, Csafe and Production Control Units (PCU) all making substantial investments. Fuyao's production momentum and investments, which currently exceed \$500 million, have had a resounding impact on the local economy. In total, Fuyao now comprises more than 1.7 million square feet of renewed industrial space at the former GM facility. By the end of 2016, employment at Fuyao reached over 2,000.

During 2015, the City of Moraine welcomed Fidelity Health Care, which has brought over 350 jobs to the vacated Berry campus. Tyler Technologies continued to consolidate and increase investment at their corporate headquarters along the Dryden Road corridor. This increased investment could bring up to 200 new jobs to the City. MedVets along Dryden Road and Project Cure in the Moraine Commerce Park both initiated construction of new facilities during 2016. These medical buildings will be complete in 2017 and will encourage additional hiring.

The City of Moraine expects to see continued growth along the Dryden Road and Springboro Pike corridors. These two areas have been among the fastest growing revitalization quadrants in the entire Dayton Metropolitan area.

EMPLOYEE RELATIONS

The Board employs 1,087 full-time and part-time employees (including non-teaching personnel). Of the Board's current employees, 610 are certificated by the Ohio Department of Education serving as classroom teachers, education specialists and administrators, all of whom have at least a bachelor's degree.

Five hundred sixty-nine (569) of the Board's certificated teachers and educational specialists are members of the Kettering Education Association ("KEA"), which is a labor organization affiliated with the Ohio Education Association. The current contract between the Board and the Association became effective on May 4, 2014 and expires on June 30, 2017.

Three hundred fifty-one (351) of the Board's classified employees are members of the Ohio Association of Public School Employees ("OAPSE") which is a labor organization affiliated with the American Federation of State, County and Municipal Employees ("AFSME"). The current contract between the Board and OAPSE became effective on August 1, 2014 and expires on July 31, 2017.

These agreements marked a continuation of the historical turn in labor relations between the District, KEA, and OAPSE. The collaborative interest-based bargaining approach that involves the exchange of ideas, concerns and mutual problem solving to improve the instruction of students and to address the needs of the District in a cooperative manner was used.

MAJOR INITIATIVES

For the Year...and the Future...

The Instructional Services Department along with the Technology Department are continuing to train teachers on effective differentiated classroom instruction focused on the Ohio Learning Standards utilizing the new student and teach devices purchased through the Straight A Grant.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

LETTER OF TRANSMITTAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The following goals and accomplishments for professional development:

- Continuous work on multi-tiered instruction for students using Response to Intervention (RTI).
- Begin implementing a multi-tiered behavior structure utilizing Positive Behavior Intervention Support (PBIS).
- Providing teachers who teach gifted students 30 hours of required professional development.
- Delving into the area of mental health of students and appropriate tools to support them.
- Reviewing possible new math materials for K-12.

Preparing our students to be ready to meet the challenges of the world is a team effort that promotes collaboration, creativity, perseverance and achievement. We are committed to giving our students the skills needed to be able to analyze and solve problems, communicate effectively and think creatively. These skills will prepare our students to be life-long learners and allow our students to successfully compete in a global economy.

LONG-TERM FINANCIAL PLANNING

The Ohio Department of Education requires school districts to submit a five year forecast in October and May each year. The forecast provides three years of historical financial data and five years of revenue and expenditure estimates. The forecast is a benchmark used by administrators and the Board of Education to determine the current and future costs of existing educational programs and sustainability of proposed educational initiatives.

The need for general permanent improvements is at the forefront of concerns. The recent passage of a new permanent improvement levy will allow the District to plan for the necessary repairs to its buildings and grounds. Building administrators are working closely together to prioritize and develop preventative maintenance plans and refresh schedules so resources are allocated appropriately.

FINANCIAL POLICIES IMPACTING THE FINANCIAL STATEMENTS

During fiscal year 2017, the District issued two series of refunding bonds. These refunding issues were undertaken to reduce the combined total debt service payments by \$6,010,845 and resulted in a total economic gain of \$5,305,803. The District is constantly evaluating options for the refunding of debt in an effort to save on future interest charges.

Also during fiscal year 2017, the District issued a total of \$5,000,000 in permanent improvement tax anticipation notes. The District used the proceeds from these notes for various District improvements, such as purchasing new school buses, energy saving improvements to buildings, asphalt repairs, and improvements to the District's athletic facilities.

FINANCIAL INFORMATION

Internal Controls

The Treasurer/CFO of the District is responsible for establishing internal controls designed to ensure that the assets of the District are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Management Team is responsible for assisting with the implementation of the established internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of cost and benefit requires estimates and judgments by management. Management believes the internal controls adequately meet the objective.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

LETTER OF TRANSMITTAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Budgetary Controls

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control imposed by the District (the level at which expenditures cannot legally exceed the appropriated amount) is established at the broad object level (first level) for the general fund and at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts at year-end are carried forward to succeeding years and are not re-appropriated.

Independent Audit

The State of Ohio requires an annual audit by either the Auditor of State or by an independent public accounting firm. The Auditor of State performed the audit for the fiscal year ended June 30, 2017. The audit has been conducted in accordance with generally accepted auditing standards, generally accepted government auditing standards, and includes a review of internal controls and tests of compliance with Federal and State laws and regulations. The auditor's report on the District's basic financial statements, combining statements, and individual fund statements and schedules is included in the financial section of this Comprehensive Annual Financial Report.

In addition to the financial audit, a single audit was performed as required by the Single Audit Act Amendments of 1996 and the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The single audit report is not included in the CAFR.

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 Kettering City School District for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the twenty-second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The Association of School Business Officials (ASBO) of the United States and Canada awarded a Certificate of Excellence in Financial Reporting to the Kettering City School District for its comprehensive annual financial report for the year ended June 30, 2016. This award certifies that a Comprehensive Annual Financial Report substantially conforms to the principles and standards of financial reporting as recommended and adopted by the Association of School Business Officials. This award is granted only after an extensive review of the report by an expert panel of certified public accountants and practicing school business officials.

A Certificate of Excellence is valid for a period of one year only. The Kettering City School District has received a Certificate of Excellence for twenty-two consecutive years. We believe our current report continues to meet the Certificate of Excellence Program's requirements, and we are submitting it to ASBO to determine its eligibility for another certificate.

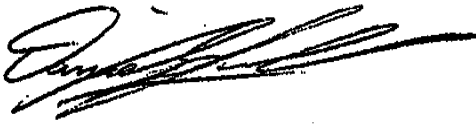
**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

LETTER OF TRANSMITTAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Acknowledgments

The preparation of this twenty-third Comprehensive Annual Financial Report would not have been possible without the cooperation and support of the entire staff of the Treasurer's Office. Sincere appreciation is extended to Jake Schlereth, Assistant Treasurer, for his exceptional individual effort and dedication to this achievement. A special thanks to the administration and staff who help make our District sustainable and vibrant, the Montgomery County Auditor's Office, the Kettering City Finance Department, the Moraine City Finance Department, and the State Auditor's Office for their special support. Also, special thanks to Julian & Grube, Inc. and staff for assistance in the preparation of this financial report.

Sincerely,



Mr. Daniel Schall, CFO
Treasurer



Mr. L. Scott Inskeep
Superintendent

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**PRINCIPAL OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Elected Officials

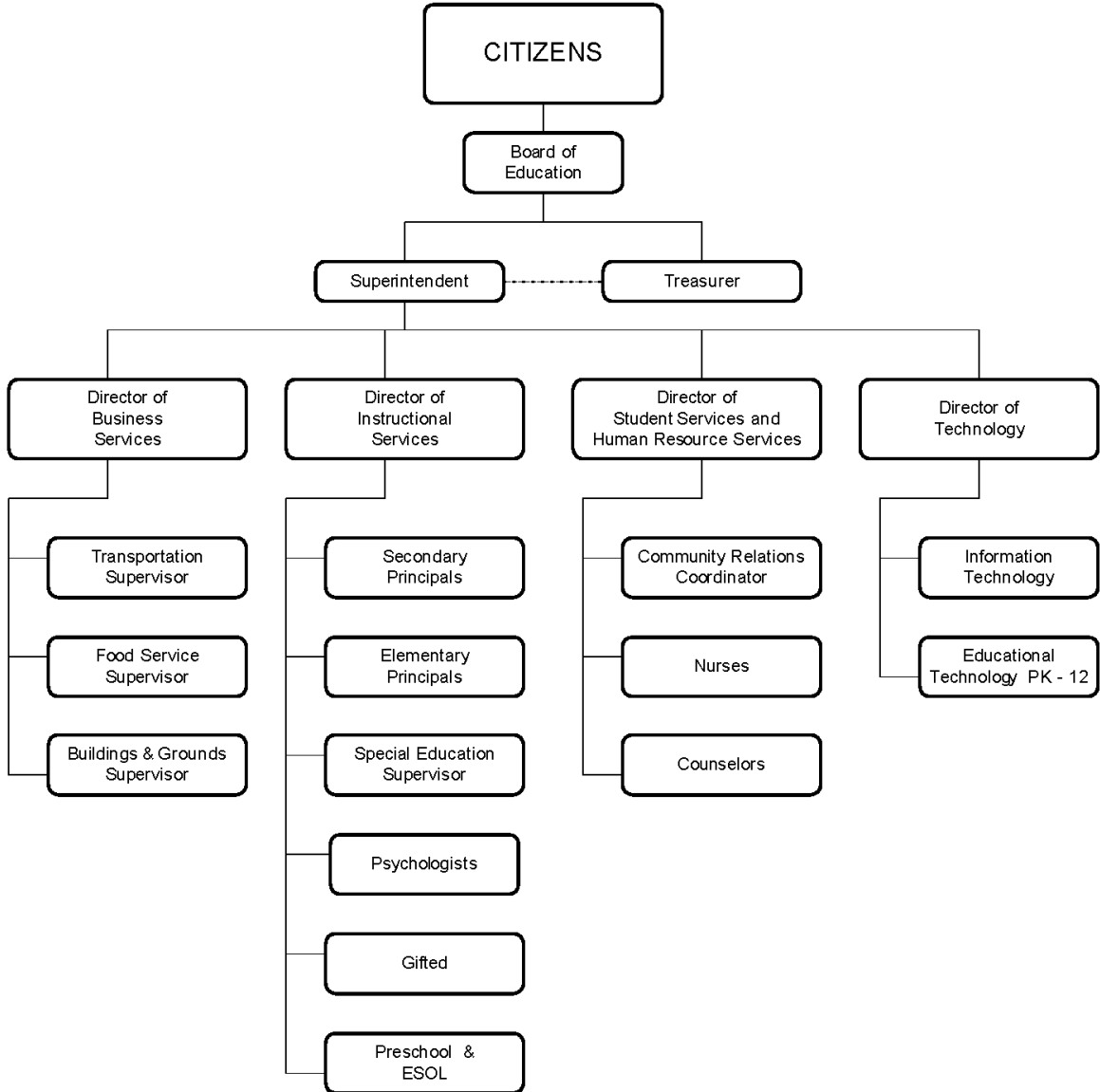
President - Board of Education..... Ms. Lori E. Simms-Parks
Vice President - Board of EducationMs. Jennifer Kane
Board of Education Member Ms. Julie A. Gilmore
Board of Education Member Mr. George H. Bayless
Board of Education Member Mr. James T. Ambrose

Appointed Officials

Superintendent..... Mr. L. Scott Inskip
Treasurer/Chief Financial Officer..... Mr. Daniel Schall
Director - Student Services..... Mr. Dan Von Handorf
Director - Human Resources Mr. Chris Davis
Director - Business Services.....Mr. Kenneth Lackey
Director - Technology Services Mr. Chris Merritt
Director - Curriculum and Instruction Ms. Deborah Mears

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**ORGANIZATIONAL CHART
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

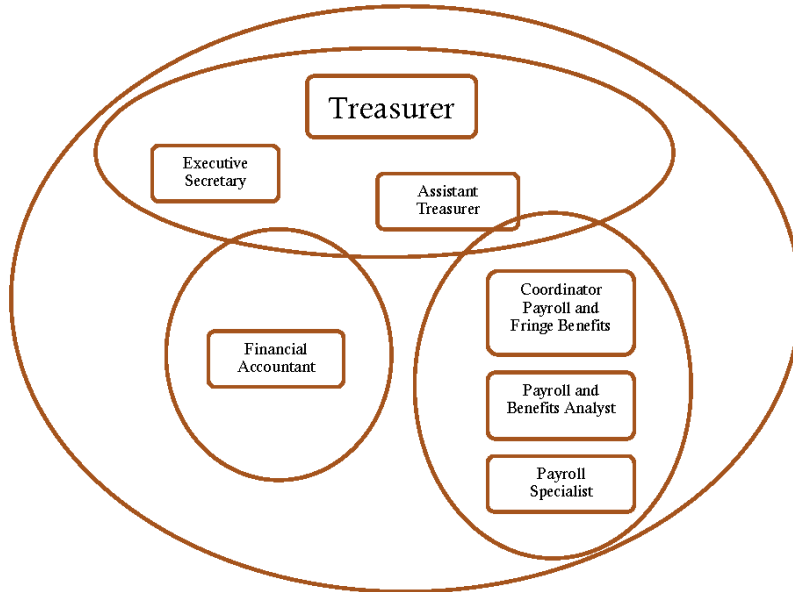


**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

OFFICE OF THE TREASURER
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Team Organization

Treasurer/Chief Financial Officer..... Daniel Schall
Assistant Treasurer Michael “Jake” Schlereth
Coordinator - Payroll and Fringe Benefits.....Jill E. Lopez
Payroll and Benefits AnalystDenise Lay
Executive Secretary Carol S. Trospen
Payroll Specialist Vicki McCloud
Financial Accountant.....Robin Keogh





Government Finance Officers Association

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

Presented to

**Kettering City School District
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Kettering City School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE
Executive Director

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

Financial Section

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**





Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Kettering City School District
Montgomery County
3750 Far Hills Avenue
Kettering, Ohio 45429

To the Board of Education:

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 Kettering City School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 Kettering City School District, Montgomery County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the 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 this presentation to include *management's discussion and analysis*, and *schedules of net pension liabilities and pension contributions* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the District'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 22, 2017

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**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The management's discussion and analysis of the Kettering City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- The District's net position of governmental activities decreased \$6,029,361 which represents a 7.65% decrease from 2016.
- General revenues accounted for \$96,364,029 in revenue or 85.30% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$16,603,789 or 14.70% of total revenues of \$112,967,818.
- The District had \$118,997,179 in expenses related to governmental activities; \$16,603,789 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$96,364,029 were not adequate to provide for these programs.
- The District's two major governmental funds are the general fund and the bond retirement fund. The general fund had \$93,781,998 in revenues and other financing sources and \$94,482,602 in expenditures and other financing uses. During fiscal year 2017, the general fund's fund balance decreased \$784,347 from a balance of \$15,854,228 to \$15,069,881.
- The bond retirement fund had \$52,787,043 in revenues and other financing sources and \$52,324,838 in expenditures and other financing uses. During fiscal year 2017, the bond retirement fund's fund balance increased by \$462,205 from a balance of \$3,486,254 to a balance of \$3,948,459.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader may understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell the reader how services were financed in the short-term, as well as what balances remain for future spending. The fund financial statements also present the District's most significant funds with all other, nonmajor funds presented in one aggregated column. In the case of the District, the general fund and the bond retirement fund are the most significant funds and are the only funds considered major funds.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this report contains the large number of funds utilized by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District perform financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operations and maintenance, pupil transportation, extracurricular activities, and operation of non-instructional services.

The District's statement of net position and statement of activities can be found on pages 19 and 20 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions during the year; however, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial resources that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the District's general government operations and the basic services that it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the statement of net position and the statement of activities) and the governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 21 through 26 of this report.

Proprietary Funds

The District maintains proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs within the District. The District's internal service funds account for a self-funded dental care benefit program and a self-funded health insurance benefit program for employees of the District. The basic proprietary fund financial statements can be found on pages 27 through 29 of this report.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Fiduciary Funds

The District acts in a trustee capacity as an agent for students, individuals, and other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 30. These activities are excluded from the District's other financial statements because the assets of the fiduciary funds cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-74 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 76-82 of this report.

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**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for June 30, 2017 and June 30, 2016.

	Net Position	
	Governmental Activities 2017	Governmental Activities 2016
<u>Assets</u>		
Current and other assets	\$ 105,869,041	\$ 101,350,066
Capital assets, net	<u>110,937,807</u>	<u>108,242,288</u>
Total assets	<u>216,806,848</u>	<u>209,592,354</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred charges on debt refunding	217,066	1,465,900
Pensions	<u>33,533,271</u>	<u>13,899,520</u>
Total deferred outflows of resources	<u>33,750,337</u>	<u>15,365,420</u>
<u>Liabilities</u>		
Current liabilities	15,980,022	11,368,148
Long-term liabilities:		
Due within one year	6,508,480	5,102,052
Due in more than one year:		
Net pension liability	166,163,115	132,396,480
Other amounts	<u>83,824,531</u>	<u>84,193,645</u>
Total liabilities	<u>272,476,148</u>	<u>233,060,325</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for next fiscal year	62,942,040	62,285,694
Pensions	<u>-</u>	<u>8,443,397</u>
Total deferred inflows of resources	<u>62,942,040</u>	<u>70,729,091</u>
<u>Net position</u>		
Net investment in capital assets	28,762,216	28,744,903
Restricted	8,050,970	5,146,692
Unrestricted (deficit)	<u>(121,674,189)</u>	<u>(112,723,237)</u>
Total net position	<u>\$ (84,861,003)</u>	<u>\$ (78,831,642)</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District'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.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

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 District'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 District 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.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$84,861,003.

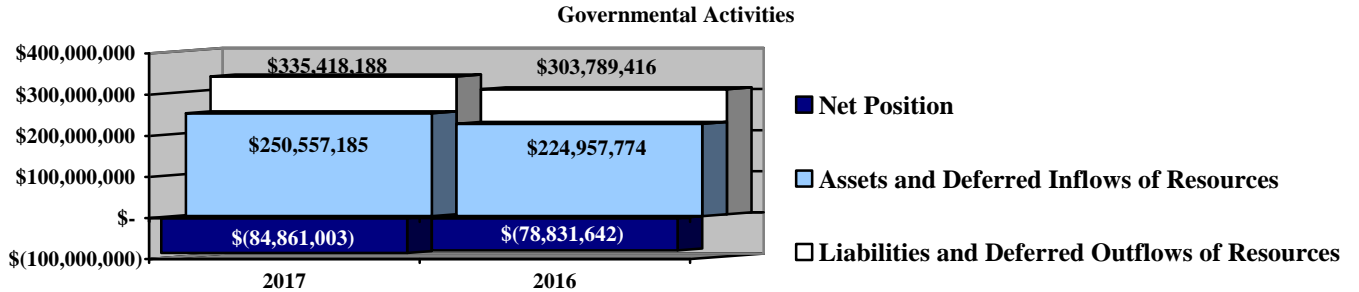
**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

At year-end, capital assets represented 51.17% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture, fixtures and equipment, and vehicles. The District's net investment in capital assets at June 30, 2017 was \$28,762,216. These capital assets are used to provide services to students and community members and are not available for future spending. Although the District's net investment in capital assets is reported net of debt related to the acquisition of these assets, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$8,050,970, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$121,674,189. The deficit balance in unrestricted net position was the result of reporting the net pension liability required by GASB 68.

The graph below illustrates the District's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2017 and 2016.



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**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Governmental Activities

The table below shows the change in net position of the governmental activities for fiscal year 2017 and 2016.

	Changes in Net Position - Governmental Activities		
	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 4,670,982	\$ 4,848,041	\$ (177,059)
Operating grants and contributions	11,811,558	9,555,210	2,256,348
Capital grants and contributions	121,249	-	121,249
General revenues:			
Property taxes	70,550,876	66,924,832	3,626,044
Payment in lieu of taxes	398,038	402,177	(4,139)
Grants and entitlements	24,512,181	25,162,006	(649,825)
Investment earnings	213,275	124,392	88,883
Miscellaneous	689,659	1,972,679	(1,283,020)
Total revenues	<u>112,967,818</u>	<u>108,989,337</u>	<u>\$ 3,978,481</u>
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	42,513,509	37,126,604	\$ 5,386,905
Special	15,449,518	12,699,706	2,749,812
Vocational	3,175,243	2,598,543	576,700
Adult/continuing	157,873	140,961	16,912
Other	5,610,945	4,705,340	905,605
Support services:			
Pupil	9,726,629	7,567,845	2,158,784
Instructional staff	5,121,367	4,136,935	984,432
Board of education	102,105	49,887	52,218
Administration	7,243,081	5,960,346	1,282,735
Fiscal	2,212,381	2,104,772	107,609
Business	602,151	588,140	14,011
Operations and maintenance	9,048,894	9,158,808	(109,914)
Pupil transportation	4,885,690	3,821,722	1,063,968
Central	1,296,358	1,512,012	(215,654)
Operation of non-instructional services	6,673,517	5,796,310	877,207
Extracurricular activities	1,980,461	1,539,334	441,127
Debt service:			
Interest and fiscal charges	3,197,457	3,435,947	(238,490)
Total expenses	<u>118,997,179</u>	<u>102,943,212</u>	<u>\$ 16,053,967</u>
Change in net position	(6,029,361)	6,046,125	
Net position at beginning of year	<u>(78,831,642)</u>	<u>(84,877,767)</u>	
Net position at end of year	<u>\$ (84,861,003)</u>	<u>\$ (78,831,642)</u>	

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Net position of the District's governmental activities decreased \$6,029,361. Total governmental expenses of \$118,997,179 were offset by program revenues of \$16,603,789 and general revenues of \$96,364,029. Program revenues supported 13.95% of the total governmental expenses.

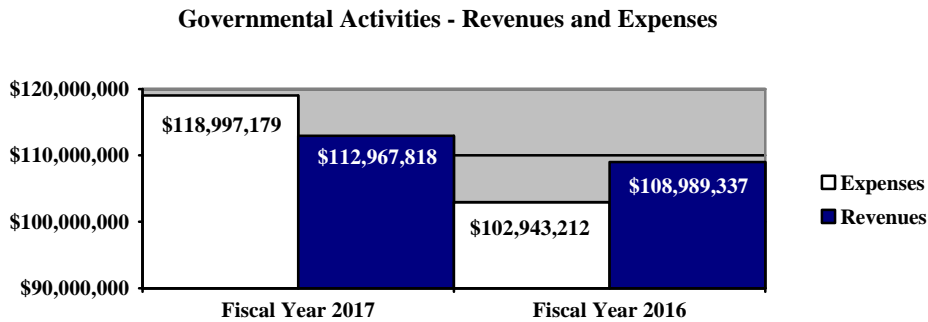
The primary sources of revenue for governmental activities are derived from taxes, and grants and entitlements. These revenue sources represent 84.15% of total governmental revenue.

Overall, revenues of the governmental activities increased 3.65%. The largest components of this increase resulted from property taxes. District voters passed a new 3.4 mill permanent improvement levy on March 15, 2016. Collection of this levy began in calendar year 2017. The decrease in miscellaneous revenue is due to several large Medicaid settlements received in fiscal year 2016.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$66,907,088 or 56.23% of total governmental expenses for fiscal year 2017. Fiscal year 2017 instructional expenses increased \$9,635,934 from fiscal year 2016. This is primarily due to the increase in the District's net pension liability.

Overall expenses of the District increased by approximately \$16,053,967.

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2017 and 2016.



