

CITY OF DAYTON, OHIO
SINGLE AUDIT REPORTS
for the year ended December 31, 2002



**Auditor of State
Betty Montgomery**

Mayor and Members of Council
City of Dayton

We have reviewed the Independent Auditor's Report of the City of Dayton, Montgomery County, prepared by Foxx & Company for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 8, 2003

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Foxx & Company
Certified Public Accountants

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

The Honorable Members of the City Commission
City of Dayton, Ohio

We have audited the financial statements of the City of Dayton, Ohio, as of and for the year ended December 31, 2002, and have issued our report thereon dated July 15, 2003, in which we noted the City adopted Governmental Accounting Standards Board Statements 34, 37, 38 and Interpretation 6. We did not audit the financial statements of the CityWide Development Corporation, a discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion on the financial statements, insofar as it relates to amounts included for the discretely presented component unit, are based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Dayton, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Dayton, Ohio in a separate letter dated July 15, 2003.

Internal Control Over Financial Reporting

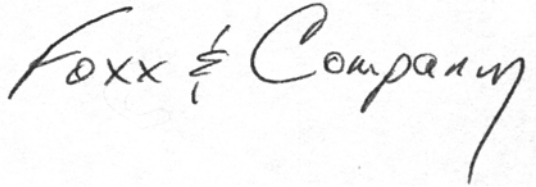
In planning and performing our audit, we considered the City of Dayton, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City

of Dayton, Ohio's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Item 02-01, Item 02-02 and Item 02-03.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we consider Item 02-01, Item 02-02 and Item 02-03 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of the City of Dayton, Ohio in a separate letter dated July 15, 2003.

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

Cincinnati, Ohio
July 15, 2003

A handwritten signature in cursive script that reads "Fox & Company". The signature is written in dark ink on a light-colored background.



Foxx & Company
Certified Public Accountants

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

The Honorable Members of the City Commission
City of Dayton, Ohio

Compliance

We have audited the compliance of the City of Dayton, Ohio with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The City of Dayton, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Dayton, Ohio's management. Our responsibility is to express an opinion on the City of Dayton, Ohio's compliance based on our audit.

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

In our opinion, the City of Dayton, Ohio complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

Internal Control Over Compliance

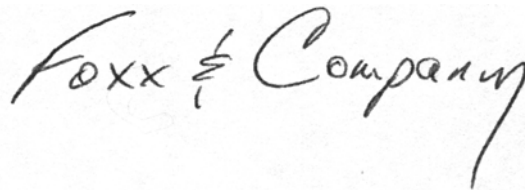
The management of the City of Dayton, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, grants applicable to federal programs. In planning and performing our audit, we considered the City of Dayton, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of City of Dayton, Ohio, as of and for the year ended December 31, 2002, and have issued our report thereon dated July 15, 2003. We did not audit the financial statements of the CityWide Development Corporation, a discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion on the financial statements, insofar as it relates to amounts included for the discretely presented component unit, is based on the report of the other auditors. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

A handwritten signature in cursive script that reads "Fox & Company". The signature is written in dark ink on a light-colored background.

Cincinnati, Ohio
July 15, 2003

CITY OF DAYTON, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended December 31, 2002

<u>Grantor Agency/Program</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlements Grants	14.218	CB-01-MC-39-0010	\$ 4,099,432
		CB-02-MC-39-0010	<u>4,721,352</u>
Subtotal			<u>8,820,784</u>
Emergency Shelter Grants Program	14.231	CS-98-MC-39-0010	<u>271,826</u>
Shelter Plus Care	14.238	OH-16-C-93-1122	<u>1,515,584</u>
HOME Investment Partnerships	14.239	M-94-MC-39-0205	183,084
		M-95-MC-39-0205	255,954
		M-96-MC-39-0205	27,998
		M-97-MC-39-0205	6,696
		M-98-MC-39-0205	335,017
		M-99-MC-39-0205	1,177
		M-00-MC-39-0205	217,740
		M-01-MC-39-0205	854,567
		M-02-MC-39-0205	<u>211,500</u>
Subtotal			<u>2,093,733</u>
Fair Housing Assistance Programs - State and Local	14.401	FF-205-K-98-5019	<u>11,811</u>
Subtotal			<u>11,811</u>
Tool Town Project	14.401	B-01-SP-OH-0495	399,120
Land Acquisition		B-01-SP-OH-0322	185,000
Land Acquisition		B-01-SP-OH-0494	<u>260,583</u>
Main Street Historic Area			
Subtotal			<u>844,703</u>
Total U.S. Department of Housing and Urban Development			<u><u>\$ 13,558,441</u></u>

CITY OF DAYTON, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended December 31, 2001

<u>Grantor Agency/Program</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department Of Justice</u>			
Bulletproof Vest Partnership Program	16.607	01-BO-BX-01007158	\$ <u>15,082</u>
Byrne Formula Grant Program			
SCLC Safehouse	16.579	99-DG-DO2-7437	21,998
Dayton Mediation Center Project		00-DG-DO2-7558	29,207
Community Justice Collaboration		00-DG-DO2-7567	38,942
Community Based Corrections		02-DG-DO2-4085	<u>53,792</u>
Subtotal			<u>143,939</u>
Grants to Encourage Arrest Policies	16.590	98-WE-VX-0070	<u>240,979</u>
00 Local Law Enforcement Block Grants Program	16.592	00-LB-VX-2460	396,851
01 Local Law Enforcement Block Grant		01-LB-VX-2627	<u>24,352</u>
Subtotal			<u>421,203</u>
Total U.S. Department of Justice			<u><u>\$ 821,203</u></u>

CITY OF DAYTON, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended December 31, 2002

<u>Grantor Agency/Program</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation			
Airport Improvement Program	20.106	3-39-0029-29-98	\$ 43,727
		3-39-0029-31-99	58,218
		3-39-0029-33-99	18,705
		3-39-0029-34-00	491,723
		3-39-0029-35-00	393,056
		3-39-0029-36-00	329,822
		3-39-0029-37-01	1,451,479
		3-39-0029-38-01	20,303
		3-39-0029-39-01	4,390,768
		3-39-0029-40-01	3,600,000
		3-39-0029-41-01	24,673
		3-39-0030-04-01	711,355
		3-39-0029-42-02	244,805
		3-39-0029-43-02	39,416
		3-39-0030-05-02	<u>17,354</u>
Subtotal			<u>11,835,404</u>
State and Community Highway Safety	20.600	01-J7-J-410	<u>18,675</u>
<i>Passed-through Ohio Department of Transportation</i>			
Highway Planning and Construction	20.205	PID 22616	153,003
		PID 21255	1,114,118
		PID 7322	660,660
		PID 23519	53,646
		PID 21254	155,186
		PID 16253	2,294,278
		PID 16254	63,853
		PID 22501	<u>784,742</u>
Subtotal			<u>5,279,486</u>
<i>Pass-through Ohio Department of Public Safety</i>			
Cops in Shops	20.601	2002-J8C-J	<u>21,282</u>
Total U.S. Department Of Transportation			<u>\$ 17,154,847</u>