**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The statement of activities shows the cost of program services and the charges for services and sales and grants and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities

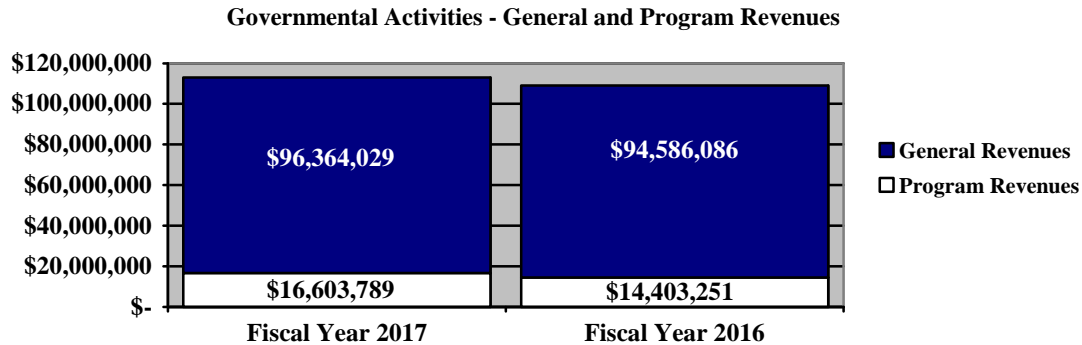
	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
<u>Program expenses</u>				
Instruction:				
Regular	\$ 42,513,509	\$ 41,598,338	\$ 37,126,604	\$ 36,056,035
Special	15,449,518	10,453,576	12,699,706	8,780,569
Vocational	3,175,243	2,449,959	2,598,543	2,190,457
Adult/continuing	157,873	9,543	140,961	(59,129)
Other	5,610,945	5,527,832	4,705,340	4,635,450
Support services:				
Pupil	9,726,629	8,496,635	7,567,845	6,859,575
Instructional staff	5,121,367	4,190,668	4,136,935	3,327,903
Board of education	102,105	102,105	49,887	49,887
Administration	7,243,081	6,826,936	5,960,346	5,657,539
Fiscal	2,212,381	2,212,381	2,104,772	2,104,772
Business	602,151	602,151	588,140	588,140
Operations and maintenance	9,048,894	8,994,094	9,158,808	9,079,660
Pupil transportation	4,885,690	4,558,600	3,821,722	3,494,835
Central	1,296,358	1,276,088	1,512,012	1,491,698
Operations of non-instructional services	6,673,517	397,880	5,796,310	(251,465)
Extracurricular activities	1,980,461	1,499,147	1,539,334	1,098,088
Debt service:				
Interest and fiscal charges	3,197,457	3,197,457	3,435,947	3,435,947
Total expenses	<u>\$ 118,997,179</u>	<u>\$ 102,393,390</u>	<u>\$ 102,943,212</u>	<u>\$ 88,539,961</u>

The District's dependence upon tax and other general revenues for governmental activities is apparent, as 89.74% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.05%. The District's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for District's students.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The graph below presents the District's governmental activities revenue for fiscal year 2017 and 2016.



The District's Funds

The District's governmental funds reported a combined fund balance of \$21,155,412, which is greater than last year's total of \$19,877,372. The schedule below shows fund balances at June 30, 2017 and June 30, 2016 and the net changes in fund balances during fiscal year 2017.

	Fund Balance June 30, 2017	Fund Balance June 30, 2016	Increase (Decrease)	Percentage Change
General fund	\$ 15,069,881	\$ 15,854,228	\$ (784,347)	(4.95) %
Bond retirement fund	3,948,459	3,486,254	462,205	13.26 %
Nonmajor governmental funds	2,137,072	536,890	1,600,182	298.05 %
Total	<u>\$ 21,155,412</u>	<u>\$ 19,877,372</u>	<u>\$ 1,278,040</u>	6.43 %

General Fund

The table that follows shows the revenues of the general fund for fiscal years 2017 and 2016.

Revenues	2017 Amount	2016 Amount	Increase/ (Decrease)	Percentage Change
Taxes	\$ 60,968,537	\$ 59,875,424	\$ 1,093,113	1.83 %
Payment in lieu of taxes	398,038	402,177	(4,139)	(1.03) %
Tuition	598,348	966,851	(368,503)	(38.11) %
Earnings on investments	193,379	122,390	70,989	58.00 %
Extracurricular activities	293,707	281,282	12,425	4.42 %
Intergovernmental	26,437,588	26,840,972	(403,384)	(1.50) %
Other	1,663,308	3,000,050	(1,336,742)	(44.56) %
Total	<u>\$ 90,552,905</u>	<u>\$ 91,489,146</u>	<u>\$ (936,241)</u>	(1.02) %

Overall, revenues in the general fund decreased 1.02%. The largest components of this decrease was in other revenues. During 2016, the District received settlements for several previous years of participation in the Medicaid Schools Program. This revenue was reported as other revenue.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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The table that follows displays the expenditures of the general fund for fiscal years 2017 and 2016:

<u>Expenditures</u>	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Instruction:				
Regular	\$ 37,310,485	\$ 34,421,816	\$ 2,888,669	8.39 %
Special	11,935,364	10,960,884	974,480	8.89 %
Vocational	2,825,758	2,412,821	412,937	17.11 %
Other	5,512,689	4,622,261	890,428	19.26 %
Supporting services:				
Pupil	7,996,153	7,000,398	995,755	14.22 %
Instruction staff	3,781,685	3,083,484	698,201	22.64 %
Board of education	102,105	49,887	52,218	104.67 %
Administration	6,052,583	5,513,977	538,606	9.77 %
Fiscal	2,040,337	2,012,368	27,969	1.39 %
Business	520,710	501,493	19,217	3.83 %
Operations and maintenance	8,095,927	7,794,366	301,561	3.87 %
Pupil transportation	4,266,601	3,597,601	669,000	18.60 %
Central	1,184,286	1,475,906	(291,620)	(19.76) %
Operation of non-instructional services	483,877	464,739	19,138	4.12 %
Extracurricular activities	1,234,447	1,051,795	182,652	17.37 %
Facilities acquisition and construction	6,825	40,742	(33,917)	(83.25) %
Capital outlay	729,093	-	729,093	100.00 %
Debt service:				
Principal retirement	271,625	140,000	131,625	94.02 %
Interest & fiscal charges	113,552	65,463	48,089	73.46 %
Total	<u>\$ 94,464,102</u>	<u>\$ 85,210,001</u>	<u>\$ 9,254,101</u>	10.86 %

Expenditures of the general fund increased \$9,254,101 or 10.86%. The main reason for this increase was due to increases in wages and benefits.

Bond Retirement Fund

In total, the bond retirement fund recognized \$52,787,043 in revenues and other financing sources and \$52,324,838 in expenditures and other financing uses during fiscal year 2017. The District refunded the 2006 bonds and a portion of the 2007 bonds during fiscal year 2017. This will result in significant interest savings over the life of the bonds. During fiscal year 2017, the bond retirement fund's fund balance increased by \$462,205 from a balance of \$3,486,254 to a balance of \$3,948,459.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, original budgeted revenues and other financing sources were \$85,419,255. Final budgeted revenues and other financing sources were unchanged from the original. Actual revenues and other financing sources for fiscal year 2017 were \$93,574,164; this represents a \$8,154,909 increase over final budgeted revenues.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

General fund original appropriations and other financing uses totaled \$94,720,624. Final appropriations and other financing uses were unchanged from the original. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$92,221,667, which is less than the final budget appropriations by \$2,498,957.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had \$110,937,807 invested in land, construction in progress, buildings and improvements, furniture, fixtures and equipment, and vehicles. This entire amount is reported in the District's governmental activities. The following table shows the District's net capital asset balances for 2017 and 2016.

Capital Assets at June 30 (Net of Depreciation) - Governmental Activities

	2017	2016
Land	\$ 461,616	\$ 461,616
Construction in progress	1,680,704	499,423
Building and improvements	103,909,065	103,751,286
Furniture, fixtures, and equipment	1,579,250	991,378
Vehicles	3,307,172	2,538,585
Total	\$ 110,937,807	\$ 108,242,288

The overall increase in capital assets of \$2,695,519 is due to capital asset additions of \$5,178,586 exceeding depreciation expense of \$2,460,796 and disposals (net of accumulated depreciation) of \$22,271. See Note 10 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

The following table summarizes the District's long-term debt outstanding at June 30, 2017 and 2016.

Outstanding Debt at June 30 - Governmental Activities

	2017	2016
General obligation bonds	\$ 68,287,468	\$ 77,138,130
Tax anticipation notes	5,000,000	-
Capital lease	602,468	-
Unamortized premiums on bonds and notes	7,581,767	3,946,882
Total	\$ 81,471,703	\$ 81,085,012

At June 30, 2017, the District had \$68,287,468 in general obligation bonds outstanding, including current interest bonds, capital appreciation bonds, and accreted interest. The District also had \$5,000,000 in tax anticipation notes outstanding and \$602,468 in capital lease obligations outstanding. Of these obligations, \$5,427,109 is due within one year and \$68,462,827 is due in greater than one year. See Note 12 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District is financially sound, although not overly affluent. The District relies on property tax revenues and state foundation funds to provide the resources necessary to support and maintain educational programs

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Daniel Schall, Treasurer, 3750 Far Hills Avenue, Kettering, Ohio 45429.

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**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 34,405,196
Cash with fiscal agent	17,976
Receivables:	
Property taxes	69,621,290
Accounts	11,561
Accrued interest	7,735
Intergovernmental	1,377,026
Prepayments	294,570
Materials and supplies inventory	80,277
Inventory held for resale	53,410
Capital assets:	
Nondepreciable capital assets	2,142,320
Depreciable capital assets, net	108,795,487
Capital assets, net	110,937,807
Total assets	216,806,848
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	217,066
Pension - STRS	25,447,484
Pension - SERS	8,085,787
Total deferred outflows of resources	33,750,337
Liabilities:	
Accounts payable	1,374,300
Contracts payable	1,079,436
Accrued wages and benefits payable	11,184,509
Intergovernmental payable	697,824
Pension and postemployment obligation payable	1,372,248
Accrued interest payable	253,729
Matured bonds payable	17,976
Long-term liabilities:	
Due within one year	6,508,480
Due in more than one year:	
Net pension liability	166,163,115
Other amounts due in more than one year	83,824,531
Total liabilities	272,476,148
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	62,942,040
Total deferred inflows of resources	62,942,040
Net position:	
Net investment in capital assets	28,762,216
Restricted for:	
Capital projects	2,607,868
Permanent fund - expendable	658
Permanent fund - nonexpendable	12,801
Debt service	3,789,810
State funded programs	23,807
Federally funded programs	103,399
Food service	1,021,813
Student activities	398,866
Other purposes	91,948
Unrestricted (deficit)	(121,674,189)
Total net position	\$ (84,861,003)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 42,513,509	\$ 737,742	\$ 177,429	\$ -	\$ (41,598,338)
Special	15,449,518	84,106	4,911,836	-	(10,453,576)
Vocational	3,175,243	104,218	499,817	121,249	(2,449,959)
Adult/continuing.	157,873	-	148,330	-	(9,543)
Other	5,610,945	-	83,113	-	(5,527,832)
Support services:					
Pupil.	9,726,629	791,383	438,611	-	(8,496,635)
Instructional staff	5,121,367	161,640	769,059	-	(4,190,668)
Board of education	102,105	-	-	-	(102,105)
Administration.	7,243,081	15,613	400,532	-	(6,826,936)
Fiscal.	2,212,381	-	-	-	(2,212,381)
Business.	602,151	-	-	-	(602,151)
Operations and maintenance	9,048,894	54,800	-	-	(8,994,094)
Pupil transportation.	4,885,690	47,155	279,935	-	(4,558,600)
Central	1,296,358	470	19,800	-	(1,276,088)
Other non-instructional services	6,673,517	2,199,298	4,076,339	-	(397,880)
Extracurricular activities.	1,980,461	474,557	6,757	-	(1,499,147)
Debt service:					
Interest and fiscal charges	3,197,457	-	-	-	(3,197,457)
Total governmental activities	<u>\$ 118,997,179</u>	<u>\$ 4,670,982</u>	<u>\$ 11,811,558</u>	<u>\$ 121,249</u>	<u>(102,393,390)</u>

General revenues:

Property taxes levied for:	
General purposes	61,450,894
Debt service.	6,382,401
Capital outlay.	2,717,581
Payments in lieu of taxes.	398,038
Grants and entitlements not restricted	
to specific programs	24,512,181
Investment earnings	213,275
Miscellaneous.	689,659
Total general revenues.	<u>96,364,029</u>
Change in net position	(6,029,361)
Net position at beginning of year	<u>(78,831,642)</u>
Net position at end of year	<u>\$ (84,861,003)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 23,121,152	\$ 3,620,628	\$ 6,306,022	\$ 33,047,802
Cash with fiscal agent	-	17,976	-	17,976
Receivables:				
Property taxes	59,726,722	5,913,671	3,980,897	69,621,290
Accounts	11,561	-	-	11,561
Accrued interest	7,735	-	-	7,735
Interfund loans	1,329,300	-	-	1,329,300
Intergovernmental	580,244	-	796,782	1,377,026
Prepayments	287,427	-	7,143	294,570
Materials and supplies inventory	80,277	-	-	80,277
Inventory held for resale	-	-	53,410	53,410
Total assets	<u>\$ 85,144,418</u>	<u>\$ 9,552,275</u>	<u>\$ 11,144,254</u>	<u>\$ 105,840,947</u>
Liabilities:				
Accounts payable	\$ 639,452	\$ -	\$ 734,848	\$ 1,374,300
Contracts payable	-	-	1,079,436	1,079,436
Accrued wages and benefits payable	10,113,623	-	1,070,886	11,184,509
Compensated absences payable	366,295	-	14,760	381,055
Intergovernmental payable	608,772	-	89,052	697,824
Pension and postemployment obligation payable	1,261,987	-	110,261	1,372,248
Interfund loans payable	-	-	1,329,300	1,329,300
Matured bonds payable	-	17,976	-	17,976
Total liabilities	<u>12,990,129</u>	<u>17,976</u>	<u>4,428,543</u>	<u>17,436,648</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	53,959,384	5,346,259	3,636,397	62,942,040
Delinquent property tax revenue not available	2,812,931	239,581	145,460	3,197,972
Intergovernmental revenue not available	308,969	-	796,782	1,105,751
Accrued interest not available	3,124	-	-	3,124
Total deferred inflows of resources	<u>57,084,408</u>	<u>5,585,840</u>	<u>4,578,639</u>	<u>67,248,887</u>
Fund balances:				
Nonspendable	367,704	-	19,944	387,648
Restricted	-	3,948,459	3,179,126	7,127,585
Committed	-	-	3,080	3,080
Assigned	12,646,189	-	-	12,646,189
Unassigned (deficit)	<u>2,055,988</u>	<u>-</u>	<u>(1,065,078)</u>	<u>990,910</u>
Total fund balances	<u>15,069,881</u>	<u>3,948,459</u>	<u>2,137,072</u>	<u>21,155,412</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 85,144,418</u>	<u>\$ 9,552,275</u>	<u>\$ 11,144,254</u>	<u>\$ 105,840,947</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		\$	21,155,412
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			110,937,807
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	3,197,972	
Accrued interest receivable		3,124	
Intergovernmental		1,105,751	
Total		4,306,847	4,306,847
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			1,357,394
Unamortized premiums on bonds issued are not recognized in the funds.			(7,581,767)
Unamortized amounts on refundings are not recognized in the funds.			217,066
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(253,729)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - pension		33,533,271	
Net pension liability		(166,163,115)	
Total		(132,629,844)	(132,629,844)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(68,287,468)	
Capital lease obligations		(602,468)	
Tax anticipation notes		(5,000,000)	
Compensated absences		(8,480,253)	
Total		(82,370,189)	(82,370,189)
Net position of governmental activities		\$	(84,861,003)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 60,968,537	\$ 6,363,285	\$ 2,593,140	\$ 69,924,962
Payment in lieu of taxes	398,038	-	-	398,038
Tuition	598,348	-	910,416	1,508,764
Transportation fees	47,155	-	-	47,155
Earnings on investments	193,379	-	30,080	223,459
Charges for services	-	-	1,557,655	1,557,655
Extracurricular	293,707	-	405,693	699,400
Classroom materials and fees	198,357	-	-	198,357
Rental income	54,800	-	-	54,800
Contributions and donations	69,445	-	7,387	76,832
Contract services	516,903	-	-	516,903
Other local revenues	776,648	-	90,208	866,856
Intergovernmental - state	26,437,588	1,098,311	1,963,552	29,499,451
Intergovernmental - federal	-	-	6,753,906	6,753,906
Total revenues	90,552,905	7,461,596	14,312,037	112,326,538
Expenditures:				
Current:				
Instruction:				
Regular	37,310,485	-	1,233,261	38,543,746
Special	11,935,364	-	2,565,019	14,500,383
Vocational	2,825,758	-	132,229	2,957,987
Adult/continuing	-	-	146,517	146,517
Other	5,512,689	-	85,050	5,597,739
Support services:				
Pupil	7,996,153	-	1,141,610	9,137,763
Instructional staff	3,781,685	-	1,000,357	4,782,042
Board of education	102,105	-	-	102,105
Administration	6,052,583	-	406,962	6,459,545
Fiscal	2,040,337	81,069	35,607	2,157,013
Business	520,710	-	103,863	624,573
Operations and maintenance	8,095,927	-	2,372,687	10,468,614
Pupil transportation	4,266,601	-	929,984	5,196,585
Central	1,184,286	-	72,610	1,256,896
Other non-instructional services	483,877	-	5,908,150	6,392,027
Extracurricular activities	1,234,447	-	415,049	1,649,496
Facilities acquisition and construction	6,825	-	1,186,711	1,193,536
Capital outlay	729,093	-	-	729,093
Debt service:				
Principal retirement	271,625	3,732,994	-	4,004,619
Interest and fiscal charges	113,552	2,715,116	-	2,828,668
Issuance costs	-	510,606	101,120	611,726
Payment of accreted interest	-	600,006	-	600,006
Total expenditures	94,464,102	7,639,791	17,836,786	119,940,679
Excess of expenditures over revenues	(3,911,197)	(178,195)	(3,524,749)	(7,614,141)
Other financing sources (uses):				
Premium on bonds and notes	-	6,135,447	101,120	6,236,567
Sale of refunding bonds	-	39,190,000	-	39,190,000
Sale of notes	-	-	5,000,000	5,000,000
Transfers in	2,500,000	-	18,500	2,518,500
Transfers (out)	(18,500)	-	-	(18,500)
Capital lease transaction	729,093	-	-	729,093
Payment to refunding bond escrow agent	-	(44,685,047)	-	(44,685,047)
Total other financing sources (uses)	3,210,593	640,400	5,119,620	8,970,613
Net change in fund balances	(700,604)	462,205	1,594,871	1,356,472
Fund balances at beginning of year	15,854,228	3,486,254	536,890	19,877,372
Increase (decrease) in reserve for inventory	(83,743)	-	5,311	(78,432)
Fund balances at end of year	\$ 15,069,881	\$ 3,948,459	\$ 2,137,072	\$ 21,155,412

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds \$ 1,356,472

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense

Capital asset additions	\$	5,178,586	
Current year depreciation		(2,460,796)	
Total			2,717,790

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (22,271)

Governmental funds report expenditures for inventory when purchased; however, in the statement of activities, they are reported as an expense when consumed. (78,432)

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

Property taxes		625,914	
Earnings on investments		(2,348)	
Intergovernmental		(232,433)	
Total			391,133

Repayment of bond & lease principal and accreted interest is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 4,604,625

Issuances of bonds, notes and capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.

Bonds		(39,190,000)	
Tax anticipation notes		(5,000,000)	
Capital leases		(729,093)	
Total			(44,919,093)

Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:

Bonds refunded		43,700,000	
Deferred charges on refundings		985,047	
Total			44,685,047

Premiums on bonds and notes related to the issuance of bonds and notes are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:

Premiums on bonds		(6,052,452)	
Premiums on notes		(184,115)	
Total			(6,236,567)

- - Continued

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities.

Decrease in accrued interest payable	\$	12,474	
Accreted interest on capital appreciation bonds		(137,338)	
Amortization of bond premiums		440,515	
Amortization of deferred charges		<u>(72,714)</u>	
Total			242,937

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (420,261)

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 8,482,146

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (14,171,633)

An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (2,661,254)

Change in net position of governmental activities \$ (6,029,361)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 55,169,682	\$ 55,169,682	\$ 60,624,842	\$ 5,455,160
Payment in lieu of taxes.	150,000	150,000	398,038	248,038
Tuition.	606,000	606,000	598,348	(7,652)
Transportation fees.	10,000	10,000	49,727	39,727
Earnings on investments	50,000	50,000	204,341	154,341
Extracurricular.	10,000	10,000	60,261	50,261
Classroom materials and fees	-	-	3,205	3,205
Rental income	10,000	10,000	52,341	42,341
Other local revenues	200,000	200,000	774,026	574,026
Intergovernmental - state	29,203,573	29,203,573	26,339,834	(2,863,739)
Total revenues	<u>85,409,255</u>	<u>85,409,255</u>	<u>89,104,963</u>	<u>3,695,708</u>
Expenditures:				
Current:				
Instruction:				
Regular	37,936,649	37,936,649	36,071,351	1,865,298
Special.	11,130,264	11,130,264	11,515,696	(385,432)
Vocational.	2,885,586	2,885,586	2,760,051	125,535
Other.	5,037,159	5,037,159	5,297,279	(260,120)
Support services:				
Pupil.	7,651,094	7,651,094	7,624,804	26,290
Instructional staff	3,160,899	3,160,899	3,725,630	(564,731)
Board of education	59,617	59,617	102,454	(42,837)
Administration.	5,925,833	5,925,833	6,153,157	(227,324)
Fiscal	2,904,933	2,904,933	2,185,724	719,209
Business	575,443	575,443	512,926	62,517
Operations and maintenance.	8,571,191	8,571,191	8,038,276	532,915
Pupil transportation	3,878,588	3,878,588	4,156,966	(278,378)
Central.	3,439,307	3,439,307	1,229,840	2,209,467
Other non-instructional services	121,850	121,850	70,656	51,194
Extracurricular activities.	1,031,927	1,031,927	1,213,024	(181,097)
Facilities acquisition and construction	10,634	10,634	7,352	3,282
Debt service:				
Principal retirement	145,000	145,000	145,000	-
Interest and fiscal charges.	60,000	60,000	63,681	(3,681)
Total expenditures.	<u>94,525,974</u>	<u>94,525,974</u>	<u>90,873,867</u>	<u>3,652,107</u>
Excess of expenditures over revenues.	<u>(9,116,719)</u>	<u>(9,116,719)</u>	<u>(1,768,904)</u>	<u>7,347,815</u>
Other financing sources (uses):				
Refund of prior year's expenditures	10,000	10,000	145,301	135,301
Transfers in	-	-	2,500,000	2,500,000
Transfers (out).	(194,650)	(194,650)	(18,500)	176,150
Advances in.	-	-	1,823,900	1,823,900
Advances (out)	-	-	(1,329,300)	(1,329,300)
Total other financing sources (uses)	<u>(184,650)</u>	<u>(184,650)</u>	<u>3,121,401</u>	<u>3,306,051</u>
Net change in fund balance	(9,301,369)	(9,301,369)	1,352,497	10,653,866
Fund balance at beginning of year	19,088,590	19,088,590	19,088,590	-
Prior year encumbrances appropriated	709,824	709,824	709,824	-
Fund balance at end of year	<u>\$ 10,497,045</u>	<u>\$ 10,497,045</u>	<u>\$ 21,150,911</u>	<u>\$ 10,653,866</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Governmental Activities - Internal Service Funds
Assets:	
Equity in pooled cash and investments.	\$ 1,357,394
Total assets.	1,357,394
Net position:	
Unrestricted.	1,357,394
Total net position.	\$ 1,357,394

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services.	\$ 418,404
Total operating revenues	<u>418,404</u>
 Operating expenses:	
Fringe benefits	489,516
Purchased services.	49,902
Claims expense	<u>42,709</u>
Total operating expenses.	<u>582,127</u>
 Operating loss	 <u>(163,723)</u>
 Nonoperating revenues:	
Interest revenue	<u>2,469</u>
Total nonoperating revenues.	<u>2,469</u>
 Transfer out	 <u>(2,500,000)</u>
 Change in net position	 (2,661,254)
 Net position at beginning of year.	 <u>4,018,648</u>
 Net position at end of year	 <u>\$ 1,357,394</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Cash received from charges for services	\$ 418,404
Cash payments for fringe benefits	(489,516)
Cash payments for purchased services	(49,902)
Cash payments for claims.	(42,709)
	(163,723)
Net cash used in operating activities.	
Cash flows from noncapital financing activities:	
Cash used in transfers out	(2,500,000)
	(2,500,000)
Net cash used in noncapital financing activities.	
Cash flows from investing activities:	
Interest received	2,469
	2,469
Net cash provided by investing activities	
Net decrease in cash and investments.	
	(2,661,254)
Cash and investments at beginning of year	
	4,018,648
Cash and investments at end of year	
	\$ 1,357,394
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (163,723)
Net cash used in operating activities.	
	\$ (163,723)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency
Assets:	
Equity in pooled cash and investments.	\$ 188,264
Total assets.	\$ 188,264
Liabilities:	
Accounts payable.	\$ 514
Due to students.	70,379
Due to others	117,371
Total liabilities	\$ 188,264

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Kettering City School District (the “District”) was originally chartered in 1841 by the Ohio State Legislature. In 1853 State laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five-member Board form of government and provides educational services in accordance with the constitution and laws of the State of Ohio and as required by federal agencies. This Board controls the District's instructional and support facilities staffed by 473 classified personnel and 612 certificated teaching and administrative personnel to provide services to students and other community members. The District currently operates one early education center, eight elementary schools, two middle schools (grades 6-8), and one comprehensive high school (grades 9-12).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, “*The Financial Reporting Entity*,” as amended by GASB Statement No. 39 “*Determining Whether Certain Organizations Are Component Units*” and GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes student instruction (regular, special education, vocational, adult/continuing, and other), student guidance, extracurricular activities, food service, pupil transportation, and care and upkeep of grounds and buildings.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationships to the District:

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions - The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. During fiscal year 2017, the District paid META Solutions \$155,050 for services. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nominating committee nominates individuals to run.