CITY OF DAYTON, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended December 31, 2002

Grantor Agency/Program	<u>CFDA Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
<u>U.S. Environmental Protection Agency</u>			
Water Security Planning and Assessment	66.476	HS-82989201	\$ 99,075
Brownfields	66.811	BP-985451	<u>41,813</u>
Total U.S. Environmental Protection Agency			<u><u>\$ 140,888</u></u>
<u>U.S. National Park Service</u>			
Rehabilitation Grant	15.919	OO-CTY-1234-9301	<u>115,786</u>
Total U.S. National Park Service			<u><u>\$ 115,786</u></u>
Total Federal Financial Assistance			<u><u>\$ 31,791,165</u></u>

CITY OF DAYTON, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended December 31, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of City of Dayton, Ohio's federal award programs. The schedule has been prepared on the cash basis of accounting.

CITY OF DAYTON, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2002

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
Material weakness(es) identified? : yes 9 no
Reportable condition(s) identified not
considered to be material weaknesses? 9 yes : none reported

Noncompliance material to financial statements noted? 9 yes : no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? 9 yes : no
Reportable condition(s) identified not
considered to be material weaknesses? 9 yes : none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to
be reported in accordance with Circular A-133, Section .510(a)? 9 yes : no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between
Type A and Type B programs: \$953,735

Auditee qualified as low-risk auditee? : yes 9 no

CITY OF DAYTON, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2002

**2. Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

<i>Finding Number</i>	02-01
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Reconciliation of Cash Balances

Criteria - Good internal controls require that cash accounts be reconciled with the bank at a minimum on a monthly basis to ensure accuracy and completeness.

Condition - The City did not perform monthly bank account reconciliations during calendar year 2002. The City performed a single reconciliation of actual cash and investment balances to amounts recorded in the accounting system as of December 31, 2002.

Effect - There was a significant difference between actual cash and investment balances in the bank compared to amounts recorded in the accounting system. In addition, there was no assurance that the cash balances were accurate.

Cause - The City did not implement procedures to perform monthly reconciliations until calendar year 2003.

Recommendation - We recommend that the City implement procedures to ensure that all cash and investment balances are reconciled to the accounting system on a monthly basis.

3. Findings and Questioned Costs for Federal Awards

None

CITY OF DAYTON, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2002

**2. Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

<i>Finding Number</i>	02-02
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Municipal Courts - Civil Division

Criteria - Good internal controls and industry “best practices” require that bank accounts be reconciled on a monthly basis.

Condition - The Civil Division of the Municipal Court has not performed a monthly bank reconciliation of its bank account since May 31, 2000. There were no written procedures requiring monthly bank and cash reconciliations.

Cause - Personnel in the Municipal Courts Civil Division were not aware that bank accounts should be reconciled on a monthly basis.

Effect - There was no assurance that monthly bank balances were accurate.

Recommendation - We recommend that the Civil Division of the Municipal Court perform monthly bank account reconciliations in a timely manner.

3. Findings and Questioned Costs for Federal Awards

None

CITY OF DAYTON, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2002

**2. Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

<i>Finding Number</i>	02-03
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Water/Sewer Subsidiary Receivable

Criteria - Good internal control procedures dictate that entities should be aware of outstanding accounts receivable and have the ability to readily access the data.

Condition - The City's water/sewer subsidiary receivable system did not produce monthly aging trial balance reports listings by customer name and account.

Effect - The City could not readily determine, on a monthly basis, the outstanding accounts receivable balance due to the City concerning water, sewer, stormwater, wellfield, container and disposal fees.

Cause - The City does not separate water, sewer, stormwater, wellfield, container and disposal receipts when received. Instead, all receipts are placed in the water fund and manually distributed to the appropriate fund.

Recommendation - We recommend that the City take immediate steps to ensure its water/sewer subsidiary receivable system produces monthly aging trial balance reports.

3. Findings and Questioned Costs for Federal Awards

None

CITY OF DAYTON, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2002

There were no audit findings or questioned costs relative to Federal awards for the audit of the City of Dayton, Ohio for the year ended December 31, 2001.

CITY OF DAYTON, OHIO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
for the year ended December 31, 2002

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
01-01	Reconciliation of Cash Balances	No	Not corrected, see Finding Number 02-01

CITY OF DAYTON, OHIO
CORRECTIVE ACTION PLAN
for the year ended December 31, 2002

Finding Number 02-01

During 2002 the City prepared monthly reconciliations of cash. However, a variance did exist at year-end because it was discovered that the City's methodology used to reconcile the general ledger to the bank balance did not capture all the components of the cash process. Much progress has been made to date and we will continue to reconcile each component of the reconciliation process.

Contact Person: Ms. Cheryl J. Garrett, Director of Finance
Date: August 22, 2003

CITY OF DAYTON, OHIO
CORRECTIVE ACTION PLAN
for the year ended December 31, 2002

Finding Number 02-02

The Civil Division is currently in the process of hiring temporary personnel to reconcile prior outstanding months to current. Once the monthly reconciliations are current, existing staff will be responsible for maintaining the reconciliations monthly.

Contact Person: Ms. Cheryl J. Garrett, Director of Finance
Date: August 22, 2003

CITY OF DAYTON, OHIO
CORRECTIVE ACTION PLAN
for the year ended December 31, 2002

Finding Number 02-03

The City is currently in process of producing a monthly Water/Sewer Receivable Aging Report.

Contact Person: Ms. Cheryl J. Garrett, Director of Finance

Date: August 22, 2003

CITY OF DAYTON, OHIO

**PASSENGER FACILITY CHARGE
PROGRAM REPORT**

for the year ended December 31, 2002

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Foxx & Company
Certified Public Accountants

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

The Honorable Members of the City Commission
City of Dayton, Ohio

We have audited the financial statements of the City of Dayton, Ohio, as of and for the year ended December 31, 2002, and have issued our report thereon dated July 15, 2003, in which we noted the City adopted Governmental Accounting Standards Board Statements 34, 37, 38 and Interpretation 6. We did not audit the financial statements of the CityWide Development Corporation, a discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion on the financial statements, insofar as it relates to amounts included for the discretely presented component unit, are based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Dayton, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Dayton, Ohio in a separate letter dated July 15, 2003.

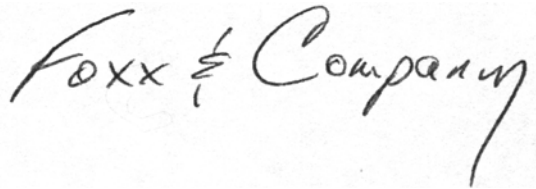
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dayton, Ohio's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City of Dayton,

Ohio's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Item 02-01, Item 02-02 and Item 02-03.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider Item 02-01, Item 02-02 and Item 02-03 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of the City of Dayton, Ohio in a separate letter dated July 15, 2003.

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

A handwritten signature in black ink that reads "Fox & Company". The signature is written in a cursive, flowing style. The ampersand is stylized, and the word "Company" has a long, sweeping tail that extends downwards.

Cincinnati, Ohio
July 15, 2003



Foxx & Company
Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR
PUBLIC AGENCIES* AND SCHEDULE OF EXPENDITURES OF PASSENGER
FACILITY CHARGES**

The Honorable Members of the City Commission
City of Dayton, Ohio

Compliance

We have audited the compliance of the City of Dayton, Ohio with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended December 31, 2002. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the City of Dayton, Ohio's management. Our responsibility is to express an opinion on the City of Dayton, Ohio's compliance based on our audit.

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

In our opinion, the City of Dayton, Ohio complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended December 31, 2002.

Internal Control Over Compliance

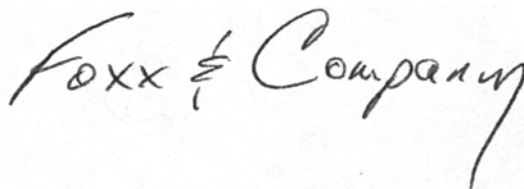
The management of the City of Dayton, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the City of Dayton, Ohio's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of City of Dayton, Ohio, as of and for the year ended December 31, 2002, and have issued our report thereon dated July 15, 2003. We did not audit the financial statements of the CityWide Development Corporation, a discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion on the financial statements, insofar as it relates to amounts included for the discretely presented component unit, is based on the report of the other auditors. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Passenger Facility Charges is presented for purposes of additional analysis as specified in the Guide and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the audit committee management, the Ohio Auditor of State and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Fox & Company". The signature is written in dark ink and is positioned to the right of the date and location text.

Cincinnati, Ohio
July 15, 2003

CITY OF DAYTON, OHIO
SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES
for the year ended December 31, 2002

<u>Grantor Agency/Program</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>PFC Receipts</u>	<u>PFC Expenditures</u>
<u>U. S. Department of Transportation</u>				
Passenger Facility Charges	N/A	Application 2	\$ <u>4,790,512</u>	\$ <u>8,908,827</u>
Total U.S. Department of Transportation			\$ <u>4,790,512</u>	\$ <u>8,908,827</u>

CITY OF DAYTON, OHIO

**NOTES TO SCHEDULE OF EXPENDITURES OF
PASSENGER FACILITY CHARGES**

for the year ended December 31, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Passenger Facility Charges is a summary of the activity of City of Dayton, Ohio's passenger facility charges. The schedule has been prepared on the cash basis of accounting. Passenger Facility Charges collected by the City of Dayton are legally restricted for capital projects and related expenditures, and cannot be used for any other purpose. Receipts reported consist of the following:

PFC Charges	\$ 4,790,512
Interest Income	<u>186,401</u>
Total	<u>\$ 4,976,913</u>

CITY OF DAYTON, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2002

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	: yes	9 no
Reportable condition(s) identified not considered to be material weaknesses?	9 yes	: none reported
Noncompliance material to financial statements noted?	9 yes	: no

Passenger Facility Charge Program

Internal Control over Passenger Facility Charge Program:		
Material weakness(es) identified?	9 yes	: no
Reportable condition(s) identified not considered to be material weaknesses?	9 yes	: none reported
Type of auditor's report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with the Passenger Facility Charge Audit Guide for Public Agencies?	9 yes	: no

CITY OF DAYTON, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2002

**2. Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

<i>Finding Number</i>	02-01
-----------------------	-------

Reconciliation of Cash Balances

Criteria - Good internal controls require that cash accounts be reconciled with the bank at a minimum on a monthly basis to ensure accuracy and completeness.

Condition - The City did not perform monthly bank account reconciliations during calendar year 2002. The City performed a single reconciliation of actual cash and investment balances to amounts recorded in the accounting system as of December 31, 2002.

Effect - There was a significant difference between actual cash and investment balances in the bank compared to amounts recorded in the accounting system. In addition, there was no assurance that the cash balances were accurate.

Cause - The City did not implement procedures to perform monthly reconciliations until calendar year 2003.

Recommendation - We recommend that the City implement procedures to ensure that all cash and investment balances are reconciled to the accounting system on a monthly basis.

3. Findings and Questioned Costs for Federal Awards

None

CITY OF DAYTON, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2002

**2. Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

<i>Finding Number</i>	02-02
-----------------------	-------

Municipal Courts - Civil Division

Criteria - Good internal controls and industry “best practices” require that bank accounts be reconciled on a monthly basis.

Condition - The Civil Division of the Municipal Court has not performed a monthly bank reconciliation of its bank account since May 31, 2000. There were no written procedures requiring monthly bank and cash reconciliations.

Cause - Personnel in the Municipal Courts Civil Division were not aware that bank accounts should be reconciled on a monthly basis.

Effect - There was no assurance that monthly bank balances were accurate.

Recommendation - We recommend that the Civil Division of the Municipal Court perform monthly bank account reconciliations in a timely manner.

3. Findings and Questioned Costs for Federal Awards

None

CITY OF DAYTON, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2002

**2. Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

<i>Finding Number</i>	02-03
-----------------------	-------

Water/Sewer Subsidiary Receivable

Criteria - Good internal control procedures dictate that entities should be aware of outstanding accounts receivable and have the ability to readily access the data.

Condition - The City's water/sewer subsidiary receivable system did not produce monthly aging trial balance reports listings by customer name and account.

Effect - The City could not readily determine, on a monthly basis, the outstanding accounts receivable balance due to the City concerning water, sewer, stormwater, wellfield, container and disposal fees.

Cause - The City does not separate water, sewer, stormwater, wellfield, container and disposal receipts when received. Instead, all receipts are placed in the water fund and manually distributed to the appropriate fund.

Recommendation - We recommend that the City take immediate steps to ensure its water/sewer subsidiary receivable system produces monthly aging trial balance reports.