One at-large non-public representative is elected by the non-public school SOITA members in the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position is to be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA amounted to \$21,575 during fiscal year 2017. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Gary Greenberg, who serves as Executive Director, 1205 East Fifth Street, Dayton, Ohio 45402.

Shared Resources Center Regional Council of Governments - The District participates in the Shared Resources Center Regional Council of Governments (Council), a jointly governed organization consisting of educational entities within Montgomery County. The purpose of the Council is to provide cost effective services to its members and to other entities, enhance and facilitate relationships between stakeholders in the public and private sector, and collaborate on research and development for innovations in education and local government. The Council is governed by a Governing Board, consisting of one individual from each of the seven original members, including the District. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Board. Financial information can be obtained from the Montgomery County Educational Service Center, 200 South Keowee Street, Dayton, Ohio 45402.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PUBLIC ENTITY RISK POOLS

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of over 139 schools in 18 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All members are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the members. Any member withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. During fiscal year 2017, the District made no payments to the SOEPC for membership. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, Director, 303 Corporate Center Drive Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan - The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative. The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. Financial information can be obtained from Doug Merkle, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General fund - The general fund is the general operating fund of the District and is used to account for all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - This fund is used for the accumulation of resources that are restricted, committed, or assigned for payment of general obligation bond principal and interest from governmental resources.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The following is a description of the District's internal service funds:

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 District on a cost-reimbursement basis. The dental insurance and health insurance funds are internal service funds of the District, and account for the premiums and claims payments applicable to the employee dental and health plans, respectively.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own programs. The District has no trust funds.

The District's agency funds account for various student-managed activity programs, deposits to be utilized for background checks, OHSAA tournament monies, and for the employees' cafeteria benefits plan. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid the "doubling up" of revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District.

The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by fund type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included on the governmental funds balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationships between the government-wide statements and the governmental fund financial statements.

Like the government-wide financial statements, the proprietary fund financial statements are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service funds are charges for services. Operating expenses for the internal service funds include claims and purchased services expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds generally are reported using the economic resources measurement focus; however, agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, payment in lieu of taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5). Revenue from payment in lieu of taxes, grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest, transportation fees, tuition, rental income, grants, student fees, and other local revenues.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 14 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a corresponding amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level for the general fund and the fund level for all other funds of the District. Supplemental budgetary modifications at or above this level may only be made by resolution of the Board of Education.

1. Tax Budget - Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination. Montgomery County has waived this requirement for the District.
2. Estimated Resources - Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the final budgeted amount on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2017.
3. Appropriations - A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level except for the general fund which is budgeted at the object level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by management. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the statement of revenues, expenditures, and changes in fund balance - budget and actual are provided on the financial statement basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities.
5. Lapsing of Appropriations - At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be re-appropriated.
6. Budgetary Basis of Accounting - The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to a restricted, committed, or assigned designation of fund balance (GAAP basis).

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2017, the District's investments included, federal agency securities, negotiable certificates of deposit, U.S. government money market mutual funds, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 totaled \$193,379, which includes \$43,624 assigned from other District funds.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investments at year end is provided in Note 4.

G. Inventory

On government-wide financial statements, material and supplies inventory is presented at cost, inventory held for resale is presented at the lower of cost or market and donated commodities are presented at their fair market value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government wide financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of current assets. Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

The original costs of governmental activities capital assets have been determined by identifying historical costs. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates are determined by indexing estimated current costs to the estimated year of acquisition.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset life are not. Interest incurred during the construction of capital assets is also capitalized.

All capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	80 years
Furniture, fixtures, and equipment and vehicles	5 - 20 years

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds; however, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, notes and capital leases are recognized as a liability on the fund financial statements when due.

J. Issuance Costs, Premiums and Discounts, and Accounting Gain or Loss

On both the government-wide financial statements and the fund financial statements, issuance costs are recognized in the period in which they are incurred.

On the government-wide financial statements, bond and note premiums and discounts are amortized over the term of the bonds and notes using the straight-line method, which approximates the effective interest method. Premiums are presented as an addition to the face amount of the bonds and notes and discounts are presented as a reduction to the face amount of the bonds and notes. On the governmental fund financial statements, premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and notes and the amount reported on the statement of net position is presented in Note 12.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the refunded debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining term of the old debt or the term of the new debt, whichever is shorter, and is presented on the statement of net position as a deferred inflow of resources or a deferred outflow of resources.

K. Compensated Absences

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if (a) the employees' rights to payment are attributable to services already rendered; and (b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2017, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave for employees expected to become eligible to retire in the future, all employees with at least 5 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Compensated absences accumulated by governmental fund type employees are reported as an expense when earned in the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not recorded.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The entire compensated absences liability is reported on the government-wide financial statements.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. These classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for a special trust.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. 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 systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

At the fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable on the fund financial statements by an amount equal to the carrying value of the assets.

P. Interfund Balances

On fund financial statements, receivables and payables resulting from cash deficits among the governmental activities are classified as amounts “due to/from other funds”. On fund financial statements, receivables and payables resulting from short-term interfund loans between governmental funds are classified as “interfund loans receivable/payable.” These amounts are eliminated in the governmental activities column on the statement of net position.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in the governmental funds and as an adjustment to net position following nonoperating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund activity between governmental funds is eliminated in the statement of activities.

R. Private/Parochial Schools

The Archbishop Alter High School, Ascension Elementary School, Montessori Center of South Dayton, St. Albert the Great Elementary School, and St. Charles Borromeo Elementary School are private and parochial schools that operate within the District's boundaries. Current State legislation provides funding to these private and parochial schools. Funds are received and disbursed on behalf of the private and parochial schools by the Treasurer of the District, as directed by these institutions. The fiduciary responsibility of the District for these monies is reflected in a nonmajor governmental fund for financial reporting purposes.

S. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

T. Extraordinary and Special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

U. Fair Market Value

The District 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.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 21); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Pathfinder/preschool	\$ 330,032
Public school preschool	25,147
Vocational education enhancement	3,746
Alternative	3,050
Other state funds	7,813
Adult basic education	27,396
IDEA Part B	254,853
Bilingual education	39
Title I	403,681
Preschool grant	577
Improving teacher quality	4,674

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than five years from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described items in (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all non-FDIC insured public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Fiscal Agent

At June 30, 2017, \$17,976 was on deposit in the District's debt service clearing account. This amount is not part of the District's internal investment pool and has been excluded from the total amount of deposits reported below. The balance of this account is reported on the financial statements as "cash with fiscal agent".

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$6,017,960. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of June 30, 2017, \$6,066,665 of the District’s bank balance of \$6,316,665 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits that are not FDIC insured. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of state statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

The District’s investments at June 30, 2017, were as follows:

Measurement/ Investment type	Measurement value	Investment maturity				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair value:						
FHLB	\$ 498,875	\$ -	\$ -	\$ -	\$ -	\$ 498,875
FHLMC	2,827,686	114,988	-	-	104,529	2,608,169
FNMA	294,349	-	294,349	-	-	-
Negotiable CDs	500,242	-	500,242	-	-	-
U.S. Government money market funds	2,706,397	2,706,397	-	-	-	-
Amortized cost:						
STAR Ohio	21,747,351	21,747,351	-	-	-	-
Total	<u>\$ 28,574,900</u>	<u>\$ 24,568,736</u>	<u>\$ 794,591</u>	<u>\$ -</u>	<u>\$ 104,529</u>	<u>\$ 3,107,044</u>

At June 30, 2017, the weighted average yield to maturity of the District’s investments is 0.48 years.

The District’s investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District’s investments in federal agency securities and negotiable CD’s are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from changing interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: STAR Ohio and the U.S. government money market carry ratings of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's federal agency securities were rated Aaa by Moody's Investor Services and AA+ by Standard and Poor's. The District's negotiable certificates of deposit were not rated. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent, but not in the District's name. The negotiable certificates of deposit are not exposed to custodial credit risk as they are insured by the FDIC in their full amounts. The District has no investment policy dealing with investment custodial risk beyond the requirements of State statute.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement value</u>	<u>% of total</u>
Fair value:		
FHLB	\$ 498,875	1.75
FHLMC	2,827,686	9.90
FNMA	294,349	1.03
Negotiable CDs	500,242	1.75
U.S. Government money market funds	2,706,397	9.47
Amortized cost:		
STAR Ohio	<u>21,747,351</u>	<u>76.10</u>
Total	<u>\$ 28,574,900</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position and statement of fiduciary assets and liabilities as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,017,960
Investments	28,574,900
Cash with fiscal agent	17,976
Cash on hand	<u>600</u>
Total	<u>\$ 34,611,436</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 34,423,172
Agency funds	<u>188,264</u>
Total	<u>\$ 34,611,436</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Montgomery and Greene Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was \$2,954,407 in the general fund, \$327,831 in the bond retirement fund and \$199,040 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2016 was \$2,610,712 in the general fund, \$294,354 in the bond retirement fund and \$27,242 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,115,708,750	90.47	\$ 1,115,070,750	90.37
Public utility personal	<u>117,490,250</u>	<u>9.53</u>	<u>118,785,510</u>	<u>9.63</u>
Total	<u>\$ 1,233,199,000</u>	<u>100.00</u>	<u>\$ 1,233,856,260</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 82.99		\$ 85.39	

NOTE 6 - PAYMENT IN LIEU OF TAXES

The District has entered into tax incremental financing agreements with local companies. These companies were granted reductions or exemptions from property tax obligations to encourage economic development in the area; however, as part of these agreements, the companies make payments in lieu of taxes to the District to compensate the District for its portion of the reduction in property tax receipts. On the governmental fund financial statements, payment in lieu of taxes receipts totaled \$398,038 in the general fund during fiscal year 2017.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 consisted of taxes, accounts, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 69,621,290
Accounts	11,561
Accrued interest	7,735
Intergovernmental	<u>1,377,026</u>
Total	<u>\$ 71,017,612</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the one year.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - INTERFUND TRANSFERS

Following is a summary of transfers in and out for all funds at June 30, 2017:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ 2,500,000	\$ 18,500
Nonmajor governmental funds	18,500	-
Health insurance internal service fund	-	2,500,000
Total	<u>\$ 2,518,500</u>	<u>\$ 2,518,500</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Since the District is no longer self-insured for employee health insurance, a transfer of \$2,500,000 was made from the health insurance internal service fund to the general fund. This amount represents a portion of District insurance premiums paid into the health insurance fund over the years that will not be needed to pay run-out claims or other charges.

Interfund transfers between governmental funds are eliminated on the statement of activities.

NOTE 9 - INTERFUND BALANCES

Interfund balances at June 30, 2017, as reported on the fund statements, consist of the following individual short-term interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 1,329,300</u>

The primary purpose of the interfund balance is to cover costs in various funds where revenues were not received by June 30. The interfund balance will be repaid once the anticipated revenues are received. The interfund balance is expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - CAPITAL ASSETS

Capital asset activity for fiscal year 2017 is as follows:

Governmental activities:	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$ 461,616	\$ -	\$ -	\$ 461,616
Construction in progress	499,423	2,284,074	(1,102,793)	1,680,704
Total capital assets not being depreciated	<u>961,039</u>	<u>2,284,074</u>	<u>(1,102,793)</u>	<u>2,142,320</u>
<i>Capital assets being depreciated:</i>				
Building and improvements	139,751,712	1,926,513	-	141,678,225
Furniture, fixtures, and equipment	4,641,590	998,807	(61,118)	5,579,279
Vehicles	5,106,477	1,071,985	(250,979)	5,927,483
Total capital assets being depreciated	<u>149,499,779</u>	<u>3,997,305</u>	<u>(312,097)</u>	<u>153,184,987</u>
<i>Less: accumulated depreciation:</i>				
Building and improvements	(36,000,426)	(1,768,734)	-	(37,769,160)
Furniture, fixtures, and equipment	(3,650,212)	(406,619)	56,802	(4,000,029)
Vehicles	(2,567,892)	(285,443)	233,024	(2,620,311)
Total accumulated depreciation	<u>(42,218,530)</u>	<u>(2,460,796)</u>	<u>289,826</u>	<u>(44,389,500)</u>
Governmental activities capital assets, net	<u>\$ 108,242,288</u>	<u>\$ 3,820,583</u>	<u>\$ (1,125,064)</u>	<u>\$ 110,937,807</u>

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$ 1,268,945
Special	39,522
Vocational	78,151
<i>Support services:</i>	
Pupil	6,770
Instructional staff	60,788
Administration	302,962
Fiscal	525
Business	3,046
Operations and maintenance	86,729
Pupil transportation	284,810
Central	4,157
Operation of non-instructional services	133,095
Extracurricular activities	<u>191,296</u>
Total depreciation expense	<u>\$ 2,460,796</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2017, the District entered into a capitalized lease for copier equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$729,093. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2017 totaled \$126,625 paid by the general fund. Accumulated depreciation as of June 30, 2017 was \$145,819 leaving a current book value of \$583,274.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2017.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 176,496
2019	176,496
2020	176,496
2021	<u>176,496</u>
Total minimum lease payments	705,984
Less: amount representing interest	<u>(103,516)</u>
Total	<u>\$ 602,468</u>

**KETTERING CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - LONG-TERM OBLIGATIONS

A. The activity of the long-term obligations of the District's governmental activities for the fiscal year ended June 30, 2017, is as follows:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Amount Due Within One Year
Governmental activities:					
General obligation bonds:					
2006 school improvement refunding	\$ 9,831,727	\$ 88,273	\$ (9,920,000)	\$ -	\$ -
2007 school improvement refunding	53,210,000	-	(37,005,000)	16,205,000	-
2012 school improvement refunding	5,710,000	-	(30,000)	5,680,000	375,000
2012 taxable school improvement refunding	5,999,403	49,065	(875,000)	5,173,468	920,000
2013 school improvement	252,000	-	(83,000)	169,000	84,000
2013 energy conservation	2,135,000	-	(145,000)	1,990,000	145,000
2016 school improvement refunding	-	8,375,000	(120,000)	8,255,000	-
2017 school improvement refunding	-	30,815,000	-	30,815,000	3,100,000
Total general obligation bonds	<u>77,138,130</u>	<u>39,327,338</u>	<u>(48,178,000)</u>	<u>68,287,468</u>	<u>4,624,000</u>
Tax anticipation notes:					
2016A tax anticipation note	-	2,500,000	-	2,500,000	465,000
2016B tax anticipation note	-	2,500,000	-	2,500,000	205,000
Total tax anticipation notes	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>	<u>670,000</u>
Compensated absences	8,210,685	1,533,896	(883,273)	8,861,308	1,081,371
Capital lease obligation	-	729,093	(126,625)	602,468	133,109
Net pension liability	<u>132,396,480</u>	<u>33,766,635</u>	<u>-</u>	<u>166,163,115</u>	<u>-</u>
Total governmental activities long-term debt	<u>\$ 217,745,295</u>	<u>\$ 80,356,962</u>	<u>\$ (49,187,898)</u>	248,914,359	<u>\$ 6,508,480</u>
Add: Unamortized premiums				7,581,767	
Total long-term liabilities reported on the statement of net position				<u>\$ 256,496,126</u>	

B. Compensated Absences

Compensated absences will be paid from the fund from which employees' salaries are paid. These include the general fund and the following nonmajor governmental funds: the food service fund, the pathfinder/preschool fund, the auxiliary services fund, the adult basic education fund, the IDEA Part B fund, the public school preschool fund, and the Title I fund.

C. Net Pension Liability

The District's net pension liability is described in Note 14. The District pays obligations related to employee compensation from the fund benefitting from their service, which, for the District, is primarily the general fund.

D. Capital Lease Obligation

The District's capital lease obligation is described in Note 11.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

D. General Obligation Bonds

At June 30, 2017, the District had seven outstanding general obligation bond issuances. These bonds were used to finance the construction and/or renovation of the District's buildings, to finance renovations to reduce the District's energy consumption, and to advance refund previous issuances. These general obligation bonds are direct obligations of the District for which its full faith, credit, and resources are pledged and payable from taxes levied on all taxable property in the District. Payments of principal and interest related to these bonds are recorded as expenditures of the bond retirement fund, except for the 2013 energy conservation bonds, which are paid from the general fund.

The following is a schedule of activity of the District's general obligation bonds:

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17
General obligation bonds:				
2006 school improvement refunding				
Current interest bonds	\$ 9,290,000	\$ -	\$ (9,290,000)	\$ -
Capital appreciation bonds	29,994	-	(29,994)	-
Accreted interest	511,733	88,273	(600,006)	-
Total 2006 school improvement refunding	<u>9,831,727</u>	<u>88,273</u>	<u>(9,920,000)</u>	<u>-</u>
2007 school improvement refunding				
Current interest bonds	<u>53,210,000</u>	-	(37,005,000)	<u>16,205,000</u>
2012 school improvement refunding				
Current interest bonds	<u>5,710,000</u>	-	(30,000)	<u>5,680,000</u>
2012 taxable school improvement refunding				
Current interest bonds	5,790,000	-	(875,000)	4,915,000
Capital appreciation bonds	99,986	-	-	99,986
Accreted interest	109,417	49,065	-	158,482
Total 2012 taxable school improvement refunding	<u>5,999,403</u>	<u>49,065</u>	<u>(875,000)</u>	<u>5,173,468</u>
2013 school improvement bonds				
Current interest bonds	<u>252,000</u>	-	(83,000)	<u>169,000</u>
2013 energy conservation bonds				
Current interest bonds	<u>2,135,000</u>	-	(145,000)	<u>1,990,000</u>
2016 school improvement refunding				
Current interest bonds	<u>-</u>	<u>8,375,000</u>	<u>(120,000)</u>	<u>8,255,000</u>
2017 school improvement refunding				
Current interest bonds	<u>-</u>	<u>30,815,000</u>	<u>-</u>	<u>30,815,000</u>
Total general obligation bonds	<u>\$ 77,138,130</u>	<u>\$ 39,327,338</u>	<u>\$ (48,178,000)</u>	<u>\$ 68,287,468</u>

**KETTERING CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

2006 school improvement refunding - On November 2, 2006, the District issued 2006 school improvement refunding general obligation bonds to advance refund \$9,640,000 of the District's 2003 school improvement general obligation bonds. The issuance proceeds of \$9,639,994 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt, the outstanding balance of which totaled \$9,055,000 at June 30, 2017, is considered defeased (in-substance) and, accordingly, has been removed from the statement of net position.

The original issue was comprised of current interest serial refunding bonds, par value \$5,520,000, current interest term refunding bonds, par value \$4,090,000, and capital appreciation refunding bonds, par value \$29,994. Interest payments on the current interest serial refunding bonds are due on June 1 and December 1 of each year until final maturity at December 1, 2020; the current interest serial refunding bonds maturing through December 1, 2015 bear an interest rate of 4.0%, and the current interest serial refunding bonds maturing on December 1, 2029 and 2030 bear an interest rate of 4.375%. The current interest term refunding bonds bear an interest rate of 4.15% with a final stated maturity at December 1, 2028. Debt service payments are made from the bond retirement fund.

The capital appreciation refunding bonds matured on December 1, 2016 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date at a stated approximate yield to maturity of 4.05%. The accreted value at maturity for the capital appreciation bonds was \$630,000.

On September 6, 2016, the District issued \$8,375,000 (2016 school improvement refunding) to advance refund the bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

2007 school improvement refunding - On March 8, 2007, the District issued 2007 school improvement refunding general obligation bonds to advance refund a portion of the District's 2003 school improvement general obligation bonds (principal \$45,960,000) and a portion of the District's 2004 school improvement general obligation bonds (principal \$11,400,000). The issuance proceeds of \$57,359,996 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt, the outstanding balance of which totaled \$50,350,000 at June 30, 2017, is considered defeased (in-substance) and, accordingly, has been removed from the statement of net position.

The original issue was comprised of current interest serial refunding bonds, par value \$27,775,000, current interest term refunding bonds, par value \$29,450,000, and capital appreciation refunding bonds, par value \$134,996. Interest payments on the current interest serial refunding bonds are due on June 1 and December 1 of each year until final maturity at December 1, 2022; current interest serial refunding bonds maturing through December 1, 2015 bear an interest rate of 4.0%, current interest serial refunding bonds maturing December 1, 2016 and 2017 bear an interest rate of 5.0%, and current interest serial refunding bonds maturing on December 1, 2018 through 2022 bear an interest rate of 4.75%. The current interest refunding term bonds mature on December 1, 2025 and December 1, 2031 and bear interest rates of 4.25% and 5.25%, respectively. Debt service payments are made from the bond retirement fund.

The capital appreciation refunding bonds matured on December 1, 2014 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date at a stated approximate yield to maturity of 4.05%. The accreted value at maturity for the capital appreciation bonds was \$460,000.

On March 7, 2017, the District issued \$30,815,000 (2017 school improvement refunding) to advance refund the callable portion of the bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

**KETTERING CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

2012 school improvement refunding - On October 10, 2012, the District issued 2012 school improvement refunding general obligation bonds to advance refund an \$8,095,000 portion of the District's 2003 school improvement general obligation bonds. The issuance proceeds of \$8,094,954 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt, the outstanding balance of which totaled \$5,585,000 at June 30, 2017, is considered defeased (in-substance) and, accordingly, has been removed from the statement of net position.

The issue is comprised of current interest serial refunding bonds, par value \$7,740,000, and capital appreciation refunding bonds, par value \$354,954. Interest rates on the current interest serial refunding bonds range from 2.0% to 4.0% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2030. Debt service payments are made from the bond retirement fund.

The capital appreciation refunding bonds matured on December 1, 2014 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date at a stated approximate yield to maturity of 0.83%. The accreted value at maturity for the capital appreciation bonds was \$550,000.

The reacquisition price exceeded the net carrying amount of the old debt by \$63,192. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

2012 taxable school improvement refunding - On November 27, 2012, the District issued 2012 taxable school improvement refunding general obligation bonds to advance refund a \$6,885,000 portion of the District's 2005 school improvement refunding general obligation bonds. The issuance proceeds of \$6,884,986 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt, the balance of which totaled \$5,325,000, at June 30, 2017, is considered defeased (in-substance) and, accordingly, has been removed from the statement of net position.

The issue is comprised of current interest serial refunding bonds, par value \$6,785,000, and capital appreciation refunding bonds, par value \$99,986. Interest payments on the current interest serial refunding bonds are due on June 1 and December 1 of each year until final maturity at December 1, 2022; current interest serial refunding bonds maturing through December 1, 2013 and 2014 bore interest rates of 0.7% and 0.8%, respectively, and current interest serial refunding bonds maturing December 1, 2015 through 2022 bear an interest rate of 3.0%. Debt service payments are made from the bond retirement fund.

The capital appreciation refunding bonds mature on December 1, 2020 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date at a stated approximate yield to maturity of 2.7%. The accreted value at maturity for the capital appreciation bonds is \$540,000. Total accreted interest of \$158,482 has been included in the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$535,868. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

2013 school improvement - On August 22, 2013, the District issued \$413,000 in 2013 school improvement general obligation bonds to finance new construction and renovations of the District's facilities. The bonds bear an interest rate of 1.78% with a final maturity on December 1, 2018. These bonds are retired from the bond retirement fund.

**KETTERING CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

2013 energy conservation - On November 7, 2013, the District issued \$2,410,000 in 2013 Energy Conservation general obligation bonds to finance the cost of energy conservation measures undertaken throughout the District. The bonds bear interest rates ranging from 1.25% to 4.00% with a final maturity on December 1, 2028. These bonds are retired from the general fund.

2016 school improvement refunding - On September 6, 2016, the District issued 2016 school improvement refunding general obligation bonds to advance refund the District's 2006 school improvement general obligation bonds. The issuance proceeds of \$9,487,185 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt, the outstanding balance of which totaled \$9,290,000 at June 30, 2017, is considered defeased (in-substance) and, accordingly, has been removed from the statement of net position.