3. Findings and Questioned Costs for Federal Awards

None

CITY OF DAYTON, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

for the year ended December 31, 2002

There were no audit findings or questioned costs relative to the Passenger Facility Charge Program for the audit of the City of Dayton, Ohio for the year ended December 31, 2001.

CITY OF DAYTON, OHIO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
for the year ended December 31, 2002

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
01-01	Reconciliation of Cash Balances	No	Not corrected, see Finding Number 02-01

CITY OF DAYTON, OHIO
CORRECTIVE ACTION PLAN
for the year ended December 31, 2002

Finding Number 02-01

During 2002 the City prepared monthly reconciliations of cash. However, a variance did exist at year-end because it was discovered that the City's methodology used to reconcile the general ledger to the bank balance did not capture all the components of the cash process. Much progress has been made to date and we will continue to reconcile each component of the reconciliation process.

Contact Person: Ms. Cheryl J. Garrett, Director of Finance
Date: August 22, 2003

CITY OF DAYTON, OHIO

CORRECTIVE ACTION PLAN

for the year ended December 31, 2002

Finding Number 02-02

The Civil Division is currently in the process of hiring temporary personnel to reconcile prior outstanding months to current. Once the monthly reconciliations are current, existing staff will be responsible for maintaining the reconciliations monthly.

Contact Person: Ms. Cheryl J. Garrett, Director of Finance

Date: August 22, 2003

CITY OF DAYTON, OHIO
CORRECTIVE ACTION PLAN
for the year ended December 31, 2002

Finding Number 02-03

The City is currently in process of producing a monthly Water/Sewer Receivable Aging Report.

Contact Person: Ms. Cheryl J. Garrett, Director of Finance

Date: August 22, 2003



CITY OF DAYTON, OHIO
Comprehensive Annual Financial Report
For the Year Ended December 31, 2002

PREPARED BY

Department of Finance

Cheryl J. Garrett, Director

Candy H. Carr, Acting Accounting and Treasury Manager

MISSION STATEMENT

As stewards of the public trust,
our mission is to provide leadership,
excellent services and participatory government
to enhance the quality of life and
sense of community for all who live, work,
raise families, or conduct business in Dayton.

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INTRODUCTORY SECTION

CITY OF DAYTON, OHIO

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2002**

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CITY OF DAYTON, OHIO

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2002**

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CITY OF DAYTON, OHIO

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July 15, 2003

Mr. James T. Dinneen
City Manager
Dayton, Ohio

Dear Mr. Dinneen:

With this letter, I transmit the City of Dayton's (the "City") Comprehensive Annual Financial Report (CAFR) for 2002 to you, the Mayor and Commissioners, the citizens of this City, the investment community, and to all other interested parties. The CAFR was prepared using accounting principals generally accepted in the United States of America (GAAP) as applied to governmental units and contains all disclosures necessary to enable the reader to understand the City's financial affairs. Responsibility for both the accuracy of the data and completeness and fairness of the presentation rests with management of the City.

HIGHLIGHTS, MAJOR INITIATIVES, AND FUTURE ENDEAVORS

Excerpts from the Mayor's (McLin) 2003 State of the City address these topics:

"I am honored to deliver my first State of the City speech in the year we celebrate our most famous sons – the Wright Brothers, who a century ago taught the world to fly and launched Dayton's legacy of innovation. Dayton, like virtually every other city across the country, has faced unprecedented financial challenges over the past year. But we also cannot let those realities discourage us or distract us from the goal of building a better future for Dayton".

A video presentation highlighted some of the accomplishments throughout the city such as: Continued progress in the rebirth of the Fairground neighborhood with the "Genesis Project" – a community rebuilding partnership with Miami Valley Hospital, the University of Dayton, Citywide Development Corporation, County Corp and National City Bank. When finished more new and rehabilitated homes will be completed. Supporting a special \$9 million housing project called "City Forest of Dayton" which entails constructing 70 four-bedroom, single-family new homes in vacant lots located in the Wolf Creek and MacFarland neighborhood. We were recognized by Infoworld magazine as a leader in what it called the "Rust Belt Revival" by helping to transform our industrial economy to an information-based economy. Developed and adopted the Keowee and Webster Streets Corridor Master Plan. Held Ribbon-cutting ceremonies for The Cannery, Relizon, Miami-Jacob College, and Select Tool in the Tool Town North area. The opening of the Wright Stop Plaza at Third and Main Streets, the continued expansion of RiverScape.

"Creating a dynamic city and region requires effective regional cooperation. To help realize greater success in this effort, I call the first vision TeamGov. TeamGov is a new initiative that will seek partnerships for service delivery with Montgomery County and other regional governments. The ultimate goal is to provide the most efficient and economical service delivery to taxpayers."

CITY ORGANIZATION

In 1913, Dayton was the first large city to adopt the Council-Manager form of government. The Dayton City commission is comprised of the Mayor and four City Commissioners. They are elected at-large on a non-partisan basis for four-year, overlapping terms. All policy items are decided by the City Commission, which is empowered by the City Charter to pass ordinances and resolutions, adopt regulations and appoint the City Manager. The City Manager manages 16 City Departments employing 3,281 people.

DEPARTMENTAL ACCOMPLISHMENT

The Department of Planning & Community Development helps to shape public policy through the development of the City's comprehensive plan as well as with neighborhood and Downtown programs, project and development planning. The Department oversees the City's housing and community development investments and historic preservation. The Department staff work closely with elected officials and citizens on the following boards: City Commission, City Plan Board, Board of Zoning Appeals, Landmark Commission, Public Arts Commission and the Priority Boards. The staff also represents the City on numerous regional boards, allocation bodies and committees. Some of the many accomplishments for the Department are:

- Provided technical program and project support to strengthen more than 170 neighborhood based organizations as well as resolve more than 2,097 cases of citizen complaints, concerns and conflict.
- Supported the continued development of the greater Wright-Dunbar area with the approval of two low income tax credit projects, Ecumenical Homes and City Forest, with 120 homeownership opportunities for low income families and ten market rate units completed by ISUS.
- Completed Northwest Industrial Park Concept Plan.
- Worked with the University of Dayton on planned development for Dayton Arena and Sport Complex facility and the South Campus area for the new Learning Living Arts Center.
- Amended the Courthouse Square Urban Renewal Plan for Reynolds and Reynolds mixed use development.
- Contracted with the Home Builders Association for Citirama 2003 to be held June 27 – July 2003.
- Continued effort to support housing development, rehabilitation and home ownership utilizing down payment assistance with 60 buyers; mortgage credit counseling with 179 homes purchased; CHDO support of over \$1,000,000.00 for project and administrative assistance; provided 88 loans through HOMEOP with a dollar value of \$840,000.00; and had a total of 188 new housing starts with an investment of \$20,700,000.00.
- Conducted over 600 mediations involving over 2000 citizens in face to face peaceful dialogue resulting in more than 1000 hours in mediation sessions equaling an estimated market value of over \$300,000.00.
- Arranged 64 community meetings to share information about the Dayton Public Schools levy.
- Organized six Mayor's walks and managed the follow-up on over 300 city service requests resulting from the walks.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

This transmittal letter is designed to provide historical information about the City, as well as compliment the required Management's Discussion and Analysis (discussed below). Unless noted otherwise, the financial data in this transmittal letter is presented on the modified accrual basis of accounting. Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The City's MD&A, which focuses on the government-wide statements, can be found on page 17 of this report.

The Comprehensive Annual Financial Report (CAFR) is presented in three sections:

- The introductory section includes this letter of transmittal, the City's organization chart, and the GFOA Certificate of Achievement.
- The financial section includes under the New Government Accounting Standards Board Statement No. 34, the independent auditors' report, the management's discussion and analysis, the basic financial statements and notes, the combining statements for nonmajor funds and other relevant supplemental financial statements and schedules for 2002.
- The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

REPORTING ENTITY

The City has included in the CAFR all of the funds and activities for which it is financially accountable. The City has two component units: CityWide Development Corporation that is shown as a separate discrete component unit; and the Sister City Committee that is shown as a blended component unit within the nonmajor special revenue funds. Both are included as part of the reporting entity because the primary government appoints all members of their board of trustees and is able to impose its will on the organizations. The City is associated with six jointly governed organizations. They include the Miami Valley Regional Planning Commission, the Miami Valley Fire/EMS Alliance, the Economic Development/Government Equity Program, the Montgomery County Family and Children First Council, the Hazardous Material Response Team and the Miami Valley Emergency Management Agency.

The City provides a full range of services that include water supply and treatment, sewer and storm water maintenance, wastewater treatment, airport services, fire and emergency medical services, police protection, convention center, building inspection, correctional facilities, neighborhood support, recreation and parks, golf, street and bridge maintenance, waste collection, and a municipal court system.

FUND ACCOUNTING

The City's accounts are organized as funds. Each fund is a separate accounting entity with its own self-balancing set of accounts, assets, liabilities, and fund equity. Following are the titles of these funds with a brief description.

Governmental funds:

General Fund – The general fund is the general operating fund of the City. It is used to account for all financial resources traditionally associated with government which are not required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds are used to account for revenues derived from specific taxes, grants, or other restricted revenue sources. City ordinances or Federal or State statutes specify the uses and limitations of each special revenue fund. During 2002, the City had 7 (seven) special revenue funds including Sister City which is a blended component unit of the City.

Debt Service Funds – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. During 2002, the City had 1 (one) debt service fund.

Capital Projects Funds – The capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. During 2002, the City had 3 (three) capital projects funds.

Permanent Funds – Permanent funds are for the purpose of accounting for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the reporting governments. During 2002, the City had 1 (one) permanent fund.

Proprietary funds:

Enterprise Funds – The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City has 5 (five) separate enterprise funds for its Airport, Water, Sewer, Storm Water and golf services. A sixth enterprise, CityWide Development Corporation is discretely presented in this report as a component unit of the City.

Internal Service Funds – The internal service funds are used to account for the financing of goods or services provided by one division or agency to other divisions or agencies of the government, generally on a cost reimbursement basis. The City has 5 (five) internal service funds.

Fiduciary funds:

Agency Funds – Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds. The City had 11 (eleven) agency funds during 2002. The City does not have any trust funds.

BASIS OF ACCOUNTING

Except for budgetary purposes, the basis of accounting used by the City conforms to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units and are consistent with GASB Cod. Sec. 1600, *Basis of Accounting*. All governmental funds are accounted for using a current financial resources-current assets and current liabilities-measurement focus. The modified accrual basis of accounting is utilized for governmental and agency funds. Revenues are recognized when they are susceptible to accrual (both measurable and available). Expenditures are recognized when the related liability is incurred, except for interest on long-term debt which is recorded when due.

The measurement focus on the City's proprietary funds is on the flow of total economic resources (all assets and liabilities). The accrual basis of accounting (revenues are recognized when earned and expenses when incurred) is utilized by the City in its proprietary funds.

The City's basis of accounting for budgetary purposes differs from GAAP in that revenues are recognized when received, rather than when susceptible to accrual (measurable and available), and encumbrances are included as expenditures rather than as reservations of fund balances.

For the year ended December 31, 2002, the City has changed its financial reporting to comply with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The government-wide financial statements, including governmental activities, in order to comply with GASB Statement No. 34, are presented on the full accrual basis of accounting.

Accounting policies are further explained in Note 2 to the basic financial statements.

INTERNAL AND BUDGETARY CONTROL

The City's accounting system provides reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

ECONOMIC CONDITION AND OUTLOOK

In March of 2001, after 10 years of unprecedented economic expansion, the United States entered the 9th recession since World War II. It is expected that this recession will begin to subside in 2003 with an improvement in overall economic conditions. Due to the City's dependence on income taxes (it's largest source of revenue for governmental operations), the City has felt the pinch of the weak economy. Since income tax revenue has decreased over the past two years, the City has been forced to performing cost-cutting measures.

The City's economy is diversified as evidenced by the major employers shown below that are located in Dayton.

<u>Company</u>	<u>Nature of Activity or Business</u>	<u>Approximate Employment</u>
Miami Valley Hospital	Hospital	5,800
Montgomery County	Government	5,000
Delphi Automotive	Automotive	4,300
Dayton City Schools	Education	3,500
City Of Dayton	Government	3,200
Good Samaritan Hospital	Hospital	3,100
AT&T/NCR	Computer Technology	2,700
University of Dayton	Education	2,700
Sinclair Community College	Education	2,400
Behr Dayton Thermal Products	Automotive	2,400
Menlo Worldwide	Distribution	2,100
Reynolds & Reynolds	Information Technology	1,400
State of Ohio	Government	1,600
Children Medical Hospital	Hospital	1,500
Standard Register	Computer/Office Equipment	1,000

Wright Patterson Air Force Base, adjacent to Dayton employs approximately 22,000 people.

Unemployment for the City decreased from 7.4 percent in 2001 to 5.6 percent in 2002. The number of building permits increased from 1,206 to 1,314 over the same period.