The issue is comprised of current interest refunding bonds, par value \$8,375,000. The interest rate on the current interest refunding bonds is 4.0% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2030. Debt service payments are made from the bond retirement fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$917,774. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments by \$1,957,828 and resulted in an economic gain of \$1,605,871.

2017 school improvement refunding - On March 7, 2017, the District issued 2017 school improvement refunding general obligation bonds to advance refund a portion of the District's 2007 school improvement general obligation bonds. The issuance proceeds of \$35,197,862 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt, the outstanding balance of which totaled \$34,410,000 at June 30, 2017, is considered defeased (in-substance) and, accordingly, has been removed from the statement of net position.

The issue is comprised of current interest refunding bonds, par value \$30,815,000. Interest rates on the current interest refunding bonds range from 4.25% to 5.00% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2025. Debt service payments are made from the bond retirement fund.

The net carrying amount of the old debt exceeded the reacquisition price by \$1,029,847. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments by \$4,053,017 and resulted in an economic gain of \$3,699,932.

E. Tax Anticipation Notes

2016A tax anticipation notes - On August 17, 2016, the District issued \$2,500,000 in 2016A tax anticipation notes to finance various permanent improvements. The notes are payable only from the receipts of the 3.4 mill permanent improvement property tax levy approved by District voters on March 15, 2016. The notes bear interest rates ranging from 1.25% to 3.00% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2021. Debt service payments are made from the permanent improvement fund, a nonmajor governmental fund.

**KETTERING CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

2016B tax anticipation notes - On August 17, 2016, the District issued \$2,500,000 in 2016B tax anticipation notes to finance various permanent improvements. The notes are payable only from the receipts of the 3.4 mill permanent improvement property tax levy approved by District voters on March 15, 2016. The notes bear interest rates ranging from 1.25% to 4.00% with interest payments due on June 1 and December 1 of each year until final maturity at December 1, 2026. Debt service payments are made from the permanent improvement fund, a nonmajor governmental fund.

F. Debt Service Requirements

The following is a summary of the future debt service requirements to maturity for the District's general obligation bonds and tax anticipation notes:

Year Ended	Current Interest Serial/Term Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 4,624,000	\$ 2,991,854	\$ 7,615,854	\$ -	\$ -	\$ -
2019	4,285,000	2,804,300	7,089,300	-	-	-
2020	4,410,000	2,619,050	7,029,050	-	-	-
2021	4,055,000	2,432,138	6,487,138	99,986	440,014	540,000
2022	4,795,000	2,232,637	7,027,637	-	-	-
2023 - 2027	22,415,000	8,079,394	30,494,394	-	-	-
2028 - 2032	23,445,000	2,184,569	25,629,569	-	-	-
Total	<u>\$ 68,029,000</u>	<u>\$ 23,343,942</u>	<u>\$ 91,372,942</u>	<u>\$ 99,986</u>	<u>\$ 440,014</u>	<u>\$ 540,000</u>

Year Ended	Tax Anticipation Notes		
	Principal	Interest	Total
2018	\$ 670,000	\$ 103,624	\$ 773,624
2019	725,000	82,700	807,700
2020	740,000	67,201	807,201
2021	755,000	53,913	808,913
2022	770,000	35,700	805,700
2023 - 2027	<u>1,340,000</u>	<u>67,775</u>	<u>1,407,775</u>
Total	<u>\$ 5,000,000</u>	<u>\$ 410,913</u>	<u>\$ 5,410,913</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

G. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$48,856,536 (including available funds of \$3,948,459), an unvoted debt margin of \$1,233,856, and an energy conservation debt margin of \$9,114,706.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2017, the District contracted with Ohio Casualty through Brower Insurance Agency for general liability insurance with a \$1,000,000 per occurrence limit and a \$2,000,000 aggregate. Property is protected by Ohio Casualty through Brower Insurance Agency and holds a \$5,000 occurrence deductible.

The District's vehicles are insured under a policy by Ohio Casualty through Brower Insurance Agency which carries a \$500 deductible and a \$1,000,000 combined single limit on any accident.

The District has earthquake (\$5,000,000 limit) and flood (\$1,000,000 limit) insurance with Ohio Casualty through Brower Insurance Agency. The District also has a \$10,000,000 limit umbrella policy with Ohio Casualty through Brower Insurance Agency.

Settled claims have not exceeded insurance coverage during the last three years, and there have been no significant reductions in insurance coverage during the fiscal year.

B. Workers' Compensation

The District pays the Ohio Bureau of Workers' Compensation a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

C. Employee Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life Insurance Company.

The District offers a Section 125 Plan for employee liabilities arising in connection with the Employee Benefits Self-Insurance Program. This program is also accounted for as an agency fund. The District records liabilities for the Employee Self-Insurance Fund for incurred but not reported claims, which represent employee out-of-pocket expenses processed but not paid.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - RISK MANAGEMENT - (Continued)

The District was self-insured for employee dental care benefits and health insurance benefits until December 31, 2015. The dental program was administered by CoreSource, which provided claims review and processing services. The health program was administered by United Health Care, which provided claims review and processing services. Both of the self-insurance programs are accounted for in the District's internal service funds.

Effective January 1, 2016, the District joined the Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan to provide health and dental benefits to employees.

The claims activity of the District's dental care self-insurance program for fiscal years 2017 and 2016 are as follows:

Fiscal Year	Beginning Balance	Claims & Changes in Estimates	Claims Payments	Ending Balance
2017	\$ -	\$ 2,484	\$ (2,484)	\$ -
2016	98,000	481,583	(579,583)	-

The claims activity of the District's health insurance benefits self-insurance program for fiscal years 2017 and 2016 are as follows:

Fiscal Year	Beginning Balance	Claims & Changes in Estimates	Claims Payments	Ending Balance
2017	\$ -	\$ 40,225	\$ (40,225)	\$ -
2016	1,067,000	5,871,422	(6,938,422)	-

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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 District'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.

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

**KETTERING CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description - District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$2,249,666 for fiscal year 2017. Of this amount, \$62,905 is reported as pension and postemployment obligation payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$6,232,480 for fiscal year 2017. Of this amount, \$1,035,984 is reported as pension and postemployment obligation payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.44773630%	0.38661187%	
Proportion of the net pension liability current measurement date	<u>0.45672770%</u>	<u>0.39654290%</u>	
Change in proportionate share	<u>0.00899140%</u>	<u>0.00993103%</u>	
Proportionate share of the net pension liability	\$ 33,428,253	\$ 132,734,862	\$ 166,163,115
Pension expense	\$ 3,620,186	\$ 10,551,447	\$ 14,171,633

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 450,870	\$ 5,363,127	\$ 5,813,997
Net difference between projected and actual earnings on pension plan investments	2,757,345	11,020,560	13,777,905
Changes of assumptions	2,231,519	-	2,231,519
Difference between District contributions and proportionate share of contributions/ change in proportionate share	396,387	2,831,317	3,227,704
District contributions subsequent to the measurement date	2,249,666	6,232,480	8,482,146
Total deferred outflows of resources	\$ 8,085,787	\$ 25,447,484	\$ 33,533,271

\$8,482,146 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$ 1,508,462	\$ 3,351,930	\$ 4,860,392
2019	1,506,473	3,351,932	4,858,405
2020	2,028,561	7,580,829	9,609,390
2021	792,625	4,930,313	5,722,938
Total	\$ 5,836,121	\$ 19,215,004	\$ 25,051,125

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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**NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *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.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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 long-term assumed investment rate of return (7.50 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, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 44,256,924	\$ 33,428,253	\$ 24,364,205

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10-year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investments expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 176,393,845	\$ 132,734,862	\$ 95,905,935

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant changes are a reduction in the discount rate to 7.45% from 7.75% and a change to updated generational mortality tables. In April 2017, the STRS board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$273,347.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$273,347, \$236,125, and \$338,924, respectively. The fiscal year 2017 amount has been reported as pension and postemployment obligation payable. The full amount has been contributed for fiscal years 2016 and 2015.

**KETTERING CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System

Plan Description - The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 16 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material, adverse effect on the overall financial condition of the District at June 30, 2017.

B. Litigation

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2017.

C. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 17 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the governmental funds. Constraints placed on the fund balances for the governmental funds are presented below:

Fund balance	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 80,277	\$ -	\$ -	\$ 80,277
Prepayments	287,427	-	7,143	294,570
Endowments	<u>-</u>	<u>-</u>	<u>12,801</u>	<u>12,801</u>
Total nonspendable	<u>367,704</u>	<u>-</u>	<u>19,944</u>	<u>387,648</u>
Restricted:				
Food service operations	-	-	1,155,865	1,155,865
Endowments	-	-	658	658
Capital improvements	-	-	1,391,979	1,391,979
Non-public schools	-	-	36,412	36,412
Vocational education	-	-	101,249	101,249
Extracurricular activities	-	-	398,866	398,866
Debt service	-	3,948,459	-	3,948,459
Other purposes	<u>-</u>	<u>-</u>	<u>94,097</u>	<u>94,097</u>
Total restricted	<u>-</u>	<u>3,948,459</u>	<u>3,179,126</u>	<u>7,127,585</u>
Committed:				
Capital improvements	<u>-</u>	<u>-</u>	<u>3,080</u>	<u>3,080</u>
Total committed	<u>-</u>	<u>-</u>	<u>3,080</u>	<u>3,080</u>
Assigned:				
Student instruction	277,682	-	-	277,682
Student and staff support	725,459	-	-	725,459
School supplies	145,869	-	-	145,869
Subsequent year appropriations	11,124,767	-	-	11,124,767
Other purposes	<u>372,412</u>	<u>-</u>	<u>-</u>	<u>372,412</u>
Total assigned	<u>12,646,189</u>	<u>-</u>	<u>-</u>	<u>12,646,189</u>
Unassigned (deficit)	<u>2,055,988</u>	<u>-</u>	<u>(1,065,078)</u>	<u>990,910</u>
Total fund balances	<u>\$ 15,069,881</u>	<u>\$ 3,948,459</u>	<u>\$ 2,137,072</u>	<u>\$ 21,155,412</u>

**KETTERING CITY SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to an assigned or committed portion of available fund balance for outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,352,497
Net adjustment for revenue accruals	430,132
Net adjustment for expenditure accruals	(3,642,731)
Net adjustment for other sources	89,192
Funds budgeted elsewhere	81,935
Adjustment for encumbrances	988,371
GAAP basis	\$ (700,604)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. These include the uniform school supplies fund, the rotary special services fund, the public school support fund, and the special enterprise fund.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 19 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

During fiscal years 1998, 2003, 2014 and 2017, the District issued \$109,413,000 in capital related school improvement bonds and tax anticipation notes. These proceeds may be used to reduce capital acquisition to zero in future years. The District is responsible for tracking the amount of the bond and note proceeds that may be used as an offset in future periods, which was \$109,413,000 at June 30, 2017.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	1,269,570
Current year qualifying expenditures	(512,018)
Current year offsets	(2,553,240)
Total	\$ (1,795,688)
Balance carried forward to fiscal year 2018	\$ -

Although the District had offsets and qualifying disbursements during the year that reduced the capital improvements set-aside amount to below zero, the excess of current year offsets and qualifying disbursements over the set-aside requirement may not be used to reduce the set-aside requirements of future years. This negative amount is therefore not presented as being carried forward to the next fiscal year.

NOTE 20 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. To the extent of available balances, encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

Fund	Year-End Encumbrances
General fund	\$ 682,166
Bond retirement fund	6,931
Nonmajor governmental funds	1,843,107
Total	\$ 2,532,204

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 21 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The City of Kettering and the City of Moraine provide tax abatements through two programs - Enterprise Zone Agreements and Community Reinvestment Area (CRA) Agreements. Under the agreements, various businesses receive the abatement of property taxes to bring jobs and economic development to the Cities. The agreement affects the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by \$358,726 during fiscal year 2017.

NOTE 22 - CONTRACTUAL COMMITMENTS

As of June 30, 2017, the District has commitments with the following companies for various projects:

Contractor	Contract Amount	Amount Paid as of June 30, 2017	Amount Remaining on Contract
AKA Construction	\$ 353,100	\$ 316,119	\$ 36,981
Ruetschle Architects	891,094	285,150	605,944
Phillips Companies	43,998	-	43,998
Farnham Equipment, Inc.	137,150	-	137,150
Mid-Miami Roofing, Inc.	399,770	-	399,770
Vandalia Blacktop and Sealcoating	739,310	-	739,310
Total	<u>\$ 2,564,422</u>	<u>\$ 601,269</u>	<u>\$ 1,963,153</u>

In addition to the amounts paid above, the District has recorded contracts payable in the amount of \$1,079,436 for costs incurred prior to fiscal year end on the various project. Costs incurred by fiscal year end (including contracts payable) have been recorded as construction-in-progress in the District's capital assets (See Note 10).

NOTE 23 - SUBSEQUENT EVENTS

On August 15, 2017, the District issued \$11,530,000 in certificates of participation. The certificates of participation bear interest rates ranging from 2% to 4%. The final stated maturity of the certificates of participation is December 1, 2046. The primary purpose of this issue is to demolish the existing auditorium space at Kettering Fairmont High School and construct a new 25,000 square feet, 950 seat auditorium.

On November 7, 2017, the District's voters renewed a continuing 4.89 mill current expenses levy. This levy commences in calendar year 2018.

REQUIRED SUPPLEMENTARY INFORMATION

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.45672770%	0.44773630%	0.44716700%	0.44716700%
District's proportionate share of the net pension liability	\$ 33,428,253	\$ 25,548,267	\$ 22,630,867	\$ 26,591,586
District's covered payroll	\$ 14,184,264	\$ 13,479,203	\$ 12,993,795	\$ 12,799,552
District's proportionate share of the net pension liability as a percentage of its covered payroll	235.67%	189.54%	174.17%	207.75%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.39654290%	0.38661187%	0.38412297%	0.38412297%
District's proportionate share of the net pension liability	\$ 132,734,862	\$ 106,848,213	\$ 93,432,000	\$ 111,295,587
District's covered payroll	\$ 41,518,136	\$ 41,120,979	\$ 39,246,754	\$ 40,155,177
District's proportionate share of the net pension liability as a percentage of its covered payroll	319.70%	259.84%	238.06%	277.16%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,249,666	\$ 1,985,797	\$ 1,776,559	\$ 1,800,940
Contributions in relation to the contractually required contribution	<u>(2,249,666)</u>	<u>(1,985,797)</u>	<u>(1,776,559)</u>	<u>(1,800,940)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 16,069,043	\$ 14,184,264	\$ 13,479,203	\$ 12,993,795
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,771,458	\$ 1,731,214	\$ 1,596,923	\$ 1,518,848	\$ 1,214,031	\$ 1,147,164
<u>(1,771,458)</u>	<u>(1,731,214)</u>	<u>(1,596,923)</u>	<u>(1,518,848)</u>	<u>(1,214,031)</u>	<u>(1,147,164)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 12,799,552	\$ 12,871,480	\$ 12,704,240	\$ 11,217,489	\$ 12,337,713	\$ 11,681,914
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,232,480	\$ 5,812,539	\$ 5,756,937	\$ 5,102,078
Contributions in relation to the contractually required contribution	<u>(6,232,480)</u>	<u>(5,812,539)</u>	<u>(5,756,937)</u>	<u>(5,102,078)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 44,517,714	\$ 41,518,136	\$ 41,120,979	\$ 39,246,754
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 5,220,173	\$ 5,379,603	\$ 5,446,974	\$ 5,519,927	\$ 5,312,032	\$ 5,087,314
<u>(5,220,173)</u>	<u>(5,379,603)</u>	<u>(5,446,974)</u>	<u>(5,519,927)</u>	<u>(5,312,032)</u>	<u>(5,087,314)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 40,155,177	\$ 41,381,562	\$ 41,899,800	\$ 42,460,977	\$ 40,861,785	\$ 39,133,185
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*Combining and Individual Fund
Statements and Schedules*

The following combining statements and schedules include the major and nonmajor governmental funds, internal service funds, and agency funds.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**



**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

FUND DESCRIPTIONS - GOVERNMENTAL FUNDS

Major Funds

General Fund

The general fund is the general operating fund of the District and is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio. The general fund's activities include, but are not limited to, instruction, support services, operations and maintenance, pupil transportation, and operation of non-instructional services.

Bond Retirement Fund

The bond retirement fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of general obligation bond principal and interest from governmental resources.

Nonmajor Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable or nonexpendable trusts, or amounts restricted, committed, or assigned to expenditure for the purposes of debt service or capital projects) that are legally restricted to expenditure for specified purposes or committed for specified purposes by formal resolution by the Board of Education. The title of each special revenue fund is descriptive of the activities accounted for therein. The nonmajor special revenue funds are as follows:

Food Service Fund

This fund accounts for the financial transactions related to the food service operations of the District.

Special Trust Fund

This fund accounts for assets held in a trustee capacity to support District programs.

Pathfinder/Preschool Fund

This fund accounts for receipts and expenditures in conjunction with preschool activities.

Athletic Fund

This fund accounts for revenues supporting athletic and other extracurricular activities managed by the District.

Auxiliary Services Fund

This fund accounts for funds which provide services and materials to pupils attending non-public schools within the District.

Public School Preschool Fund

This fund accounts for programs for early childhood education for disadvantaged children between four and five years of age.

Data Communications Fund

This fund is used to account for monies received for the maintenance of the Ohio Educational Computer Network connections.

Alternative Fund

This fund accounts for the District's alternative education challenge grant.

Other State Funds Fund

This fund accounts for State monies to provide support and education to parents of children with disabilities, to provide the opportunity for parents to participate in regularly scheduled support groups, and to provide for the use of the productivity improvement challenge program to expand, enhance and upgrade career programming for students in southern Montgomery County school districts.

(Continued)

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

FUND DESCRIPTIONS - GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds (Continued)

Adult Basic Education Fund

This fund accounts for federal monies used to provide programs in reading, writing and math competency for adults that do not have a high school diploma.

Improving Teacher Quality Fund

This fund accounts for transactions to strengthen instruction in science, mathematics, modern foreign languages, English, the arts, and computer learning.

Individuals with Disabilities Education Act, Part B (IDEA Part B) Fund

This fund accounts for federal funds to assist schools in the identification of handicapped children, development of procedural safeguards, implementation of least restrictive alternative service patterns, and provision of full education opportunities to handicapped children at the preschool, elementary, and secondary levels. This fund was previously reported as the Education for Economic Security Act (ESSA Title VI-B) Fund.

Carl D. Perkins Fund

This fund accounts for the provision of funds to boards of education, teacher training institutions, and the state administering agency for cooperating in development of vocational education programs in the following categories: post-secondary, adult, disadvantaged and handicapped persons, exemplary programs, cooperative education, construction of area vocational schools, research, advisory committees, and work-study projects, including sex equity grants. Funds are administered by the Ohio Department of Education, Division of Vocational and Career Education.

Bilingual Education Fund

This fund accounts for the provision of funds to develop and carry out elementary and secondary school programs, including activities at the pre-school level, to meet the educational needs of children of limited English proficiency.

Title I Fund

This fund accounts for federal monies used to assist the District in meeting the special needs of educationally deprived children.

Preschool Grant Fund

This fund is provided to account for the District's preschool grant activities.

Other Federal Programs Fund

This fund accounts for the activities of systemic grants, classrooms reduction grant, America Reads program, and school to work program.

Vocational Education Enhancement Fund

This fund accounts for funds used to expand or upgrade the District's vocational education programs.

(Continued)

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

FUND DESCRIPTIONS - GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds (Continued)

The following funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis). These funds are not included in the combining statements for the nonmajor special revenue funds as they are reported in the general fund (GAAP basis); however, the budgetary schedules for these funds are presented in this section.

Uniform School Supplies Fund

This fund accounts for the purchase and sale of school supplies for use in the District. Profits derived from such sales are used for school purposes or activities connected with the school.

Rotary Special Services Fund

This fund is provided to account for income and expenses made in connection with goods and services provided by the District.

Public School Support Fund

This fund supports the various needs of the school such as supplies and equipment for use in the school, and for support and recognition of school activities as deemed appropriate by the building principal.

Special Enterprise Fund

This fund accounts for the financial transactions related to morning and afternoon supervision child care program. This fund also accounts for building rental revenue associated with Trent Arena.

Nonmajor Capital Projects Funds

The capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Permanent Improvement Fund

This fund is provided to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code.

Building Fund

This fund is used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes, or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

Replacement Fund

This fund is provided to account for monies used in the rebuilding, restoration or improvement of property which has been totally or partially destroyed due to any cause.

Nonmajor Permanent Fund

The permanent fund is used to account for the financial resources that are legally restricted in that only the earnings, not the principal, may be used to support the District's programs.

Permanent Fund

This fund is used to account for money, securities, or lands which have been set aside as an investment for public school purposes. The income from such a fund may be expended, but the principal must remain intact.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:				
Equity in pooled cash and investments.	\$ 2,502,864	\$ 3,789,699	\$ 13,459	\$ 6,306,022
Receivables:				
Property taxes	-	3,980,897	-	3,980,897
Intergovernmental	796,782	-	-	796,782
Prepayments	7,143	-	-	7,143
Inventory held for resale	53,410	-	-	53,410
Total assets	<u>\$ 3,360,199</u>	<u>\$ 7,770,596</u>	<u>\$ 13,459</u>	<u>\$ 11,144,254</u>
Liabilities:				
Accounts payable.	\$ 220,604	\$ 514,244	\$ -	\$ 734,848
Contracts payable	-	1,079,436	-	1,079,436
Accrued wages and benefits payable.	1,070,886	-	-	1,070,886
Compensated absences payable	14,760	-	-	14,760
Interfund loans payable.	329,300	1,000,000	-	1,329,300
Intergovernmental payable.	89,052	-	-	89,052
Pension and postemployment obligation payable.	110,261	-	-	110,261
Total liabilities.	<u>1,834,863</u>	<u>2,593,680</u>	<u>-</u>	<u>4,428,543</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	-	3,636,397	-	3,636,397
Delinquent property tax revenue not available.	-	145,460	-	145,460
Intergovernmental revenue not available.	796,782	-	-	796,782
Total deferred inflows of resources	<u>796,782</u>	<u>3,781,857</u>	<u>-</u>	<u>4,578,639</u>
Fund balances:				
Nonspendable.	7,143	-	12,801	19,944
Restricted.	1,786,489	1,391,979	658	3,179,126
Committed	-	3,080	-	3,080
Unassigned (deficit)	(1,065,078)	-	-	(1,065,078)
Total fund balances (deficit)	<u>728,554</u>	<u>1,395,059</u>	<u>13,459</u>	<u>2,137,072</u>
Total liabilities, deferred inflows of resources, and fund balances.	<u>\$ 3,360,199</u>	<u>\$ 7,770,596</u>	<u>\$ 13,459</u>	<u>\$ 11,144,254</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ -	\$ 2,593,140	\$ -	\$ 2,593,140
Tuition	910,416	-	-	910,416
Earnings on investments.	8,086	21,888	106	30,080
Charges for services	1,557,655	-	-	1,557,655
Extracurricular	405,693	-	-	405,693
Contributions and donations.	7,387	-	-	7,387
Other local revenues	87,948	2,260	-	90,208
Intergovernmental - state	1,855,770	107,782	-	1,963,552
Intergovernmental - federal	6,753,906	-	-	6,753,906
Total revenues	11,586,861	2,725,070	106	14,312,037
Expenditures:				
Current:				
Instruction:				
Regular	217,435	1,015,826	-	1,233,261
Special.	2,565,019	-	-	2,565,019
Vocational.	99,457	32,772	-	132,229
Adult/continuing.	146,517	-	-	146,517
Other.	85,050	-	-	85,050
Support services:				
Pupil	1,141,610	-	-	1,141,610
Instructional staff	1,000,357	-	-	1,000,357
Administration.	406,962	-	-	406,962
Fiscal	-	35,607	-	35,607
Business	-	103,863	-	103,863
Operations and maintenance	29,380	2,343,307	-	2,372,687
Pupil transportation	1,948	928,036	-	929,984
Central	20,382	52,228	-	72,610
Operation of non-instructional services.	5,908,150	-	-	5,908,150
Extracurricular activities	415,049	-	-	415,049
Facilities acquisition and construction.	1,800	1,184,911	-	1,186,711
Debt service:				
Issuance costs	-	101,120	-	101,120
Total expenditures.	12,039,116	5,797,670	-	17,836,786
Excess (deficiency) of revenues over (under) expenditures	(452,255)	(3,072,600)	106	(3,524,749)
Other financing sources:				
Premium on bonds and notes	-	101,120	-	101,120
Sale of notes	-	5,000,000	-	5,000,000
Transfers in	18,500	-	-	18,500
Total other financing sources	18,500	5,101,120	-	5,119,620
Net change in fund balances.	(433,755)	2,028,520	106	1,594,871
Fund balances (deficit) at beginning of year	1,156,998	(633,461)	13,353	536,890
Increase in reserve for inventory.	5,311	-	-	5,311
Fund balances at end of year	\$ 728,554	\$ 1,395,059	\$ 13,459	\$ 2,137,072