CASH MANAGEMENT

Equity in pooled cash and cash equivalents totaled approximately \$206.3 million at December 31, 2002 a decrease of approximately \$12.3 million from December 31, 2001. This decrease was due primarily to a deficiency in cash received versus cash expended in 2002 for the operations of the City. The decrease was partially offset by an increase in the fair market value of investments of approximately \$2.2 million. The City's cash and cash equivalents and investments with fiscal agents, including the restricted portion, dropped this year by \$1.4 million, from \$2.8 million at December 31, 2001 to \$1.4 million at December 31, 2002.

Investments of cash are guided by City ordinance and Ohio Revised Code (ORC), which restricts the type and duration of investments. Interest earned is distributed to governmental, proprietary, and fiduciary funds based upon their weighted average cash balance. Cash investment practices by trustees are determined by bond indentures and various trust agreements. During 2002, the City continued its policy of investing primarily in U.S. Treasury obligations with maturities of about five years, commercial paper, federal agency securities, City of Dayton debt, U.S. government money market mutual funds, Dayton Power & Light stock, certificates of deposit, and STAR Ohio.

Total interest income for 2002 was \$7.0 million compared with \$14.3 million for 2001. This decrease is primarily due to the drastic cuts in interest rates by the Federal Reserve Bank throughout the year.

DEBT ADMINISTRATION

The City maintains a low net direct debt per capita amount, and a low debt to estimated true valuation of property percentage.

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net general bonded debt per capita, City of Dayton	\$305	\$326	\$201	\$164	\$250
Net general bonded debt to estimated true total value of property, City of Dayton	0.87%	0.92%	0.58%	0.53%	0.85%

Net general bonded debt per capita (bonded debt supported by taxes less the debt service fund balance) is a measure of the magnitude of debt on a basis comparable to other cities. The ratio of net general bonded debt to total estimated true value of property measures the burden of debt to the wealth and property value of a given jurisdiction. Net general bonded debt totaled \$51 million, \$54 million, \$33 million, \$28 million, and \$43 million for the years ended December 31, 2002, 2001, 2000, 1999, and 1998, respectively.

The following are the latest bond ratings for general obligation tax supported debt:

Moody's Investor Service, Inc.	A2
Standard and Poor's Corporation	A+

RISK MANAGEMENT

The City 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. The City contracts with various insurance companies and maintains comprehensive and catastrophic coverage as a focus of its risk management program. In addition, the City participates in the Ohio Bureau of Workers' Compensation retrospective rating program.

INDEPENDENT AUDIT

The City's Charter, Sections 44 and 78, prescribe the required accounting, audit and examination procedures for the City of Dayton. Foxx & Company, Certified Public Accountants, studies the City's system of internal control, conducts such tests as are necessary under the circumstances, and renders an opinion based upon the statements when taken as a whole. The City has again received an unqualified opinion from the independent auditor that the financial statements are presented fairly. This opinion letter is included in the Financial Section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dayton for its comprehensive annual financial report for the year ended December 31, 2001. This was the 20th consecutive year that the City has received this prestigious award.

In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report whose contents conformed to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

ACKNOWLEDGMENTS

My appreciation is extended to the various elected officials, the City Manager, department heads, and employees responsible for contributing to the sound financial position of the City. I would like to acknowledge the efforts of the Accounting and Treasury staff, other members of the Finance Department, and our consultant, Trimble, Julian & Grube, Inc., all of whom contributed to the development of this CAFR.

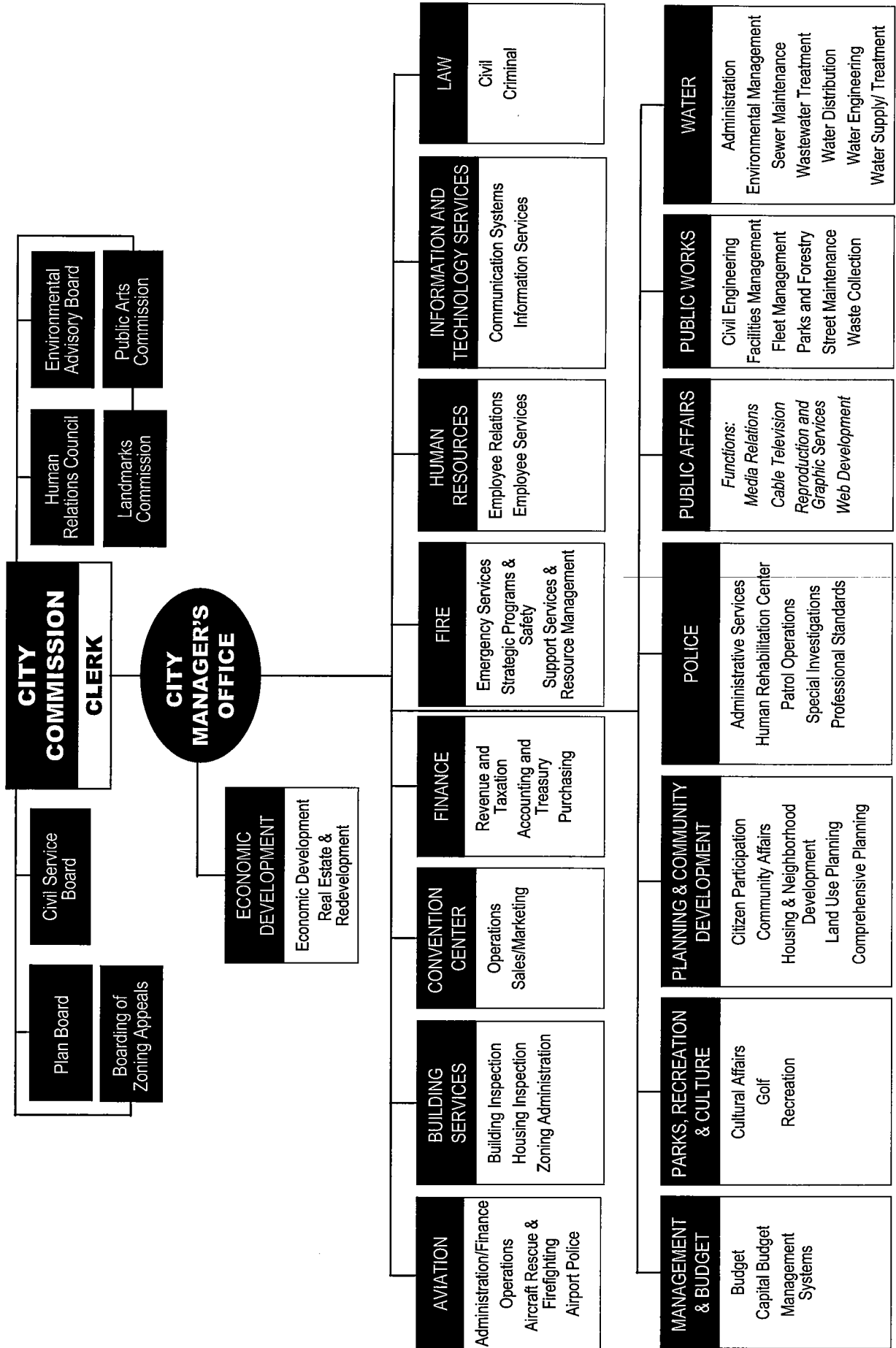
Respectively submitted,

A handwritten signature in black ink, appearing to read "Cheryl J. Garrett". The signature is written in a cursive, flowing style.