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	<u>Food Service</u>	<u>Special Trust</u>	<u>Pathfinder/ Preschool</u>	<u>Athletic</u>
Assets:				
Equity in pooled cash and investments.	\$ 1,373,514	\$ 91,998	\$ 20,127	\$ 405,332
Receivables:				
Intergovernmental.	-	-	-	-
Prepayments	2,440	-	932	-
Inventory held for resale	53,410	-	-	-
Total assets	<u>\$ 1,429,364</u>	<u>\$ 91,998</u>	<u>\$ 21,059</u>	<u>\$ 405,332</u>
Liabilities:				
Accounts payable.	\$ 44,482	\$ 50	\$ -	\$ 6,466
Accrued wages and benefits payable	201,159	-	84,182	-
Compensated absences payable	4,974	-	9,786	-
Interfund loans payable.	-	-	250,000	-
Intergovernmental payable	2,535	-	1,140	-
Pension and postemployment obligation payable.	17,909	-	5,983	-
Total liabilities.	<u>271,059</u>	<u>50</u>	<u>351,091</u>	<u>6,466</u>
Deferred inflows of resources:				
Intergovernmental revenue not available.	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	2,440	-	932	-
Restricted.	1,155,865	91,948	-	398,866
Unassigned (deficit)	-	-	(330,964)	-
Total fund balances (deficit)	<u>1,158,305</u>	<u>91,948</u>	<u>(330,032)</u>	<u>398,866</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,429,364</u>	<u>\$ 91,998</u>	<u>\$ 21,059</u>	<u>\$ 405,332</u>

Auxiliary Services	Public School Preschool	Alternative	Other State Funds	Adult Basic Education	Improving Teacher Quality
\$ 238,099	\$ 5,292	\$ 3,309	\$ 17,522	\$ 10,496	\$ 9,726
-	24,055	3,361	24,974	31,602	-
633	130	-	-	201	17
-	-	-	-	-	-
<u>\$ 238,732</u>	<u>\$ 29,477</u>	<u>\$ 6,670</u>	<u>\$ 42,496</u>	<u>\$ 42,299</u>	<u>\$ 9,743</u>
\$ 81,900	\$ -	\$ -	\$ -	\$ -	\$ 2,775
106,241	27,342	1,592	24,973	29,203	3,200
-	-	-	-	-	-
-	-	4,500	-	4,600	8,000
1,434	333	23	362	378	42
12,112	2,894	244	-	3,912	400
<u>201,687</u>	<u>30,569</u>	<u>6,359</u>	<u>25,335</u>	<u>38,093</u>	<u>14,417</u>
-	24,055	3,361	24,974	31,602	-
-	<u>24,055</u>	<u>3,361</u>	<u>24,974</u>	<u>31,602</u>	-
633	130	-	-	201	17
36,412	-	-	-	-	-
-	(25,277)	(3,050)	(7,813)	(27,597)	(4,691)
<u>37,045</u>	<u>(25,147)</u>	<u>(3,050)</u>	<u>(7,813)</u>	<u>(27,396)</u>	<u>(4,674)</u>
<u>\$ 238,732</u>	<u>\$ 29,477</u>	<u>\$ 6,670</u>	<u>\$ 42,496</u>	<u>\$ 42,299</u>	<u>\$ 9,743</u>

(Continued)

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2017

	<u>IDEA Part B</u>	<u>Carl D. Perkins</u>	<u>Bilingual Education</u>	<u>Title I</u>
Assets:				
Equity in pooled cash and investments.	\$ 87,628	\$ 114,273	\$ 7	\$ 114,938
Receivables:				
Intergovernmental.	272,474	-	40	429,618
Prepayments	1,328	-	-	1,462
Inventory held for resale	-	-	-	-
Total assets	<u>\$ 361,430</u>	<u>\$ 114,273</u>	<u>\$ 47</u>	<u>\$ 546,018</u>
Liabilities:				
Accounts payable.	\$ 2,340	\$ 12,513	\$ -	\$ 69,501
Accrued wages and benefits payable	269,489	504	39	322,962
Compensated absences payable	-	-	-	-
Interfund loans payable.	-	-	-	50,000
Intergovernmental payable	42,410	7	1	40,387
Pension and postemployment obligation payable.	29,570	-	6	37,231
Total liabilities.	<u>343,809</u>	<u>13,024</u>	<u>46</u>	<u>520,081</u>
Deferred inflows of resources:				
Intergovernmental revenue not available.	272,474	-	40	429,618
Total deferred inflows of resources	<u>272,474</u>	<u>-</u>	<u>40</u>	<u>429,618</u>
Fund balances:				
Nonspendable	1,328	-	-	1,462
Restricted.	-	101,249	-	-
Unassigned (deficit)	(256,181)	-	(39)	(405,143)
Total fund balances (deficit)	<u>(254,853)</u>	<u>101,249</u>	<u>(39)</u>	<u>(403,681)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 361,430</u>	<u>\$ 114,273</u>	<u>\$ 47</u>	<u>\$ 546,018</u>

Preschool Grant	Other Federal Programs	Vocational Education Enhancement	Total Nonmajor Special Revenue Funds
\$ 2,400	\$ 2,149	\$ 6,054	\$ 2,502,864
577	-	10,081	796,782
-	-	-	7,143
-	-	-	53,410
<u>\$ 2,977</u>	<u>\$ 2,149</u>	<u>\$ 16,135</u>	<u>\$ 3,360,199</u>
\$ 577	\$ -	\$ -	\$ 220,604
-	-	-	1,070,886
-	-	-	14,760
2,400	-	9,800	329,300
-	-	-	89,052
-	-	-	110,261
<u>2,977</u>	<u>-</u>	<u>9,800</u>	<u>1,834,863</u>
577	-	10,081	796,782
<u>577</u>	<u>-</u>	<u>10,081</u>	<u>796,782</u>
-	-	-	7,143
-	2,149	-	1,786,489
<u>(577)</u>	<u>-</u>	<u>(3,746)</u>	<u>(1,065,078)</u>
<u>(577)</u>	<u>2,149</u>	<u>(3,746)</u>	<u>728,554</u>
<u>\$ 2,977</u>	<u>\$ 2,149</u>	<u>\$ 16,135</u>	<u>\$ 3,360,199</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Food Service</u>	<u>Special Trust</u>	<u>Pathfinder/ Preschool</u>	<u>Athletic</u>
Revenues:				
From local sources:				
Tuition.	\$ -	\$ -	\$ 910,416	\$ -
Earnings on investments.	7,647	439	-	-
Charges for services.	1,557,655	-	-	-
Extracurricular	65	2,238	-	403,390
Contributions and donations.	-	848	-	6,539
Other local revenues.	19,171	9,871	58,906	-
Intergovernmental - state	28,799	-	-	-
Intergovernmental - federal.	2,142,140	-	32,625	-
Total revenues	<u>3,755,477</u>	<u>13,396</u>	<u>1,001,947</u>	<u>409,929</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	-	62,418	-
Special.	-	-	-	-
Vocational.	-	-	-	-
Adult/continuing.	-	-	-	-
Other.	-	-	-	-
Support services:				
Pupil.	-	-	769,561	-
Instructional staff	-	15,808	184,729	-
Administration.	-	-	-	-
Operations and maintenance.	29,140	-	-	240
Pupil transportation.	-	-	-	-
Central.	-	-	582	-
Operation of non-instructional services	3,703,705	251	183,485	-
Extracurricular activities.	-	1,000	-	414,049
Facilities acquisition and construction	-	-	-	-
Total expenditures.	<u>3,732,845</u>	<u>17,059</u>	<u>1,200,775</u>	<u>414,289</u>
Excess (deficiency) of revenues over (under) expenditures	<u>22,632</u>	<u>(3,663)</u>	<u>(198,828)</u>	<u>(4,360)</u>
Other financing sources:				
Transfers in	-	-	-	18,500
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,500</u>
Net change in fund balances.	22,632	(3,663)	(198,828)	14,140
Fund balances (deficit) at beginning of year	1,130,362	95,611	(131,204)	384,726
Decrease in reserve for inventory	5,311	-	-	-
Fund balances (deficit) at end of year.	<u><u>\$ 1,158,305</u></u>	<u><u>\$ 91,948</u></u>	<u><u>\$ (330,032)</u></u>	<u><u>\$ 398,866</u></u>

<u>Auxiliary Services</u>	<u>Public School Preschool</u>	<u>Data Communications</u>	<u>Alternative</u>	<u>Other State Funds</u>	<u>Adult Basic Education</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,543,433	223,945	19,800	13,915	24,992	-
-	-	-	-	-	257,900
<u>1,543,433</u>	<u>223,945</u>	<u>19,800</u>	<u>13,915</u>	<u>24,992</u>	<u>257,900</u>
-	118,554	-	8,443	24,973	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	146,517
-	-	-	-	-	-
-	61,132	-	3,822	-	47,497
-	59,898	-	3,121	-	882
-	-	-	-	-	41,816
-	-	-	-	-	-
-	-	-	-	-	-
-	-	19,800	-	-	-
1,651,272	-	-	-	-	8,000
-	-	-	-	-	-
-	-	-	-	-	1,800
<u>1,651,272</u>	<u>239,584</u>	<u>19,800</u>	<u>15,386</u>	<u>24,973</u>	<u>246,512</u>
<u>(107,839)</u>	<u>(15,639)</u>	<u>-</u>	<u>(1,471)</u>	<u>19</u>	<u>11,388</u>
-	-	-	-	-	-
-	-	-	-	-	-
(107,839)	(15,639)	-	(1,471)	19	11,388
144,884	(9,508)	-	(1,579)	(7,832)	(38,784)
-	-	-	-	-	-
<u>\$ 37,045</u>	<u>\$ (25,147)</u>	<u>\$ -</u>	<u>\$ (3,050)</u>	<u>\$ (7,813)</u>	<u>\$ (27,396)</u>

(Continued)

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Improving Teacher Quality</u>	<u>IDEA Part B</u>	<u>Carl D. Perkins</u>	<u>Bilingual Education</u>
Revenues:				
From local sources:				
Tuition	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-
Charges for services	-	-	-	-
Extracurricular	-	-	-	-
Contributions and donations	-	-	-	-
Other local revenues	-	-	-	-
Intergovernmental - state	-	-	-	-
Intergovernmental - federal	224,511	2,014,236	93,266	54,732
Total revenues	<u>224,511</u>	<u>2,014,236</u>	<u>93,266</u>	<u>54,732</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,047	-	-	-
Special	-	1,145,571	-	9,438
Vocational	-	1,056	98,401	-
Adult/continuing	-	-	-	-
Other	-	85,050	-	-
Support services:				
Pupil	-	217,708	-	41,890
Instructional staff	178,586	185,680	-	-
Administration	2,809	277,228	-	280
Operations and maintenance	-	-	-	-
Pupil transportation	-	-	-	-
Central	-	-	-	-
Operation of non-instructional services	28,196	119,161	-	-
Extracurricular activities	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Total expenditures	<u>212,638</u>	<u>2,031,454</u>	<u>98,401</u>	<u>51,608</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,873</u>	<u>(17,218)</u>	<u>(5,135)</u>	<u>3,124</u>
Other financing sources:				
Transfers in	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	11,873	(17,218)	(5,135)	3,124
Fund balances (deficit) at beginning of year . . .	(16,547)	(237,635)	106,384	(3,163)
Increase in reserve for inventory	-	-	-	-
Fund balances (deficit) at end of year	<u><u>\$ (4,674)</u></u>	<u><u>\$ (254,853)</u></u>	<u><u>\$ 101,249</u></u>	<u><u>\$ (39)</u></u>

<u>Title I</u>	<u>Preschool Grant</u>	<u>Other Federal Programs</u>	<u>Vocational Education Enhancement</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 910,416
-	-	-	-	8,086
-	-	-	-	1,557,655
-	-	-	-	405,693
-	-	-	-	7,387
-	-	-	-	87,948
-	-	-	886	1,855,770
1,928,586	5,910	-	-	6,753,906
<u>1,928,586</u>	<u>5,910</u>	<u>-</u>	<u>886</u>	<u>11,586,861</u>
-	-	-	-	217,435
1,403,523	6,487	-	-	2,565,019
-	-	-	-	99,457
-	-	-	-	146,517
-	-	-	-	85,050
-	-	-	-	1,141,610
367,021	-	-	4,632	1,000,357
84,829	-	-	-	406,962
-	-	-	-	29,380
1,948	-	-	-	1,948
-	-	-	-	20,382
214,080	-	-	-	5,908,150
-	-	-	-	415,049
-	-	-	-	1,800
<u>2,071,401</u>	<u>6,487</u>	<u>-</u>	<u>4,632</u>	<u>12,039,116</u>
<u>(142,815)</u>	<u>(577)</u>	<u>-</u>	<u>(3,746)</u>	<u>(452,255)</u>
-	-	-	-	18,500
-	-	-	-	18,500
(142,815)	(577)	-	(3,746)	(433,755)
(260,866)	-	2,149	-	1,156,998
-	-	-	-	5,311
<u>\$ (403,681)</u>	<u>\$ (577)</u>	<u>\$ 2,149</u>	<u>\$ (3,746)</u>	<u>\$ 728,554</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	Permanent Improvement	Building	Replacement	Total Nonmajor Capital Projects Funds
Assets:				
Equity in pooled cash and investments.	\$ 3,786,487	\$ 132	\$ 3,080	\$ 3,789,699
Receivables:				
Property taxes	3,980,897	-	-	3,980,897
Total assets.	\$ 7,767,384	\$ 132	\$ 3,080	\$ 7,770,596
Liabilities:				
Accounts payable	\$ 514,244	\$ -	\$ -	\$ 514,244
Contracts payable.	1,079,436	-	-	1,079,436
Interfund loans payable.	1,000,000	-	-	1,000,000
Total liabilities.	2,593,680	-	-	2,593,680
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	3,636,397	-	-	3,636,397
Delinquent property tax revenue not available	145,460	-	-	145,460
Total deferred inflows of resources	3,781,857	-	-	3,781,857
Fund balances:				
Restricted	1,391,847	132	-	1,391,979
Committed.	-	-	3,080	3,080
Total fund balances (deficit).	1,391,847	132	3,080	1,395,059
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,767,384	\$ 132	\$ 3,080	\$ 7,770,596

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Permanent Improvement</u>	<u>Building</u>	<u>Replacement</u>	<u>Total Nonmajor Capital Projects Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 2,593,140	\$ -	\$ -	\$ 2,593,140
Earnings on investments	21,856	-	32	21,888
Other local revenues	2,260	-	-	2,260
Intergovernmental - state	<u>107,782</u>	<u>-</u>	<u>-</u>	<u>107,782</u>
Total revenues	<u>2,725,038</u>	<u>-</u>	<u>32</u>	<u>2,725,070</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,013,351	-	2,475	1,015,826
Vocational	32,772	-	-	32,772
Support services:				
Fiscal	35,607	-	-	35,607
Business	103,863	-	-	103,863
Operations and maintenance	2,343,307	-	-	2,343,307
Pupil transportation	928,036	-	-	928,036
Central	52,228	-	-	52,228
Facilities acquisition and construction	1,183,111	1,800	-	1,184,911
Debt service:				
Issuance costs	<u>101,120</u>	<u>-</u>	<u>-</u>	<u>101,120</u>
Total expenditures	<u>5,793,395</u>	<u>1,800</u>	<u>2,475</u>	<u>5,797,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,068,357)</u>	<u>(1,800)</u>	<u>(2,443)</u>	<u>(3,072,600)</u>
Other financing sources:				
Premium on bonds and notes	101,120	-	-	101,120
Sale of notes	<u>5,000,000</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>
Total other financing sources	<u>5,101,120</u>	<u>-</u>	<u>-</u>	<u>5,101,120</u>
Change in fund balance	2,032,763	(1,800)	(2,443)	2,028,520
Fund balances (deficit) at beginning of year . .	<u>(640,916)</u>	<u>1,932</u>	<u>5,523</u>	<u>(633,461)</u>
Fund balances at end of year	<u>\$ 1,391,847</u>	<u>\$ 132</u>	<u>\$ 3,080</u>	<u>\$ 1,395,059</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

GENERAL FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 55,169,682	\$ 55,169,682	\$ 60,624,842	\$ 5,455,160
Payment in lieu of taxes.	150,000	150,000	398,038	248,038
Tuition.	606,000	606,000	598,348	(7,652)
Transportation fees.	10,000	10,000	49,727	39,727
Earnings on investments	50,000	50,000	204,341	154,341
Extracurricular.	10,000	10,000	60,261	50,261
Classroom materials and fees	-	-	3,205	3,205
Rental income	10,000	10,000	52,341	42,341
Other local revenues	200,000	200,000	774,026	574,026
Intergovernmental - state	29,203,573	29,203,573	26,339,834	(2,863,739)
Total revenues	<u>85,409,255</u>	<u>85,409,255</u>	<u>89,104,963</u>	<u>3,695,708</u>
Expenditures:				
Current:				
Salaries and wages.	53,685,716	54,985,716	54,662,977	322,739
Fringe benefits.	24,536,882	24,536,882	22,106,339	2,430,543
Purchased services.	11,227,145	10,338,895	10,305,637	33,258
Supplies and materials	2,697,939	2,666,459	2,349,493	316,966
Other expenditures.	1,481,793	1,186,693	1,111,969	74,724
Capital outlay	684,499	606,329	128,771	477,558
Debt service:				
Principal	145,000	145,000	145,000	-
Interest and fiscal charges.	60,000	60,000	63,681	(3,681)
Total expenditures	<u>94,518,974</u>	<u>94,525,974</u>	<u>90,873,867</u>	<u>3,652,107</u>
Excess of expenditures over revenues.	<u>(9,109,719)</u>	<u>(9,116,719)</u>	<u>(1,768,904)</u>	<u>7,347,815</u>
Other financing sources (uses):				
Refund of prior year's expenditures	10,000	10,000	145,301	135,301
Transfers in	-	-	2,500,000	2,500,000
Transfers (out).	(201,650)	(194,650)	(18,500)	176,150
Advances in.	-	-	1,823,900	1,823,900
Advances (out)	-	-	(1,329,300)	(1,329,300)
Total other financing sources (uses)	<u>(191,650)</u>	<u>(184,650)</u>	<u>3,121,401</u>	<u>3,306,051</u>
Net change in fund balance	(9,301,369)	(9,301,369)	1,352,497	10,653,866
Fund balance at beginning of year	19,088,590	19,088,590	19,088,590	-
Prior year encumbrances appropriated	709,824	709,824	709,824	-
Fund balance at end of year	<u>\$ 10,497,045</u>	<u>\$ 10,497,045</u>	<u>\$ 21,150,911</u>	<u>\$ 10,653,866</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

BOND RETIREMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total revenues and other financing sources	\$ 6,953,154	\$ 7,557,913	\$ 604,759
Total expenditures and other financing uses.	<u>7,807,992</u>	<u>7,129,185</u>	<u>678,807</u>
Net change in fund balance	(854,838)	428,728	1,283,566
Fund balance at beginning of year.	<u>3,191,900</u>	<u>3,191,900</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 2,337,062</u></u>	<u><u>\$ 3,620,628</u></u>	<u><u>\$ 1,283,566</u></u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FOOD SERVICE FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 3,201,800	\$ 3,274,891	\$ 73,091
Total expenditures and other financing uses.	<u>3,456,047</u>	<u>3,291,750</u>	<u>164,297</u>
Net change in fund balance	(254,247)	(16,859)	237,388
Fund balance at beginning of year.	1,219,028	1,219,028	-
Prior year encumbrances appropriated.	<u>36,047</u>	<u>36,047</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,000,828</u>	<u>\$ 1,238,216</u>	<u>\$ 237,388</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SPECIAL TRUST FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 11,250	\$ 13,396	\$ 2,146
Total expenditures and other financing uses.	33,818	17,009	16,809
Net change in fund balance	(22,568)	(3,613)	18,955
Fund balance at beginning of year.	95,611	95,611	-
Fund balance at end of year	\$ 73,043	\$ 91,998	\$ 18,955

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PATHFINDER/PRESCHOOL FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 1,305,000	\$ 1,251,947	\$ (53,053)
Total expenditures and other financing uses.	1,219,725	1,246,565	(26,840)
Net change in fund balance	85,275	5,382	(79,893)
Fund balance at beginning of year.	2,859	2,859	-
Prior year encumbrances appropriated.	6,366	6,366	-
Fund balance at end of year	\$ 94,500	\$ 14,607	\$ (79,893)

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

ATHLETIC FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 407,000	\$ 428,429	\$ 21,429
Total expenditures and other financing uses.	563,272	418,182	145,090
Net change in fund balance	(156,272)	10,247	166,519
Fund balance at beginning of year.	383,307	383,307	-
Prior year encumbrances appropriated.	3,760	3,760	-
Fund balance at end of year	\$ 230,795	\$ 397,314	\$ 166,519

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

AUXILIARY SERVICES FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 1,543,433	\$ 1,543,433	\$ -
Total expenditures and other financing uses.	<u>1,800,418</u>	<u>1,668,245</u>	<u>132,173</u>
Net change in fund balance	(256,985)	(124,812)	132,173
Fund balance at beginning of year.	218,336	218,336	-
Prior year encumbrances appropriated.	<u>38,649</u>	<u>38,649</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 132,173</u>	<u>\$ 132,173</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PUBLIC SCHOOL PRESCHOOL FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 248,000	\$ 223,945	\$ (24,055)
Total expenditures and other financing uses.	<u>248,000</u>	<u>218,967</u>	<u>29,033</u>
Net change in fund balance	-	4,978	4,978
Fund balance at beginning of year.	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 4,978</u>	<u>\$ 4,978</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

DATA COMMUNICATIONS FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 19,800	\$ 19,800	\$ -
Total expenditures and other financing uses.	<u>19,800</u>	<u>19,800</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year.	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

ALTERNATIVE FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 23,178	\$ 18,415	\$ (4,763)
Total expenditures and other financing uses.	<u>21,597</u>	<u>16,638</u>	<u>4,959</u>
Net change in fund balance	1,581	1,777	196
Fund balance (deficit) at beginning of year.	<u>(1,579)</u>	<u>(1,579)</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 2</u></u>	<u><u>\$ 198</u></u>	<u><u>\$ 196</u></u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

OTHER STATE FUNDS FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 25,000	\$ 24,992	\$ (8)
Total expenditures and other financing uses.	<u>25,000</u>	<u>24,992</u>	<u>8</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year.	17,522	17,522	-
Fund balance at end of year	<u>\$ 17,522</u>	<u>\$ 17,522</u>	<u>\$ -</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

ADULT BASIC EDUCATION FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 308,604	\$ 262,500	\$ (46,104)
Total expenditures and other financing uses.	<u>298,322</u>	<u>272,239</u>	<u>26,083</u>
Net change in fund balance	10,282	(9,739)	(20,021)
Fund balance at beginning of year.	3,023	3,023	-
Prior year encumbrances appropriated.	<u>9,695</u>	<u>9,695</u>	<u>-</u>
Fund balance at end of year	<u>\$ 23,000</u>	<u>\$ 2,979</u>	<u>\$ (20,021)</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

IMPROVING TEACHER QUALITY FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 232,710	\$ 232,511	\$ (199)
Total expenditures and other financing uses.	<u>224,803</u>	<u>242,292</u>	<u>(17,489)</u>
Net change in fund balance	7,907	(9,781)	(17,688)
Fund balance at beginning of year.	706	706	-
Prior year encumbrances appropriated.	<u>10,387</u>	<u>10,387</u>	-
Fund balance at end of year.	<u>\$ 19,000</u>	<u>\$ 1,312</u>	<u>\$ (17,688)</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

IDEA PART B FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 2,368,459	\$ 2,014,236	\$ (354,223)
Total expenditures and other financing uses.	<u>2,301,821</u>	<u>1,996,076</u>	<u>305,745</u>
Net change in fund balance	66,638	18,160	(48,478)
Fund balance at beginning of year.	-	-	-
Prior year encumbrances appropriated.	<u>6,362</u>	<u>6,362</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 73,000</u>	<u>\$ 24,522</u>	<u>\$ (48,478)</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CARL D. PERKINS FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 93,266	\$ 93,266	\$ -
Total expenditures and other financing uses.	212,664	126,188	86,476
Net change in fund balance	(119,398)	(32,922)	86,476
Fund balance at beginning of year.	105,052	105,052	-
Prior year encumbrances appropriated.	14,346	14,346	-
Fund balance at end of year	\$ -	\$ 86,476	\$ 86,476

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

BILINGUAL EDUCATION FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 54,773	\$ 54,732	\$ (41)
Total expenditures and other financing uses.	<u>54,171</u>	<u>57,023</u>	<u>(2,852)</u>
Net change in fund balance	602	(2,291)	(2,893)
Fund balance at beginning of year.	85	85	-
Prior year encumbrances appropriated.	<u>2,213</u>	<u>2,213</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 2,900</u>	<u>\$ 7</u>	<u>\$ (2,893)</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TITLE I FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 2,502,844	\$ 1,978,586	\$ (524,258)
Total expenditures and other financing uses.	<u>2,425,632</u>	<u>2,030,394</u>	<u>395,238</u>
Net change in fund balance	77,212	(51,808)	(129,020)
Fund balance at beginning of year.	1,233	1,233	-
Prior year encumbrances appropriated.	<u>52,555</u>	<u>52,555</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 131,000</u>	<u>\$ 1,980</u>	<u>\$ (129,020)</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PRESCHOOL GRANT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 12,561	\$ 8,310	\$ (4,251)
Total expenditures and other financing uses.	<u>12,561</u>	<u>8,242</u>	<u>4,319</u>
Net change in fund balance	-	68	68
Fund balance at beginning of year.	-	-	-
Fund balance at end of year.	<u>\$ -</u>	<u>\$ 68</u>	<u>\$ 68</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

OTHER FEDERAL PROGRAMS FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total expenditures and other financing uses.	\$ 2,149	\$ -	\$ 2,149
Net change in fund balance	(2,149)	-	2,149
Fund balance at beginning of year.	2,149	2,149	-
Fund balance at end of year	\$ -	\$ 2,149	\$ 2,149

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

VOCATIONAL EDUCATION ENHANCEMENT FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 11,000	\$ 10,686	\$ (314)
Total expenditures and other financing uses.	11,000	10,632	368
Net change in fund balance	-	54	54
Fund balance at beginning of year.	-	-	-
Fund balance at end of year	\$ -	\$ 54	\$ 54

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

UNIFORM SCHOOL SUPPLIES FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 175,000	\$ 192,206	\$ 17,206
Total expenditures and other financing uses.	<u>309,513</u>	<u>219,369</u>	<u>90,144</u>
Net change in fund balance	(134,513)	(27,163)	107,350
Fund balance at beginning of year.	93,830	93,830	-
Prior year encumbrances appropriated.	<u>62,219</u>	<u>62,219</u>	<u>-</u>
Fund balance at end of year	<u>\$ 21,536</u>	<u>\$ 128,886</u>	<u>\$ 107,350</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

ROTARY SPECIAL SERVICES FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 19,870	\$ 14,721	\$ (5,149)
Total expenditures and other financing uses.	<u>15,643</u>	<u>12,535</u>	<u>3,108</u>
Net change in fund balance	4,227	2,186	(2,041)
Fund balance at beginning of year.	8,207	8,207	-
Prior year encumbrances appropriated	<u>1,643</u>	<u>1,643</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 14,077</u></u>	<u><u>\$ 12,036</u></u>	<u><u>\$ (2,041)</u></u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PUBLIC SCHOOL SUPPORT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 320,000	\$ 308,037	\$ (11,963)
Total expenditures and other financing uses.	<u>514,230</u>	<u>312,998</u>	<u>201,232</u>
Net change in fund balance	(194,230)	(4,961)	189,269
Fund balance at beginning of year.	355,156	355,156	-
Prior year encumbrances appropriated.	<u>3,367</u>	<u>3,367</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 164,293</u></u>	<u><u>\$ 353,562</u></u>	<u><u>\$ 189,269</u></u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SPECIAL ENTERPRISE FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 525,000	\$ 502,846	\$ (22,154)
Total expenditures and other financing uses.	<u>548,849</u>	<u>423,281</u>	<u>125,568</u>
Net change in fund balance	(23,849)	79,565	103,414
Fund balance at beginning of year.	297,829	297,829	-
Prior year encumbrances appropriated.	<u>7,339</u>	<u>7,339</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 281,319</u></u>	<u><u>\$ 384,733</u></u>	<u><u>\$ 103,414</u></u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PERMANENT IMPROVEMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 12,610,714	\$ 8,553,240	\$ (4,057,474)
Total expenditures and other financing uses.	<u>9,309,128</u>	<u>9,689,499</u>	<u>(380,371)</u>
Net change in fund balance	3,301,586	(1,136,259)	(4,437,845)
Fund balance at beginning of year.	55,310	55,310	-
Prior year encumbrances appropriated	<u>1,631,728</u>	<u>1,631,728</u>	<u>-</u>
Fund balance at end of year	<u>\$ 4,988,624</u>	<u>\$ 550,779</u>	<u>\$ (4,437,845)</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

BUILDING FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total expenditures and other financing uses.	\$ 1,932	\$ 1,932	\$ -
Net change in fund balance	(1,932)	(1,932)	-
Fund balance at beginning of year.	1,932	1,932	-
Fund balance at end of year	\$ -	\$ -	\$ -

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

REPLACEMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total revenues and other financing sources	\$ 27	\$ 32	\$ 5
Total expenditures and other financing uses.	<u>5,546</u>	<u>5,546</u>	<u>-</u>
Net change in fund balance	(5,519)	(5,514)	5
Fund balance at beginning of year.	5,523	5,523	-
Fund balance at end of year	<u>\$ 4</u>	<u>\$ 9</u>	<u>\$ 5</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NONMAJOR PERMANENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PERMANENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues and other financing sources	\$ 10	\$ 106	\$ 96
Total expenditures and other financing uses.	1,000	-	1,000
Net change in fund balance	(990)	106	1,096
Fund balance at beginning of year.	13,353	13,353	-
Fund balance at end of year	<u>\$ 12,363</u>	<u>\$ 13,459</u>	<u>\$ 1,096</u>

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**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

FUND DESCRIPTIONS - INTERNAL SERVICE FUNDS

Internal Service Funds

Internal service funds are used to account for financing goods or services provided by one activity to other activities of the District on a cost-reimbursement basis

Dental Insurance Fund

To account for monies received from other funds as payment for providing dental benefits. The dental insurance fund is not legally budgeted, therefore no budgetary schedule is included for this fund.

Health Insurance Fund

To account for monies received from other funds as payment for providing medical, hospitalization or any other similar employee benefit.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017

	Dental Insurance	Health Insurance	Total Internal Service Funds
Assets:			
Equity in pooled cash and investments.	\$ 517,175	\$ 840,219	\$ 1,357,394
Total assets.	517,175	840,219	1,357,394
Net position:			
Unrestricted	517,175	840,219	1,357,394
Total net position.	\$ 517,175	\$ 840,219	\$ 1,357,394

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Dental Insurance	Health Insurance	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ -	\$ 418,404	\$ 418,404
Total operating revenues	<u>-</u>	<u>418,404</u>	<u>418,404</u>
Operating expenses:			
Fringe benefits.	-	489,516	489,516
Purchased services	411	49,491	49,902
Claims expense	2,484	40,225	42,709
Total operating expenses	<u>2,895</u>	<u>579,232</u>	<u>582,127</u>
Operating loss	<u>(2,895)</u>	<u>(160,828)</u>	<u>(163,723)</u>
Nonoperating revenues:			
Interest revenue.	2,469	-	2,469
Total nonoperating revenues.	<u>2,469</u>	<u>-</u>	<u>2,469</u>
Transfer out.	<u>-</u>	<u>(2,500,000)</u>	<u>(2,500,000)</u>
Change in net position	(426)	(2,660,828)	(2,661,254)
Net position at beginning of year.	<u>517,601</u>	<u>3,501,047</u>	<u>4,018,648</u>
Net position at end of year	<u><u>\$ 517,175</u></u>	<u><u>\$ 840,219</u></u>	<u><u>\$ 1,357,394</u></u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Dental Insurance	Health Insurance	Total Internal Service Funds
Cash flows from operating activities:			
Cash received from charges for services.	\$ -	\$ 418,404	\$ 418,404
Cash payments for fringe benefits.	-	(489,516)	(489,516)
Cash payments for purchased services.	(411)	(49,491)	(49,902)
Cash payments for claims	(2,484)	(40,225)	(42,709)
Net cash used in operating activities	(2,895)	(160,828)	(163,723)
Cash flows from noncapital financing activities:			
Cash used in transfers out	-	(2,500,000)	(2,500,000)
Net cash used in noncapital financing activities.	-	(2,500,000)	(2,500,000)
Cash flows from investing activities:			
Interest received	2,469	-	2,469
Net cash provided by investing activities	2,469	-	2,469
Net decrease in cash and investments	(426)	(2,660,828)	(2,661,254)
Cash and investments at beginning of year . . .	517,601	3,501,047	4,018,648
Cash and investments at end of year	\$ 517,175	\$ 840,219	\$ 1,357,394
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss.	\$ (2,895)	\$ (160,828)	\$ (163,723)
Net cash used in operating activities	\$ (2,895)	\$ (160,828)	\$ (163,723)

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

HEALTH INSURANCE FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total revenues.	\$ -	\$ 418,404	\$ 418,404
Total expenditures and other financing uses.	<u>3,501,047</u>	<u>3,079,232</u>	<u>421,815</u>
Net change in fund balance	(3,501,047)	(2,660,828)	840,219
Fund balance at beginning of year.	160,414	160,414	-
Prior year encumbrances appropriated	<u>3,340,633</u>	<u>3,340,633</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 840,219</u>	<u>\$ 840,219</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

FUND DESCRIPTIONS - FIDUCIARY FUNDS

Fiduciary Funds

Fiduciary fund types are used to account for assets held for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Agency Funds

Student Managed Activity Fund

This fund reflects resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities.

Rotary Fund

This fund accounts for deposits to be utilized for background checks on prospective employees.

Employee Benefits Fund

This fund accounts for the premiums received and the claims costs paid by the District for employee health and dental/vision insurance.

District Agency Fund

This fund accounts for various monies held on behalf of student athletic programs.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
<u>Student Managed Activity Fund</u>				
Assets:				
Equity in pooled cash and investments.	\$ 64,625	\$ 148,176	\$ 141,908	\$ 70,893
Total assets	<u>\$ 64,625</u>	<u>\$ 148,176</u>	<u>\$ 141,908</u>	<u>\$ 70,893</u>
Liabilities:				
Accounts payable	\$ 1,472	\$ 514	\$ 1,472	\$ 514
Due to students	63,153	147,662	140,436	70,379
Total liabilities	<u>\$ 64,625</u>	<u>\$ 148,176</u>	<u>\$ 141,908</u>	<u>\$ 70,893</u>
<u>Rotary Fund</u>				
Assets:				
Equity in pooled cash and investments.	\$ 1,163	\$ 16,297	\$ 17,460	\$ -
Total assets	<u>\$ 1,163</u>	<u>\$ 16,297</u>	<u>\$ 17,460</u>	<u>\$ -</u>
Liabilities:				
Due to others	\$ 1,163	\$ 16,297	\$ 17,460	\$ -
Total liabilities	<u>\$ 1,163</u>	<u>\$ 16,297</u>	<u>\$ 17,460</u>	<u>\$ -</u>
<u>Employee Benefits Fund</u>				
Assets:				
Equity in pooled cash and investments.	\$ 117,320	\$ 23,623	\$ 23,572	\$ 117,371
Total assets	<u>\$ 117,320</u>	<u>\$ 23,623</u>	<u>\$ 23,572</u>	<u>\$ 117,371</u>
Liabilities:				
Claims payable	\$ 23,572	\$ -	\$ 23,572	\$ -
Due to others	93,748	23,623	-	117,371
Total liabilities	<u>\$ 117,320</u>	<u>\$ 23,623</u>	<u>\$ 23,572</u>	<u>\$ 117,371</u>

(Continued)

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (CONTINUED)

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
<u>District Agency Fund</u>				
Assets:				
Equity in pooled cash and investments.	\$ -	\$ 199,461	\$ 199,461	\$ -
Total assets	<u>\$ -</u>	<u>\$ 199,461</u>	<u>\$ 199,461</u>	<u>\$ -</u>
Liabilities:				
Due to students	\$ -	\$ 199,461	\$ 199,461	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 199,461</u>	<u>\$ 199,461</u>	<u>\$ -</u>
<u>Total Agency Funds</u>				
Assets:				
Equity in pooled cash and investments.	\$ 183,108	\$ 387,557	\$ 382,401	\$ 188,264
Total assets	<u>\$ 183,108</u>	<u>\$ 387,557</u>	<u>\$ 382,401</u>	<u>\$ 188,264</u>
Liabilities:				
Accounts payable	\$ 1,472	\$ 514	\$ 1,472	\$ 514
Due to students	63,153	347,123	339,897	70,379
Due to others	94,911	39,920	17,460	117,371
Claims payable	23,572	-	23,572	-
Total liabilities	<u>\$ 183,108</u>	<u>\$ 387,557</u>	<u>\$ 382,401</u>	<u>\$ 188,264</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

Statistical Section

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**



**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

STATISTICAL SECTION

This part of the Kettering City School District'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 District's overall financial condition.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	138-151
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	152-159
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	160-167
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	168-171
Operating Information These schedules contain service and operational data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	172-185

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

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities				
Net investment in capital assets	\$ 14,042,346	\$ 14,593,555	\$ 16,447,133	\$ 18,472,838
Restricted for:				
Capital projects	621,820	316,338	407,428	575,916
Debt service	2,524,780	2,058,605	1,873,907	3,014,264
Permanent	15,468	15,672	15,140	15,156
Locally funded programs	-	-	-	-
State funded programs	-	-	-	-
Federally funded programs	-	-	-	-
Student activities	-	-	-	-
Other purposes	444,932	492,031	878,676	574,799
Unrestricted (deficit)	4,329,914	6,014,488	2,157,873	4,720,582
Total governmental activities net position	<u>\$ 21,979,260</u>	<u>\$ 23,490,689</u>	<u>\$ 21,780,157</u>	<u>\$ 27,373,555</u>

Source: District financial records.

(1) Amounts have been restated to reflect implementation of GASB Statement No. 68 and 71 which was implemented in 2015.

2012	2013	2014 (1)	2015	2016	2017
\$ 19,433,829	\$ 21,078,401	\$ 23,611,501	\$ 26,144,415	\$ 28,744,903	\$ 28,762,216
700,616	742,890	834,883	1,134,197	501,355	2,607,868
3,224,803	2,880,116	2,696,993	2,998,825	2,824,484	3,789,810
14,577	14,017	13,695	13,522	13,353	13,459
-	20,312	-	-	-	-
-	30,354	260,053	1,408,671	126,319	23,807
-	1,075,191	197,904	1,124,813	210,672	103,399
-	209,881	290,476	339,644	384,726	398,866
725,954	747,872	839,948	851,755	1,085,783	1,113,761
5,461,309	(280,522)	(128,483,988)	(118,893,609)	(112,723,237)	(121,674,189)
<u>\$ 29,561,088</u>	<u>\$ 26,518,512</u>	<u>\$ (99,738,535)</u>	<u>\$ (84,877,767)</u>	<u>\$ (78,831,642)</u>	<u>\$ (84,861,003)</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses				
Governmental activities:				
Instruction:				
Regular	\$ 33,619,843	\$ 35,494,431	\$ 36,080,724	\$ 35,764,848
Special	7,840,416	8,267,476	9,075,308	9,096,792
Vocational	2,091,488	2,206,443	2,726,098	2,695,255
Adult/continuing	37,255	41,716	80,190	87,962
Other instructional	4,253,666	2,706,076	2,333,372	2,273,126
Support services:				
Pupil	6,520,008	7,662,489	8,570,082	7,761,518
Instructional staff	4,766,122	4,710,916	5,617,159	5,749,533
Board of education	68,541	73,370	67,166	62,685
Administration	6,889,537	6,918,465	5,676,841	5,250,963
Fiscal	1,899,405	1,894,159	1,570,448	1,785,522
Business	612,826	574,690	617,931	591,628
Operations and maintenance	8,595,610	8,463,308	8,764,444	8,877,007
Pupil transportation	3,421,844	3,319,938	3,531,497	3,531,175
Central	1,723,029	1,772,667	1,895,046	1,927,323
Operation of non-instructional services	4,774,211	4,724,183	4,730,528	5,473,549
Extracurricular activities	1,862,353	2,000,014	1,841,347	1,776,337
Debt service:				
Interest and fiscal charges	4,644,799	4,423,719	4,321,249	4,211,670
Total governmental activities expenses	<u>\$ 93,620,953</u>	<u>\$ 95,254,060</u>	<u>\$ 97,499,430</u>	<u>\$ 96,916,893</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 34,695,073	\$ 35,679,782	\$ 36,363,264	\$ 41,231,524	\$ 37,126,604	\$ 42,513,509
9,646,917	9,745,956	12,931,044	12,022,267	12,699,706	15,449,518
2,711,654	2,765,023	2,630,263	2,390,795	2,598,543	3,175,243
55,404	91,829	92,941	105,455	140,961	157,873
3,462,802	3,982,459	4,515,328	4,602,409	4,705,340	5,610,945
7,599,142	7,444,865	7,399,986	7,191,640	7,567,845	9,726,629
6,118,959	6,052,370	3,465,511	3,883,487	4,136,935	5,121,367
66,586	53,648	78,949	40,157	49,887	102,105
5,870,320	5,533,408	5,684,412	5,521,070	5,960,346	7,243,081
1,753,709	1,740,590	1,962,857	2,131,832	2,104,772	2,212,381
657,346	489,754	550,804	504,545	588,140	602,151
8,338,608	8,183,719	8,006,649	8,038,558	9,158,808	9,048,894
3,751,327	3,803,988	3,860,361	3,762,241	3,821,722	4,885,690
1,830,592	1,800,269	877,877	940,385	1,512,012	1,296,358
5,316,205	5,781,286	5,337,227	6,036,568	5,796,310	6,673,517
1,574,598	1,522,424	1,478,447	1,482,241	1,539,334	1,980,461
4,041,701	4,139,486	3,874,893	3,685,941	3,435,947	3,197,457
<u>\$ 97,490,943</u>	<u>\$ 98,810,856</u>	<u>\$ 99,110,813</u>	<u>\$ 103,571,115</u>	<u>\$ 102,943,212</u>	<u>\$ 118,997,179</u>

(Continued)

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Program revenues	2008	2009	2010	2011
Governmental activities:				
Charges for services and sales:				
Instruction:				
Regular	\$ 678,013	\$ 477,910	\$ 552,513	\$ 491,487
Special	104,445	74,964	34,700	-
Vocational	-	-	-	169,574
Adult/continuing	28,008	30,352	42,500	-
Support services:				
Pupil	-	-	119,368	446,810
Instructional staff	674,654	513,678	471,644	255,312
Administration	46,140	51,507	-	-
Business	-	-	-	-
Operations and maintenance	-	-	-	-
Pupil transportation	-	-	-	36,955
Central	-	-	-	-
Operation of non-instructional services	1,792,888	1,767,093	1,687,589	2,040,451
Extracurricular activities	509,738	488,330	700,425	662,649
Operating grants and contributions:				
Instruction:				
Regular	296,781	226,969	7,473,371	8,377,327
Special	2,497,407	2,912,482	3,346,402	3,086,493
Vocational	294,615	353,015	286,128	293,519
Adult/continuing	31,823	43,281	98,527	97,720
Other instructional	-	-	-	-
Support services:				
Pupil	601,674	788,766	1,055,244	534,663
Instructional staff	479,462	568,709	850,810	963,601
Board of education	-	-	-	-
Administration	254,747	246,945	579,451	635,090
Operations and maintenance	-	20,437	598,523	684,787
Pupil transportation	1,070,470	1,323,273	898,521	1,269,191
Central	69,871	72,533	162,603	222,777
Operation of non-instructional services	2,794,445	2,807,184	3,081,388	1,696,423
Extracurricular activities	-	-	-	-
Capital grants and contributions:				
Instruction:				
Regular	-	-	-	-
Vocational	-	-	-	-
Support services:				
Operations and maintenance	107,095	72,312	83,724	-
Central	50,923	-	-	-
Total governmental program revenues	<u>12,383,199</u>	<u>12,839,740</u>	<u>22,123,431</u>	<u>21,964,829</u>
Net (expense)/revenue				
Governmental activities	(81,237,754)	(82,414,320)	(75,375,999)	(74,952,064)
Total primary government net expense	<u>\$ (81,237,754)</u>	<u>\$ (82,414,320)</u>	<u>\$ (75,375,999)</u>	<u>\$ (74,952,064)</u>

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	766,581	\$ 963,092	\$ 833,159	\$ 484,616	\$ 935,793	\$ 737,742
	226,565	174,734	160,630	163,978	253,057	84,106
	59,929	50,520	91,964	86,416	20,333	104,218
	-	-	-	-	66,722	-
	124,352	257,003	291,301	360,981	445,199	791,383
	155,842	182,229	179,752	263,346	321,760	161,640
	-	29,939	13,579	17,527	19,388	15,613
	-	-	-	1,148	-	-
	-	151,458	55,884	47,428	75,807	54,800
	45,698	42,356	42,201	45,477	48,018	47,155
	804	2,180	2,585	682	496	470
	2,101,177	1,977,126	1,951,446	2,070,894	2,223,488	2,199,298
	691,845	456,719	430,862	433,890	437,980	474,557
	370,134	130,978	185,977	7,754,536	134,776	177,429
	3,445,819	3,258,348	4,007,433	4,550,043	3,666,080	4,911,836
	294,535	303,589	423,911	444,481	387,753	499,817
	56,783	83,735	96,774	121,631	133,368	148,330
	-	88,603	82,781	101,664	69,890	83,113
	588,001	409,911	285,134	333,734	263,071	438,611
	830,284	963,951	295,220	808,276	487,272	769,059
	-	41	2,400	-	-	-
	294,143	289,339	297,761	424,293	283,419	400,532
	41,188	16,703	23	222	3,341	-
	30,503	253,873	270,393	270,705	278,869	279,935
	33,267	218,948	18,804	19,835	19,818	19,800
	3,258,352	3,191,496	3,398,721	3,869,754	3,824,287	4,076,339
	2,325	7,185	2,148	8,252	3,266	6,757
	-	-	-	562,204	-	-
	-	-	-	-	-	121,249
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>13,418,127</u>	<u>13,504,056</u>	<u>13,420,843</u>	<u>23,246,013</u>	<u>14,403,251</u>	<u>16,603,789</u>
	<u>(84,072,816)</u>	<u>(85,306,800)</u>	<u>(85,689,970)</u>	<u>(80,325,102)</u>	<u>(88,539,961)</u>	<u>(102,393,390)</u>
\$	<u><u>(84,072,816)</u></u>	<u><u>(85,306,800)</u></u>	<u><u>(85,689,970)</u></u>	<u><u>(80,325,102)</u></u>	<u><u>(88,539,961)</u></u>	<u><u>(102,393,390)</u></u>

(Continued)

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General revenues and other changes in net position				
Governmental activities:				
Property taxes	\$ 58,323,623	\$ 57,874,816	\$ 53,552,069	\$ 61,540,434
Payment in lieu of taxes	-	-	-	-
Grants and entitlements not restricted to specific programs	21,120,885	24,253,458	18,883,431	18,477,287
Investment earnings	1,215,189	654,210	184,639	73,241
Net increase/(decrease) in fair market value of investments	-	-	-	-
Miscellaneous	899,626	1,143,265	1,045,328	454,500
Total governmental activities	<u>81,559,323</u>	<u>83,925,749</u>	<u>73,665,467</u>	<u>80,545,462</u>
Change in net position				
Governmental activities	<u>\$ 321,569</u>	<u>\$ 1,511,429</u>	<u>\$ (1,710,532)</u>	<u>\$ 5,593,398</u>

Source: District financial records.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 61,048,275	\$ 57,281,151	\$ 65,014,848	\$ 68,245,757	\$ 66,924,832	\$ 70,550,876
151,425	582,655	633,323	406,797	402,177	398,038
25,145,742	23,933,755	24,145,012	26,015,342	25,162,006	24,512,181
95,301	91,520	162,671	68,161	124,392	213,275
21,193	(140,157)	-	-	-	-
532,700	515,300	461,224	449,813	1,972,679	689,659
<u>86,994,636</u>	<u>82,264,224</u>	<u>90,417,078</u>	<u>95,185,870</u>	<u>94,586,086</u>	<u>96,364,029</u>
<u>\$ 2,921,820</u>	<u>\$ (3,042,576)</u>	<u>\$ 4,727,108</u>	<u>\$ 14,860,768</u>	<u>\$ 6,046,125</u>	<u>\$ (6,029,361)</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ 254,318
Assigned	-	-	-	655,959
Unassigned	-	-	-	5,245,949
Reserved	4,124,451	3,963,090	1,706,751	-
Unreserved (deficit)	<u>4,261,563</u>	<u>5,797,826</u>	<u>1,957,847</u>	<u>-</u>
Total general fund	<u>8,386,014</u>	<u>9,760,916</u>	<u>3,664,598</u>	<u>6,156,226</u>
All other governmental funds:				
Nonspendable	-	-	-	65,747
Restricted	-	-	-	5,432,381
Committed	-	-	-	-
Unassigned (deficit)	-	-	-	(403,080)
Reserved	1,104,400	677,325	688,912	-
Unreserved (deficit), reported in:				
Special revenue funds	1,233,206	1,070,848	1,346,377	-
Debt service funds	2,914,350	2,309,582	2,236,522	-
Capital projects funds	176,958	253,203	352,429	-
Permanent fund	<u>2,667</u>	<u>2,871</u>	<u>2,339</u>	<u>-</u>
Total all other governmental funds	<u>5,431,581</u>	<u>4,313,829</u>	<u>4,626,579</u>	<u>5,095,048</u>
Total governmental funds	<u>\$ 13,817,595</u>	<u>\$ 14,074,745</u>	<u>\$ 8,291,177</u>	<u>\$ 11,251,274</u>

Source: District financial records.