Cheryl J. Garrett
Finance Director
Secretary of the Board of Sinking Fund Trustees

Organization of the City of Dayton

Citizens of Dayton



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dayton,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2001

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



President

Executive Director

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FINANCIAL SECTION



Foxx & Company
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Commission
City of Dayton, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dayton, Ohio as of and for the year ended December 31, 2002, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dayton, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the CityWide Development Corporation, which represent all the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dayton, Ohio, as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

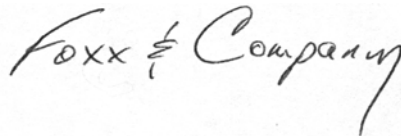
As described in Note 3 to the basic financial statements, in fiscal year 2002, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, GASB Statement

No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*; Omnibus, GASB Statement No. 38, *Certain Financial Statement Note Disclosures* and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2003 on our consideration of the City of Dayton, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of audit.

Management's Discussion and Analysis on pages 17-30 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Fox & Company". The signature is written in dark ink and is positioned in the center of the page.

Cincinnati, Ohio
July 15, 2003

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2002 UNAUDITED

The discussion and analysis of the City of Dayton's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2002. The intent of this discussion and analysis is to look at the City'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 City's financial performance.

Financial Highlights

Key financial highlights for 2002 are as follows:

- The total net assets of the City increased \$34,402,138. Net assets of governmental activities increased \$6,848,490 or 2.42% over 2001 and net assets of business-type activities increased \$27,553,648 or 6.80% over 2001.
- General revenues accounted for \$155,039,611 of total governmental activities revenue. Program specific revenues accounted for \$56,615,538 or 26.67% of total governmental activities revenue.
- The City had \$204,005,145 in expenses related to governmental activities; \$56,615,538 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$147,389,607 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$155,039,611.
- The general fund had revenues of \$169,461,379 in 2002. This represents a decrease of \$5,270,475 from 2001 revenues. The expenditures of the general fund, which totaled \$165,810,814 in 2002, decreased \$5,621,391 from 2001. The net decrease in fund balance for the general fund was \$1,063,639 or 2.64%.
- Net assets for the business-type activities, which are made up of the Dayton International Airport, Water, Sewer, Storm Water and Golf enterprise funds, increased in 2002 by \$27,553,648. This increase in net assets was due primarily to capital contributions received from passenger facility charges and intergovernmental grants and subsidies coupled with adequate charges for services revenue to cover operating expenses.
- In the general fund, the actual revenues came in \$158,709 higher than they were in the final budget and actual expenditures were \$3,550,141 less than the amount in the final budget. These positive variances are the result of the City's conservative budgeting. Budgeted revenues decreased \$10,663,720 from the original to the final budget due primarily to a decline in projected income tax revenue and charges for services. Budgeted expenditures decreased \$6,731,600 from the original to the final budget as a result of cost cutting measures implemented by the City.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City 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 Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City'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 how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

CITY OF DAYTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2002
UNAUDITED

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2002?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net *assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City 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 City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

Governmental Activities - Most of the City's programs and services are reported here including police, fire, street and highway maintenance, HUD program operations, community and economic development and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's airport, water, sewer, storm water and golf operations are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 24.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2002
UNAUDITED**

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major and nonmajor funds. The City's major governmental funds are the General fund, Debt service fund and Capital Improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 36-39 of this report and further detail on the City's major and nonmajor governmental funds can be found on pages 55-56 of this report.

Proprietary Funds

The City maintains five different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its airport, water, sewer, storm water and golf operations. The City reports the Airport fund, Water fund and Sewer fund as major enterprise funds. These major funds are presented separately in the proprietary fund financial statements. The Storm Water fund and the Golf fund are considered nonmajor funds and are combined into a single, aggregated presentation in the proprietary fund financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 42-49 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statements can be found on page 50 of this report.

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 51-99 of this report.

Government-Wide Financial Analysis

This is the City's first year for government-wide financial statements using the full accrual basis of accounting, therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

CITY OF DAYTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2002
UNAUDITED

The table below provides a summary of the City's net assets for 2002:

	Net Assets		
	Governmental Activities 2002	Business-Type Activities 2002	Total 2002
<u>Assets</u>			
Current and other assets	\$172,353,996	\$152,719,726	\$ 325,073,722
Capital assets	<u>261,528,686</u>	<u>399,771,579</u>	<u>661,300,265</u>
Total Assets	<u>433,882,682</u>	<u>552,491,305</u>	<u>986,373,987</u>
<u>Liabilities</u>			
Long-term liabilities outstanding	78,406,410	74,082,123	152,488,533
Other liabilities	<u>66,073,508</u>	<u>45,850,970</u>	<u>111,924,478</u>
Total liabilities	<u>144,479,918</u>	<u>119,933,093</u>	<u>264,413,011</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	184,561,144	294,822,094	479,383,238
Restricted	60,703,404	9,685	60,713,089
Unrestricted	<u>44,138,216</u>	<u>137,726,433</u>	<u>181,864,649</u>
Total net assets	<u>\$289,402,764</u>	<u>\$432,558,212</u>	<u>\$721,960,976</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2002, the City's assets exceeded liabilities by \$721,960,976. At year-end, net assets were \$289,402,764 and \$432,558,212 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 67.04% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2002, was \$184,561,144 and \$294,822,094 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, 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.