Note: The District implemented GASB Statement No. 54 during fiscal year 2011.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 111,440	\$ 221,889	\$ 241,196	\$ 253,919	\$ 298,314	\$ 367,704
755,801	2,641,974	5,325,510	8,280,756	9,876,858	12,646,189
6,233,898	-	-	997,964	5,679,056	2,055,988
-	-	-	-	-	-
-	-	-	-	-	-
<u>7,101,139</u>	<u>2,863,863</u>	<u>5,566,706</u>	<u>9,532,639</u>	<u>15,854,228</u>	<u>15,069,881</u>
60,665	69,292	75,208	23,744	23,972	19,944
5,996,748	5,422,499	6,211,091	6,411,211	5,349,526	7,127,585
-	20,682	20,745	18,285	5,523	3,080
(534,876)	(432,084)	(644,271)	(304,556)	(1,355,877)	(1,065,078)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,522,537</u>	<u>5,080,389</u>	<u>5,662,773</u>	<u>6,148,684</u>	<u>4,023,144</u>	<u>6,085,531</u>
<u>\$ 12,623,676</u>	<u>\$ 7,944,252</u>	<u>\$ 11,229,479</u>	<u>\$ 15,681,323</u>	<u>\$ 19,877,372</u>	<u>\$ 21,155,412</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues				
From local sources:				
Property taxes	\$ 57,556,743	\$ 57,658,781	\$ 52,813,987	\$ 61,900,078
Payment in lieu of taxes	-	-	-	-
Tuition	613,261	693,321	763,831	715,907
Transportation fees	104,445	74,964	34,700	36,955
Earnings on investments	1,205,909	680,404	184,639	73,241
Net increase/(decrease) in fair market value of investments	-	-	-	-
Charges for services	1,792,888	1,767,093	1,687,589	1,585,503
Extracurricular	735,312	701,920	683,015	678,487
Classroom materials and fees	251,374	205,572	181,273	179,143
Rental income	-	-	-	-
Contributions and donations	-	-	-	-
Contract services	-	-	-	-
Other local revenues	1,236,232	1,104,229	1,303,659	1,361,743
Intergovernmental	29,622,757	33,117,698	37,499,623	35,689,575
Total revenues	<u>93,118,921</u>	<u>96,003,982</u>	<u>95,152,316</u>	<u>102,220,632</u>
Expenditures				
Current:				
Instruction:				
Regular	32,454,270	33,672,384	35,757,961	34,765,833
Special	7,775,400	8,147,614	9,112,354	9,056,671
Vocational	1,987,377	2,091,786	2,603,181	2,693,124
Adult/continuing	37,255	41,716	80,097	88,051
Other	4,253,666	2,706,076	2,330,680	2,275,425
Support services:				
Pupil	6,523,471	7,655,385	8,670,527	7,873,544
Instructional staff	4,675,328	4,638,447	5,556,122	5,732,142
Board of education	68,541	73,370	67,089	62,748
Administration	6,716,620	6,680,120	5,811,186	5,232,622
Fiscal	1,884,587	1,900,061	1,572,373	1,781,258
Business	568,496	571,214	610,412	588,832
Operations and maintenance	8,276,731	8,323,159	8,757,425	8,808,022
Pupil transportation	3,352,988	3,505,177	3,448,507	3,350,422
Central	1,667,372	1,689,751	1,857,867	1,866,437
Operation of non-instructional services	4,832,456	4,625,262	4,680,816	5,451,706
Extracurricular activities	1,676,487	1,724,190	1,667,391	1,605,143
Facilities acquisition and construction	558,345	34,781	459,417	126,392
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	3,746,555	3,228,503	3,522,002	3,640,783
Interest and fiscal charges	4,716,400	4,466,790	4,364,486	4,254,556
Issuance costs	-	-	-	-
Total expenditures	<u>\$ 95,772,345</u>	<u>\$ 95,775,786</u>	<u>\$ 100,929,893</u>	<u>\$ 99,253,711</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 61,313,023	\$ 58,566,436	\$ 64,774,216	\$ 68,112,932	\$ 66,964,174	\$ 69,924,962
151,425	582,655	633,323	406,797	402,177	398,038
1,003,619	1,291,273	1,240,584	1,078,899	1,701,906	1,508,764
45,698	42,356	42,201	45,477	48,018	47,155
95,301	82,560	168,717	74,313	127,867	223,459
21,193	(140,157)	-	-	-	-
1,579,194	1,487,003	1,430,120	1,424,763	1,531,369	1,557,655
696,663	698,243	654,001	660,066	656,823	699,400
193,980	158,212	164,675	167,984	165,706	198,357
-	136,758	55,433	47,428	75,807	54,800
-	90,545	77,654	76,582	100,205	76,832
-	473,511	466,125	526,147	575,937	516,903
1,186,339	562,405	459,448	475,432	2,157,578	866,856
34,521,364	32,495,959	34,194,621	43,333,152	36,168,258	36,253,357
<u>100,807,799</u>	<u>96,527,759</u>	<u>104,361,118</u>	<u>116,429,972</u>	<u>110,675,825</u>	<u>112,326,538</u>
33,628,807	34,747,413	35,291,949	42,869,785	36,206,615	38,543,746
9,629,379	9,838,655	12,704,073	12,881,537	12,748,248	14,500,383
2,672,615	2,691,544	2,608,737	2,530,733	2,532,114	2,957,987
55,383	82,493	102,281	110,171	143,698	146,517
3,461,507	3,983,494	4,507,303	4,612,838	4,707,311	5,597,739
7,567,554	7,481,367	7,411,865	7,747,320	7,540,388	9,137,763
6,115,213	6,122,031	3,415,173	4,027,511	4,121,704	4,782,042
66,561	53,648	78,949	40,157	49,887	102,105
5,679,526	5,418,708	5,548,374	5,738,086	5,859,133	6,459,545
1,756,320	1,752,336	1,947,797	2,218,653	2,108,463	2,157,013
521,438	519,095	519,969	537,359	573,723	624,573
8,331,933	8,137,122	8,412,588	8,363,446	9,577,240	10,468,614
3,823,489	3,810,720	3,852,619	3,906,427	3,937,663	5,196,585
1,814,594	1,780,400	937,351	995,181	1,493,489	1,256,896
5,149,411	5,736,424	5,181,719	6,098,387	5,705,429	6,392,027
1,408,717	1,364,531	1,272,279	1,328,980	1,400,977	1,649,496
34,312	209,674	2,676,433	213,335	90,270	1,193,536
-	-	-	-	-	729,093
3,436,113	3,538,464	3,738,427	4,178,654	4,300,158	4,004,619
4,134,565	3,613,066	3,692,977	3,580,378	3,441,977	3,428,674
-	277,689	74,812	-	-	611,726
<u>\$ 99,287,437</u>	<u>\$ 101,158,874</u>	<u>\$ 103,975,675</u>	<u>\$ 111,978,938</u>	<u>\$ 106,538,487</u>	<u>\$ 119,940,679</u>

(Continued)

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (CONTINUED)
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Excess of revenues over (under) expenditures	\$ (2,653,424)	\$ 228,196	\$ (5,777,577)	\$ 2,966,921
Other financing sources (uses)				
Issuance of general obligation bonds	-	-	-	-
Premium on general obligation bonds	-	-	-	-
Issuance of refunding bonds	-	-	-	-
Premium on refunding bonds	-	-	-	-
Issuance of tax anticipation notes	-	-	-	-
Premium on tax anticipation notes	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-
Proceeds from capital lease transaction	281,708	-	-	-
Sale of assets	-	-	-	-
Transfers in	13,500	13,500	343,500	13,500
Transfers (out)	(13,500)	(13,500)	(343,500)	(13,500)
Total other financing sources (uses)	<u>281,708</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (2,371,716)</u>	<u>\$ 228,196</u>	<u>\$ (5,777,577)</u>	<u>\$ 2,966,921</u>
Debt service as a percentage of noncapital expenditures	8.90%	8.09%	7.84%	7.99%

Source: District financial records.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	1,520,362	\$ (4,631,115)	\$ 385,443	\$ 4,451,034	\$ 4,137,338	\$ (7,614,141)
	-	-	2,823,000	-	-	-
	-	-	73,122	-	-	-
	-	14,979,940	-	-	-	39,190,000
	-	1,223,592	-	-	-	6,135,447
	-	-	-	-	-	5,000,000
	-	-	-	-	-	101,120
	-	(16,247,473)	-	-	-	(44,685,047)
	-	-	-	-	-	729,093
	-	6,000	-	-	-	-
	13,500	13,500	13,500	13,500	18,500	2,518,500
	(13,500)	(13,500)	(13,500)	(13,500)	(18,500)	(18,500)
	-	(37,941)	2,896,122	-	-	8,970,613
\$	<u>1,520,362</u>	<u>\$ (4,669,056)</u>	<u>\$ 3,281,565</u>	<u>\$ 4,451,034</u>	<u>\$ 4,137,338</u>	<u>\$ 1,356,472</u>
	7.66%	7.11%	7.39%	7.01%	7.33%	6.48%

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

ASSESSED AND ESTIMATED ACTUAL VALUES OF TAXABLE PROPERTY
(PER \$1,000 OF ASSESSED VALUATION)
LAST TEN CALENDAR YEARS

Tax Collection/Calendar Year	2008	2009	2010	2011	2012
Real Property					
Assessed	\$ 1,284,465,470	\$ 1,287,214,020	\$ 1,307,881,230	\$ 1,281,069,450	\$ 1,169,058,260
Actual	3,669,901,343	3,677,754,343	3,736,803,514	3,660,198,429	3,340,166,457
Public Utility					
Assessed	61,379,830	67,124,670	72,380,190	78,792,780	80,829,600
Actual	69,749,807	76,278,034	82,250,216	89,537,250	91,851,818
Tangible Personal Property					
Assessed	50,549,093	6,132,430	1,002,490	-	-
Actual	808,785,488	61,324,300	10,024,900	-	-
Total					
Assessed	1,396,394,393	1,360,471,120	1,381,263,910	1,359,862,230	1,249,887,860
Actual	4,548,436,638	3,815,356,677	3,829,078,630	3,749,735,679	3,432,018,275
Assessed Value as a Percentage of Actual Value					
	30.70%	35.66%	36.07%	36.27%	36.42%
Total Direct Tax Rate					
	\$71.30	\$72.20	\$73.10	\$78.00	\$78.00

Source: Montgomery County Auditor, Ohio Department of Taxation

Note: Presented on a calendar year basis because that is the manner in which the information is

Note: Assessed value of real property is at 35%, assessed value of public utility is at 88% and assessed value of tangible personal property is at 25% through 2005, at 18.75% for 2006, 12.5% for 2007, and 6.25% for 2008 and 0% for 2009 and 2010. Additionally, telephone and telecommunications property was reclassified to general business personal property and assessed at 10% for 2009 and 2010.

2013	2014	2015	2016	2017
\$ 1,172,169,030	\$ 1,166,011,970	\$ 1,112,021,360	\$ 1,115,708,750	\$ 1,115,070,750
3,349,054,371	3,331,462,771	3,177,203,886	3,187,739,286	3,185,916,429
102,770,980	112,802,920	114,250,870	117,490,250	118,785,510
116,785,205	128,185,136	129,830,534	133,511,648	134,983,534
-	-	-	-	-
-	-	-	-	-
1,274,940,010	1,278,814,890	1,226,272,230	1,233,199,000	1,233,856,260
3,465,839,576	3,459,647,908	3,307,034,420	3,321,250,934	3,320,899,963
36.79%	36.96%	37.08%	37.13%	37.15%
\$78.00	\$82.89	\$82.99	\$82.99	\$85.39

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

PROPERTY TAX RATES OF DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUE)
LAST TEN CALENDAR YEARS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Direct district rates				
General fund	\$66.60	\$66.60	\$67.50	\$71.50
Permanent improvement fund	0.60	0.60	0.60	0.60
Bond retirement fund	4.10	5.00	5.00	5.90
Total	<u>71.30</u>	<u>72.20</u>	<u>73.10</u>	<u>78.00</u>
Overlapping rates				
City of Kettering	6.80	6.79	6.79	6.79
City of Moraine	2.50	2.50	2.50	2.50
Montgomery County	17.74	17.74	17.74	17.74
Sinclair Community College	2.50	3.20	3.20	3.20
Greene County	11.55	12.25	12.25	12.25
Dayton Metro Library	1.25	1.25	1.75	1.75
Total	<u>\$113.64</u>	<u>\$115.93</u>	<u>\$117.33</u>	<u>\$122.23</u>

Source: Montgomery County Auditor, Ohio Department of Taxation

Note: Ohio Revised Code Sections 5705.02 and 5705.07 require a vote of the people for any millage exceeding the "unvoted" or "inside" millage.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$71.50	\$71.50	\$76.39	\$76.39	\$76.39	\$76.39
0.60	0.60	0.60	0.60	0.60	3.40
5.90	5.90	5.90	6.00	6.00	5.60
<u>78.00</u>	<u>78.00</u>	<u>82.89</u>	<u>82.99</u>	<u>82.99</u>	<u>85.39</u>
6.79	6.79	6.79	6.79	6.79	6.79
2.50	2.50	2.50	2.50	2.50	2.50
17.74	17.74	17.74	18.74	18.74	18.74
3.20	3.20	3.20	3.20	4.20	4.20
12.25	12.25	12.25	12.65	14.45	14.45
1.75	3.31	3.31	3.31	3.31	3.31
<u>\$122.23</u>	<u>\$123.79</u>	<u>\$128.68</u>	<u>\$130.18</u>	<u>\$132.98</u>	<u>\$135.38</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**



**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

PRINCIPAL TAXPAYERS
REAL ESTATE AND PUBLIC UTILITY PROPERTY TAXES
DECEMBER 31, 2016 AND DECEMBER 31, 2007

		December 31, 2016		
<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percent of Total Assessed Value</u>
Dayton Power and Light	Gas and Electric Utility	\$93,630,680	1	7.59%
Vectren Energy Delivery of Ohio	Utility	14,958,740	2	1.21%
AES Ohio Generation LLC	Gas and Electric Utility	12,828,620	3	1.04%
Reynolds and Reynolds Co.	Retail business forms	12,024,440	4	0.98%
Huber Management Corp.	Property Management	7,243,100	5	0.59%
F1 Kettering LLC	Real Estate	6,935,420	6	0.56%
Miami Valley Research Foundation	Research	5,556,260	7	0.45%
MIMG LXXXIX Van Buren Village	Property Management	5,580,530	8	0.45%
Residenz LLC	Nursing Home	4,580,530	9	0.37%
Dayton Town and Country	Property Management	4,485,640	10	0.36%
Total Principal Taxpayers		<u>167,823,960</u>		<u>13.60%</u>
All Others		<u>1,065,375,040</u>		<u>86.40%</u>
Total Assessed Value		<u><u>\$1,233,199,000</u></u>		<u><u>100.00%</u></u>

		December 31, 2007		
<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percent of Total Assessed Value</u>
Dayton Power and Light	Utility	\$56,119,670	1	4.18%
General Motors Corporation	Automotive manufacturer	8,454,880	2	0.63%
Reynolds and Reynolds Co.	Retail business forms	8,392,250	3	0.63%
Delphi Automotive	Auto parts plant	8,197,400	4	0.61%
Forward One, LLC	Banking Services	7,710,140	5	0.57%
Residenz	Nursing Home	7,389,380	6	0.55%
Vectren	Utility	6,929,250	7	0.52%
Dayton Town & Country	Property Management	4,920,920	8	0.37%
BR Kettering Towne Center	Property Management	4,881,250	9	0.36%
Lincoln Park Association	Property Management	4,118,460	10	0.31%
Total Principal Taxpayers		<u>117,113,600</u>		<u>8.73%</u>
All Others		<u>1,224,834,658</u>		<u>91.27%</u>
Total Assessed Value		<u><u>\$1,341,948,258</u></u>		<u><u>100.00%</u></u>

Source: Montgomery County Auditor - Land and Buildings based on valuation of property in 2016 and 2007

Note: Presented on a calendar year basis because that is the manner in which the information is maintained by the County.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN CALENDAR YEARS

Collection Year	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Tax Levy (1)	\$ 55,461,256	\$ 56,386,305	\$ 54,771,300
Collections within the Fiscal Year of the Levy			
Current Tax Collections (2)	\$ 55,134,931	\$ 54,818,766	\$ 53,730,645
Percent of Levy Collected	99.41%	97.22%	98.10%
Delinquent Tax Collections	1,608,958	4,163,001	3,852,544
Total Tax Collections	<u>\$ 56,743,889</u>	<u>\$ 58,981,767</u>	<u>\$ 57,583,189</u>
Percent of Total Tax Collections To Tax Levy	102.31%	104.60%	105.13%
Accumulated Outstanding Delinquent Taxes (3)	\$ 2,386,797	\$ 2,464,561	\$ 2,547,957
Percentage of Accumulated Delinquent Taxes to Total Tax Levy	4.30%	4.37%	4.65%

Source: Montgomery and Greene County Auditor's Offices

Notes:

Presented on a calendar year basis because that is the manner in which the information is maintained by the Counties.

Delinquent tax collections are available only by collection year rather than the year in which they were levied; therefore, the percentage of total tax collections collections to tax levy exceeds 100 percent in some years. The District will continue to work with the County Auditors to retrieve this information in the future.

- (1) Taxes levied and collected are presented on a cash basis.
- (2) State reimbursements of rollback and homestead exemptions are included; December 2008 settlement estimate included.
- (3) Penalties and interest are included, since by Ohio law they become part of the tax obligation as assessment occurs.

2010	2011	2012	2013	2014	2015	2016
\$ 58,823,873	\$ 69,552,184	\$ 67,660,920	\$ 76,121,264	\$ 74,540,824	\$ 75,038,035	\$ 77,600,882
\$ 57,247,393	\$ 67,400,196	\$ 65,734,803	\$ 74,133,882	\$ 72,672,977	\$ 72,869,095	\$ 76,240,787
97.32%	96.91%	97.15%	97.39%	97.49%	97.11%	98.25%
2,385,567	940,112	2,492,740	2,482,559	1,607,891	2,032,735	1,360,095
<u>\$ 59,632,960</u>	<u>\$ 68,340,308</u>	<u>\$ 68,227,543</u>	<u>\$ 76,616,441</u>	<u>\$ 74,280,868</u>	<u>\$ 74,901,830</u>	<u>\$ 77,600,882</u>
101.38%	98.26%	100.84%	100.65%	99.65%	99.82%	100.00%
\$ 2,861,478	\$ 2,842,448	\$ 2,483,646	\$ 2,478,575	\$ 2,611,400	\$ 2,572,058	\$ 3,197,973
4.86%	4.09%	3.67%	3.26%	3.50%	3.43%	4.12%

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities (1)				
General obligation bonds payable*	\$ 106,752,841	\$ 103,756,937	\$ 100,479,968	\$ 97,096,944
Capital leases	1,573,354	1,115,843	648,868	172,361
Tax anticipation notes*	-	-	-	-
Total primary government	<u>\$ 108,326,195</u>	<u>\$ 104,872,780</u>	<u>\$ 101,128,836</u>	<u>\$ 97,269,305</u>
Population (2)				
Cities of Kettering and Moraine	64,399	64,399	64,399	62,470
Outstanding debt per capita*	1,682	1,628	1,570	1,557
Income (3)				
Personal (in thousands)	\$ 2,063,213	\$ 2,297,048	\$ 2,267,786	\$ 2,015,923
Percentage of personal income*	5.25%	4.57%	4.46%	4.83%

Sources:

- (1) District Treasurer's Office
- (2) US Bureau of Census of Population
- (3) US Department of Commerce, Bureau of Economic Analysis
 - (a) Per Capita Income is only available by County, Total Personal Income is a calculation

N/A = Not available

*Balances of general obligation bonds, tax anticipation notes, outstanding debt per capita, and outstanding debt as a percentage of personal income include premiums, discounts, and accreted interest on bonds.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 93,593,522	\$ 90,714,795	\$ 89,776,084	\$ 85,503,967	\$ 81,085,012	\$ 75,707,311
-	-	-	-	-	602,468
-	-	-	-	-	5,161,924
<u>\$ 93,593,522</u>	<u>\$ 90,714,795</u>	<u>\$ 89,776,084</u>	<u>\$ 85,503,967</u>	<u>\$ 81,085,012</u>	<u>\$ 81,471,703</u>
62,400	62,335	62,167	61,918	61,766	61,613
1,500	1,455	1,444	1,381	1,313	1,322
\$ 2,067,089	\$ 2,067,089	\$ 2,119,372	\$ 2,184,210	2,285,571	N/A
4.53%	4.39%	4.24%	3.91%	3.55%	N/A

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Year	2008	2009	2010	2011
Population (1)	64,399	64,399	64,399	62,470
Assessed value (in thousands) (2)	\$ 1,396,394	\$ 1,360,471	\$ 1,381,264	\$ 1,359,862
Estimated actual value (in thousands) (2)	4,548,437	3,815,357	3,829,079	3,749,736
General bonded debt (3)				
General obligation bonds*	106,752,841	103,756,937	100,479,968	97,096,944
Resources available to pay principal (4)	2,524,780	2,058,605	1,873,907	3,014,264
Net general bonded debt *	104,228,061	101,698,332	98,606,061	94,082,680
Ratio of net general bonded Debt to assessed value *	7.46%	7.48%	7.14%	6.92%
Ratio of net general bonded Debt to estimated actual value	2.29%	2.67%	2.58%	2.51%
Net general bonded debt per capita *	\$ 1,618	\$ 1,579	\$ 1,531	\$ 1,506

Source:

- (1) U.S. Bureau of Census of Population
- (2) Montgomery County Auditor
- (3) Includes all general obligation bonded debt supported by property taxes
- (4) Represents the restricted for debt service balance on the statement of net position

*Balances of general obligation bonds, ratios of net bonded debt to assessed value, and net bonded debt per capita include premiums, discounts, and accreted interest on bonds.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
62,400	62,335	62,167	61,918	61,766	61,613
\$ 1,249,888	\$ 1,274,940	\$ 1,278,815	\$ 1,226,272	\$ 1,233,199	\$ 1,233,856
3,432,018	3,465,840	3,459,648	3,307,034	3,321,251	3,320,900
93,593,522	90,714,795	89,776,084	85,503,967	81,085,012	75,707,311
3,224,803	2,880,116	2,696,993	2,998,825	2,824,484	3,789,810
90,368,719	87,834,679	87,079,091	82,505,142	78,260,528	71,917,501
7.23%	6.89%	6.81%	6.73%	6.35%	5.83%
2.63%	2.53%	2.52%	2.49%	2.36%	2.17%
\$ 1,448	\$ 1,409	\$ 1,401	\$ 1,332	\$ 1,267	\$ 1,167

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**



**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

COMPUTATION OF DIRECT AND OVERLAPPING
DEBT ATTRIBUTABLE TO GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to Kettering City School District</u>	<u>Amount Applicable to Kettering City School District</u>
Direct:			
Kettering City School District	\$ 81,471,703	100.00%	\$ 81,471,703
Overlapping:			
Montgomery County	24,556,669	13.39%	3,288,138
City of Kettering	26,410,967	98.57%	26,033,290
City of Moraine	6,465,485	70.67%	4,569,158
Greene County	21,700,459	0.34%	73,782
Dayton Metro Library	164,050,000	17.07%	28,003,335
Subtotal	<u>243,183,580</u>		<u>61,967,703</u>
Total	<u>\$ 324,655,283</u>		<u>\$ 143,439,406</u>

Source: Ohio Municipal Advisory Council

Notes: Overlapping percentage was calculated by dividing each overlapping subdivision's assessed valuation within the City by the subdivision's total assessed valuation.

All outstanding debt amounts for the overlapping subdivisions are as of December 31, 2016 as this is the latest information available.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**DEBT LIMITATIONS
LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net Assessed Valuation	\$ 1,396,394,393	\$ 1,360,471,120	\$ 1,381,263,910	\$ 1,359,862,230
Overall Direct Debt Limitation				
Legal Debt Limitation (%) (1)	9.00%	9.00%	9.00%	9.00%
Legal Debt Limitation (\$) (1)	125,675,495	122,442,401	124,313,752	122,387,601
Applicable District Debt Outstanding	100,184,979	97,489,979	94,514,979	91,434,979
Less: Applicable Debt Service				
Fund Amounts (2)	<u>(2,524,780)</u>	<u>(2,058,605)</u>	<u>(1,873,907)</u>	<u>(3,014,264)</u>
Net Indebtedness Subject to Limitation	<u>97,660,199</u>	<u>95,431,374</u>	<u>92,641,072</u>	<u>88,420,715</u>
Overall Legal Debt Margin	<u>\$ 28,015,296</u>	<u>\$ 27,011,027</u>	<u>\$ 31,672,680</u>	<u>\$ 33,966,886</u>
Unvoted Direct Debt Limitation				
Legal Debt Limitation (%) (1)	0.10%	0.10%	0.10%	0.10%
Legal Debt Limitation (\$) (1)	\$ 1,396,394	\$ 1,360,471	\$ 1,381,264	\$ 1,359,862
Applicable District Debt Outstanding	-	-	-	-
Unvoted Legal Debt Margin	<u>\$ 1,396,394</u>	<u>\$ 1,360,471</u>	<u>\$ 1,381,264</u>	<u>\$ 1,359,862</u>
Energy Conservation Bond Limitation				
Legal Debt Limitation (%) (1)	0.90%	0.90%	0.90%	0.90%
Legal Debt Limitation (\$) (1)	\$ 12,567,550	\$ 12,244,240	\$ 12,431,375	\$ 12,238,760
Authorized by the Board	<u>(733,750)</u>	<u>(657,758)</u>	<u>(577,731)</u>	<u>(493,455)</u>
Unvoted Energy Conservation				
Bond Legal Debt Margin	<u>\$ 11,833,800</u>	<u>\$ 11,586,482</u>	<u>\$ 11,853,644</u>	<u>\$ 11,745,305</u>
Total Net Indebtedness Subject to Limitation as a Percentage of Debt Limit	77.71%	77.94%	74.52%	72.25%

(1) Ohio Bond Law sets a limit of 9% for overall debt, 1/10 of 1% for unvoted debt, and 9/10 of 1% for energy conservation debt.

(2) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 1,249,887,860	\$ 1,274,940,010	\$ 1,278,814,890	\$ 1,226,272,230	\$ 1,233,199,000	\$ 1,233,856,260
9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
112,489,907	114,744,601	115,093,340	110,364,501	110,987,910	111,047,063
88,524,990	85,079,930	81,852,930	78,432,980	74,381,980	66,138,986
<u>(3,224,803)</u>	<u>(3,449,104)</u>	<u>(3,502,105)</u>	<u>(3,480,330)</u>	<u>(3,486,254)</u>	<u>(3,948,459)</u>
<u>85,300,187</u>	<u>81,630,826</u>	<u>78,350,825</u>	<u>74,952,650</u>	<u>70,895,726</u>	<u>62,190,527</u>
<u>\$ 27,189,720</u>	<u>\$ 33,113,775</u>	<u>\$ 36,742,515</u>	<u>\$ 35,411,851</u>	<u>\$ 40,092,184</u>	<u>\$ 48,856,536</u>
0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
\$ 1,249,888	\$ 1,274,940	\$ 1,278,815	\$ 1,226,272	\$ 1,233,199	\$ 1,233,856
-	-	-	-	-	-
<u>\$ 1,249,888</u>	<u>\$ 1,274,940</u>	<u>\$ 1,278,815</u>	<u>\$ 1,226,272</u>	<u>\$ 1,233,199</u>	<u>\$ 1,233,856</u>
0.90%	0.90%	0.90%	0.90%	0.90%	0.90%
\$ 11,248,991	\$ 11,474,460	\$ 11,509,334	\$ 11,036,450	\$ 11,098,791	\$ 11,104,706
<u>(404,703)</u>	<u>(311,239)</u>	<u>(2,622,812)</u>	<u>(2,384,158)</u>	<u>(2,135,000)</u>	<u>(1,990,000)</u>
<u>\$ 10,844,288</u>	<u>\$ 11,163,221</u>	<u>\$ 8,886,522</u>	<u>\$ 8,652,292</u>	<u>\$ 8,963,791</u>	<u>\$ 9,114,706</u>
75.83%	71.14%	68.08%	67.91%	63.88%	56.00%

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

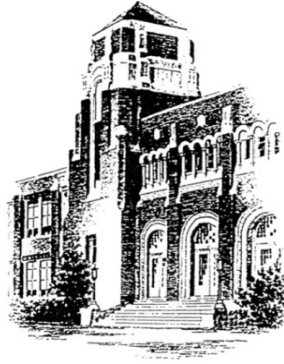
Calendar Year	2007	2008	2009
Population (1)			
Cities of Kettering and Moraine	64,399	64,399	64,399
Montgomery County	538,104	534,626	532,562
Income (2) (a)			
Total Personal (in thousands)	\$ 2,123,235	\$ 2,187,119	\$ 2,297,048
Per Capita	32,970	33,962	35,669
Unemployment Rate			
Federal (3)	4.6%	5.8%	9.3%
State (3)	5.6%	6.6%	10.2%
Montgomery County (4)	7.3%	7.4%	11.4%
Fiscal Year			
	2008	2009	2010
School Enrollment (5)			
Grades K - 5	3,353	3,321	3,355
Grades 6 - 8	1,676	1,677	1,681
Grades 9 - 12	2,398	2,378	2,334
Total	<u>7,427</u>	<u>7,376</u>	<u>7,370</u>

Sources:

- (1) US Bureau of Census of Population
- (2) US Department of Commerce, Bureau of Economic Analysis
 - (a) Per Capita Income is only available by County, Total Personal Income is a calculation
- (3) State Department of Labor Statistics
- (4) Ohio Department of Job and Family Services, Montgomery County
- (5) District Treasurer's Office

2010	2011	2012	2013	2014	2015	2016
62,470	62,400	62,335	62,167	61,918	61,766	61,613
535,153	537,602	534,325	535,846	533,116	532,258	531,239
\$ 2,267,786	\$ 2,015,923	\$ 2,067,089	\$ 2,067,089	\$ 2,119,372	\$ 2,184,210	\$ 2,285,571
36,302	32,306	33,161	33,251	34,229	35,363	37,096
9.6%	8.6%	8.1%	7.4%	6.2%	5.3%	4.9%
10.1%	8.9%	7.2%	7.1%	5.7%	4.9%	4.9%
11.1%	8.7%	7.8%	7.5%	6.0%	5.0%	4.8%
2011	2012	2013	2014	2015	2016	2017
3,219	3,191	3,445	3,424	3,444	3,500	3,523
1,670	1,704	1,670	1,652	1,624	1,635	1,657
2,352	2,233	2,150	2,167	2,205	2,234	2,225
7,241	7,128	7,265	7,243	7,273	7,369	7,405

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**



**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

PRINCIPAL EMPLOYERS
DECEMBER 31, 2016 AND DECEMBER 31, 2007

<u>Employer</u>	<u>Nature of Business</u>	<u>December 31, 2016</u>		
		<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total Estimated Employment</u>
Kettering Medical Center	Private Hospital	3,570	1	12.89%
Synchrony Financial	Financial Services	2,000	2	7.22%
Reynolds and Reynolds Co.	Professional Services	1,350	3	4.87%
Kettering City School District	Education	1,032	4	3.73%
Limited Brands, Inc. (formerly Intimate Brands, Inc.)	Catalog Ordering Center	1,000	5	3.61%
Kroger	Retail Sales	630	6	2.27%
City of Kettering	Government	553	7	2.00%
Meijer, Inc.	Retail Sales	550	7	1.99%
Tenneco	Manufacturing	522	9	1.88%
Total Principal Employers		<u>11,207</u>		<u>40.46%</u>
Total Estimated Employment		<u>27,700</u>		<u>100.00%</u>

<u>Employer</u>	<u>Nature of Business</u>	<u>December 31, 2007</u>		
		<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total Estimated Employment</u>
Kettering Medical Center	Private Hospital	3,100	1	11.19%
GE Consumer Finance	Credit Card Processing Center	1,700	2	6.14%
Reynolds and Reynolds Co.	Professional Services	1,076	3	3.88%
Kettering City School District	Education	1,074	4	3.88%
Intimate Brands, Inc.	Catalog Ordering Center	1,000	5	3.61%
City of Kettering	Government	900	6	3.25%
Delphi Automotive System Svcs.	Manufacturer	701	7	2.53%
Kodak Versamark	Digital Printing	700	8	2.53%
Meijer, Inc.	Retail Sales	550	9	1.99%
Victoria Secret Catalogue	Retail Sales	536	10	1.94%
Total Principal Employers		<u>11,337</u>		<u>40.94%</u>
Total Estimated Employment		<u>27,700</u>		<u>100.00%</u>

Sources: City of Kettering CAFR, and Kettering City School District CAFR, Kettering Chamber of Commerce.

Notes: Information on 10th largest employer is not available.

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

DISTRICT EMPLOYEES BY TYPE
LAST TEN FISCAL YEARS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Official Administrative	38.00	37.00	34.00	33.00
Professional - Educational	509.06	518.10	525.40	510.00
Professional - Other	34.86	41.56	35.90	36.55
Technical	12.30	13.30	13.75	14.29
Office/Clerical	150.94	144.25	158.40	157.95
Crafts and Trades	13.00	14.00	11.00	11.00
Operative	33.79	36.08	35.14	35.26
Service Work/Laborer	103.02	103.27	103.73	105.15
Total Employees	<u>894.97</u>	<u>907.56</u>	<u>917.32</u>	<u>903.20</u>

Note: Employees by Type are presented on a Full Time Equivalent (FTE) basis.

Source: District records

2012	2013	2014	2015	2016	2017
33.09	33.00	32.00	31.33	33.33	36.50
514.29	503.17	512.49	510.24	516.60	530.54
40.40	37.10	35.19	41.64	43.80	44.20
15.29	15.29	23.36	23.36	23.56	24.64
171.53	162.65	157.63	171.29	172.40	190.49
11.00	10.00	11.00	11.00	11.00	12.00
33.36	34.50	35.35	34.40	35.98	40.36
107.28	104.97	111.96	117.73	119.21	125.57
<u>926.24</u>	<u>900.68</u>	<u>918.98</u>	<u>940.99</u>	<u>955.88</u>	<u>1,004.30</u>

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

OPERATING INDICATORS - COST PER PUPIL
LAST TEN FISCAL YEARS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Enrollment	7,427	7,376	7,370	7,241
Modified Accrual Basis				
Operating Expenditures	\$ 86,751,045	\$ 88,045,712	\$ 92,583,988	\$ 91,231,980
Cost per Pupil	11,680	11,937	12,562	12,599
Percentage of Change	2.0%	2.2%	5.2%	0.3%
Accrual Basis				
Operating Expenses	\$ 88,976,154	\$ 90,830,341	\$ 93,178,181	\$ 92,705,223
Cost per Pupil	11,980	12,314	12,643	12,803
Percentage of Change	1.3%	2.8%	2.7%	1.3%
Teaching Staff	556	574	564	524

Source: District records and Ohio Department of Education

(1) Number of teachers decreased due to no longer accounting for virtual teachers. Virtual teachers are teachers at other districts teaching our students via on-line courses. All virtual courses have been brought in house and taught by current teachers.

2012	2013	2014	2015	2016	2017 (1)
7,128	7,265	7,243	7,273	7,369	7,405
\$ 91,682,447	\$ 93,519,981	\$ 93,793,026	\$ 104,006,571	\$ 98,706,082	\$ 109,973,031
12,862	12,873	12,949	14,300	13,395	14,851
2.1%	0.1%	0.6%	10.4%	(6.3%)	10.9%
\$ 93,449,242	\$ 94,671,370	\$ 95,235,920	\$ 99,885,174	\$ 99,507,265	\$ 115,799,722
13,110	13,031	13,149	13,734	13,503	15,638
2.4%	(0.6%)	0.9%	4.4%	(1.7%)	15.8%
512	527	535	542	543	492

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities				
Instruction				
Regular	467	480	470	430
Special	94	94	94	94
Support Services				
Pupils				
Enrollment	7,427	7,376	7,370	7,241
Graduates	539	575	541	542
Percent of Students with Disabilities	16%	16%	16%	16%
Board of Education				
Members	5	5	5	5
Regular Meetings per Year	12	12	12	12
Administration				
School Attendance Rate	95.1%	95.1%	95.3%	95.7%
Fiscal Services				
Purchase Orders Processed	5,841	5,705	5,571	5,459
Checks Issued (non payroll)	7,033	6,384	6,360	6,045
Operation and Maintenance of Plant				
District Square Footage Maintained	1,346,597	1,346,597	1,346,597	1,346,597
District Square Acreage Maintained	254	254	254	254
Pupil Transportation				
Average Daily Students Transported	3,257	3,225	3,136	3,372
Average Daily Bus Fleet Miles	2,936	3,144	2,943	2,112
Number of Buses	61	66	66	66
Operation of Non-instructional Services				
Food Service				
Student Meals Served Yearly	700,592	689,048	715,958	708,981
Free/Reduced Price Meals Daily	1,604	1,748	2,082	2,215
Uniform School Supplies	3	3	3	3
Extracurricular Activities				
High School Varsity Teams	23	23	26	24

Source: District Treasurer's Office

(1) Number of regular and special instruction teachers decreased due to no longer accounting for virtual teachers. Virtual teachers are teachers at other districts teaching our students via on-line courses. All virtual courses have been brought in house and taught by current teachers.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 (1)</u>
417	414	418	428	421	398
95	113	117	114	122	94
7,128	7,265	7,243	7,273	7,369	7,405
523	535	536	522	511	501
16%	14%	15%	14%	15%	15%
5	5	5	5	5	5
12	18	18	19	27	20
96.0%	96.0%	96.1%	96.0%	96.0%	95.5%
4,867	5,053	4,702	4,760	4,529	4,670
5,271	4,651	3,328	2,904	2,967	2,710
1,346,597	1,346,597	1,346,597	1,346,597	1,346,597	1,346,597
254	254	254	254	254	254
3,171	3,539	2,989	3,214	3,175	3,017
2,825	3,039	3,022	3,017	2,951	2,477
66	57	57	57	57	63
722,428	704,886	674,536	664,398	675,339	663,690
2,254	2,333	2,247	2,259	1,314	2,229
3	3	3	3	3	3
27	27	27	27	27	29

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

OPERATING INDICATORS - TEACHER BASE SALARIES
LAST TEN FISCAL YEARS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Minimum Salary	\$ 33,439	\$ 34,442	\$ 35,484	\$ 35,484
Maximum Salary	85,604	88,172	90,839	90,839
District Average Salary	61,770	63,839	64,174	67,310
County Average Salary	54,212	55,124	56,459	58,081
State Average Salary	53,410	55,583	55,958	56,715

Source: District Treasurer's Office and Ohio Department of Education

OPERATING INDICATORS - TEACHERS BY EDUCATION
LAST TEN FISCAL YEARS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bachelor's Degree	178	178	137	136
Master's Degree + 15	397	396	427	388
Total	<u>575</u>	<u>574</u>	<u>564</u>	<u>524</u>

Source: District records

N/A = Not Available

(1) Number of teachers decreased due to no longer accounting for virtual teachers. Virtual teachers are teachers at other districts teaching our students via on-line courses. All virtual courses have been brought in house and taught by current teachers.

2012	2013	2014	2015	2016	2017
\$ 35,484	\$ 35,484	\$ 35,484	\$ 35,484	\$ 36,918	\$ 37,656
90,839	90,839	90,839	90,839	94,510	96,399
66,366	64,289	63,601	66,021	65,045	65,961
57,451	N/A	N/A	N/A	N/A	N/A
56,715	56,307	55,916	55,242	57,154	59,100

2012	2013	2014	2015	2016	2017 (1)
123	142	161	174	175	139
389	385	374	368	368	353
512	527	535	542	543	492

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**CAPITAL ASSET STATISTICS BY BUILDING
LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Secondary				
Kettering Fairmont High School				
Square Footage	420,517	420,517	420,517	420,517
Capacity (students)	3,725	3,725	3,725	3,725
Enrollment	2,451	2,378	2,334	2,352
Middle				
Kettering Middle School				
Square Footage	245,522	245,522	245,522	245,522
Capacity (students)	2,250	2,250	2,250	2,250
Enrollment	996	972	1,001	954
Van Buren Middle School				
Square Footage	103,184	103,184	103,184	103,184
Capacity (students)	960	960	960	960
Enrollment	689	705	680	716
Elementary				
Beavertown Elementary School				
Square Footage	47,347	47,347	47,347	47,347
Capacity (students)	530	530	530	530
Enrollment	387	383	361	356
Greenmont Elementary School				
Square Footage	45,633	45,633	45,633	45,633
Capacity (students)	720	720	720	720
Enrollment	326	313	341	308
Indian Riffle Elementary School				
Square Footage	102,000	102,000	102,000	102,000
Capacity (students)	1,300	1,300	1,300	1,300
Enrollment	448	421	431	454
J.F.Kennedy Elementary School				
Square Footage	106,000	106,000	106,000	106,000
Capacity (students)	1,000	1,000	1,000	1,000
Enrollment	534	567	555	554
Moraine Meadows Elementary School *				
Square Footage	26,732	26,732	26,732	26,732
Capacity (students)	418	418	418	418
Enrollment	153	151	157	0

2012	2013	2014	2015	2016	2017
420,517	420,517	420,517	420,517	420,517	420,517
3,725	3,725	3,725	3,725	3,725	3,725
2,233	2,150	2,167	2,205	2,234	2,225
245,522	245,522	245,522	245,522	245,522	245,522
2,250	2,250	2,250	2,250	2,250	2,250
965	942	962	989	1,004	1,004
103,184	103,184	103,184	103,184	103,184	103,184
960	960	960	960	960	960
739	728	690	635	631	653
47,347	47,347	47,347	47,347	47,347	47,347
530	530	530	530	530	530
338	369	353	340	346	376
45,633	45,633	45,633	45,633	45,633	45,633
720	720	720	720	720	720
314	324	325	317	344	343
102,000	102,000	102,000	102,000	102,000	102,000
1,300	1,300	1,300	1,300	1,300	1,300
438	456	433	444	470	497
106,000	106,000	106,000	106,000	106,000	106,000
1,000	1,000	1,000	1,000	1,000	1,000
547	577	600	617	615	616
26,732	26,732	26,732	26,732	26,732	26,732
418	418	418	418	418	418
0	0	0	0	0	0

(Continued)

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

CAPITAL ASSET STATISTICS BY BUILDING (CONTINUED)
LAST TEN FISCAL YEARS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Oakview Elementary School				
Square Footage	49,056	49,056	49,056	49,056
Capacity (students)	500	500	500	500
Enrollment	402	382	395	409
Orchard Park Elementary School				
Square Footage	34,189	34,189	34,189	34,189
Capacity (students)	450	450	450	450
Enrollment	306	291	300	258
J.E.Prass Elementary School				
Square Footage	47,264	47,264	47,264	47,264
Capacity (students)	570	570	570	570
Enrollment	324	342	352	339
Southdale Elementary School				
Square Footage	47,185	47,185	47,185	47,185
Capacity (students)	530	530	530	530
Enrollment	451	471	463	541
All Other				
Central Administration Building				
Square Footage	26,968	26,968	26,968	26,968
Occupancy	153	153	153	153
Transportation Building				
Square Footage	30,000	30,000	30,000	30,000
Maintenance Building				
Square Footage	15,000	15,000	15,000	15,000

Source: District records

* Moraine Meadows Elementary School was closed during 2011.

2012	2013	2014	2015	2016	2017
49,056	49,056	49,056	49,056	49,056	49,056
500	500	500	500	500	500
382	390	379	411	412	412
34,189	34,189	34,189	34,189	34,189	34,189
450	450	450	450	450	450
264	320	319	318	330	342
47,264	47,264	47,264	47,264	47,264	47,264
570	570	570	570	570	570
364	414	420	437	415	428
47,185	47,185	47,185	47,185	47,185	47,185
530	530	530	530	530	530
544	595	595	560	568	509
26,968	26,968	26,968	26,968	26,968	26,968
153	153	153	153	153	153
30,000	30,000	30,000	30,000	30,000	30,000
15,000	15,000	15,000	15,000	15,000	15,000

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

EDUCATIONAL AND OPERATIONAL STATISTICS
LAST TEN FISCAL YEARS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
ACT Scores (Average)				
Kettering	22.7	23.6	23.0	23.1
Ohio	21.7	21.7	21.8	21.8
National	21.1	21.1	21.1	21.1
SAT Scores (Average) (2)				
Kettering				
Verbal/Critical Reading	517	540	550	545
Mathematical	531	556	558	547
Writing	N/A	N/A	N/A	N/A
Ohio				
Verbal/Critical Reading	534	537	538	539
Mathematical	544	546	548	545
Writing	N/A	N/A	N/A	N/A
National				
Verbal/Critical Reading	502	501	501	497
Mathematical	515	515	516	514
Writing	N/A	N/A	N/A	N/A
National Merit Scholars				
Finalist	2	1	0	1
Semi-Finalist	2	2	0	1
Commended Scholars	0	1	3	3
Hispanic Scholars	N/A	N/A	N/A	N/A
Cost per Student (ODE)				
Kettering	\$11,078	\$8,590	\$12,299	\$12,017
Ohio (Average)	\$9,939	\$10,254	\$10,512	\$10,697
Attendance Rate				
Kettering	95.1%	95.1%	95.3%	95.7%
Ohio (Average)	94.2%	94.3%	94.3%	94.5%
Graduation Rate (1)				
Kettering	97.8%	97.9%	98.0%	97.1%
Ohio (Average)	86.2%	84.6%	83.0%	84.3%

Source:

District records and Ohio Department of Education
N/A = Not Available

Notes:

- (1) The Ohio Department of Education changed the method of calculating the graduation rate to a 4-year cohort during fiscal year 2012.
- (2) Beginning in fiscal year 2015, Juniors who are college bound were able to take the test. However, only the scores of Seniors are reported in the table above.

2012	2013	2014	2015	2016	2017
23.1	24.0	23.7	23.8	23.6	20.9
21.8	21.8	22.0	22.0	22.0	19.8
21.1	20.9	21.0	21.0	20.8	21.0
548	556	553	551	479	588
563	566	549	556	485	589
N/A	536	518	514	457	N/A
534	548	555	557	556	570
552	556	562	563	563	565
N/A	531	535	537	537	N/A
492	496	497	495	494	538
514	514	513	511	508	533
N/A	488	487	484	482	N/A
1	3	1	3	2	2
1	3	1	3	2	0
4	5	5	6	3	4
N/A	N/A	N/A	N/A	1	0
\$12,005	\$11,070	\$11,656	\$12,131	\$10,230	\$10,336
\$10,597	\$10,185	\$10,394	\$10,913	\$8,840	\$9,149
96.0%	96.0%	96.1%	96.0%	96.0%	95.9%
94.5%	94.2%	94.3%	94.1%	94.1%	93.1%
92.4%	92.4%	95.7%	94.3%	92.6%	92.5%
80.0%	81.3%	82.2%	82.2%	83.0%	83.6%

**KETTERING CITY SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