As of December 31, 2002, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$60,713,089, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$44,138,216 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2002
UNAUDITED**

The table below shows the changes in net assets for fiscal year 2002. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2001 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	<u>Governmental-type Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services and sales	\$ 31,623,780	\$119,110,597	\$150,734,377
Operating grants and contributions	17,265,398	250,717	17,516,115
Capital grants and contributions	<u>7,726,360</u>	<u>19,157,629</u>	<u>26,883,989</u>
Total program revenues	<u>56,615,538</u>	<u>138,518,943</u>	<u>195,134,481</u>
General revenues:			
Property taxes	17,888,114	-	17,888,114
Income taxes	106,710,540	-	106,710,540
Unrestricted grants	27,039,019	-	27,039,019
Gain from sale of assets	25,646	21,489	47,135
Interest	3,376,292	3,679,757	7,056,049
Miscellaneous	<u>-</u>	<u>10,300</u>	<u>10,300</u>
Total general revenues	<u>155,039,611</u>	<u>3,711,546</u>	<u>158,751,157</u>
Total revenues	<u>211,655,149</u>	<u>142,230,489</u>	<u>353,885,638</u>
Expenses:			
Downtown	5,673,050	-	5,673,050
Youth, education and human services	1,493,693	-	1,493,693
Community development	2,634,232	-	2,634,232
Economic development	24,275,989	-	24,275,989
Leadership and quality of life	44,353,088	-	44,353,088
Corporate responsibility	17,075,875	-	17,075,875
Public safety and justice	102,284,144	-	102,284,144
Other	1,765,310	-	1,765,310
Interest and fiscal charges	4,449,764	-	4,449,764
Dayton International Airport	-	35,815,035	35,815,035
Water	-	44,439,722	44,439,722
Sewer	-	28,256,027	28,256,027
Other enterprise funds	<u>-</u>	<u>6,967,571</u>	<u>6,967,571</u>
Total expenses	<u>204,005,145</u>	<u>115,478,355</u>	<u>319,483,500</u>
Increase in net assets before transfers	7,650,004	26,752,134	34,402,138
Transfers	<u>(801,514)</u>	<u>801,514</u>	<u>-</u>
Increase in net assets	<u>\$ 6,848,490</u>	<u>\$ 27,553,648</u>	<u>\$ 34,402,138</u>

CITY OF DAYTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2002
UNAUDITED

Governmental Activities

Governmental activities net assets increased \$6,848,490 in 2002. This increase is a result of slightly decreasing expenses and an increase in unrestricted grants and entitlements versus amounts reported in the prior year.

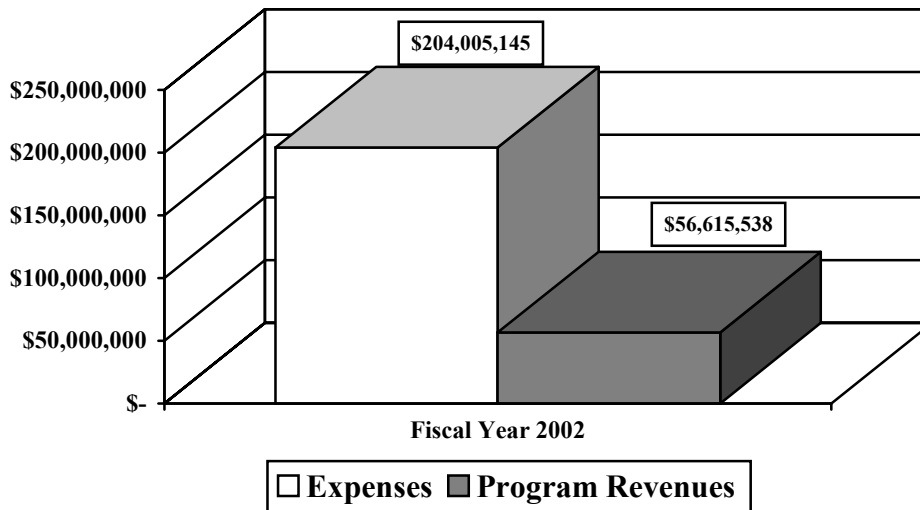
Public safety and justice, which primarily supports the operations of the police and fire departments accounted for \$102,284,144 of the total expenses of the City. These expenses were partially funded by \$17,749,728 in direct charges to users of the services. Leadership and quality of life expenses totaled \$44,353,088. Leadership and quality of life expenses were partially funded by \$7,251,167 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$17,265,398 in operating grants and contributions and \$7,726,360 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total capital grants and contributions, \$12,483,993, subsidized leadership and quality of life programs and \$8,772,851 subsidized economic development programs.

General revenues totaled \$155,039,611, and amounted to 73.25% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$124,598,654. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$27,039,019. In August 2001, the State placed a freeze on local government and local government revenue assistance to be distributed to local governments in 2002.

The Statement of Activities shows the cost of program services and the charges for services and grants 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. As can be seen in the Graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities. Comparisons to 2001 have not been presented since they are not available.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF DAYTON, OHIO

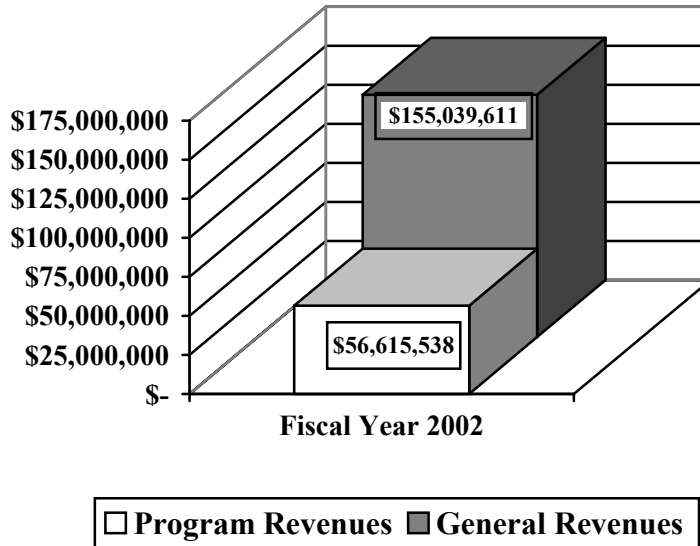
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2002
UNAUDITED**

Governmental Activities

	Total Cost of Services <u>2002</u>	Net Cost of Services <u>2002</u>
Program Expenses:		
Downtown	\$ 5,673,050	\$ 5,028,390
Youth, education and human services	1,493,693	780,871
Community development and neighborhoods	2,634,232	768,030
Economic development	24,275,989	13,161,774
Leadership and quality of life	44,353,088	24,617,928
Corporate responsibility	17,075,875	14,181,081
Public safety and justice	102,284,144	83,766,375
Other	1,765,310	1,449,588
Interest and fiscal charges	<u>4,449,764</u>	<u>3,635,570</u>
 Total Expenses	 <u>\$204,005,145</u>	 <u>\$147,389,607</u>

The dependence upon general revenues for governmental activities is apparent, with 72.25% of expenses supported through taxes and other general revenues.

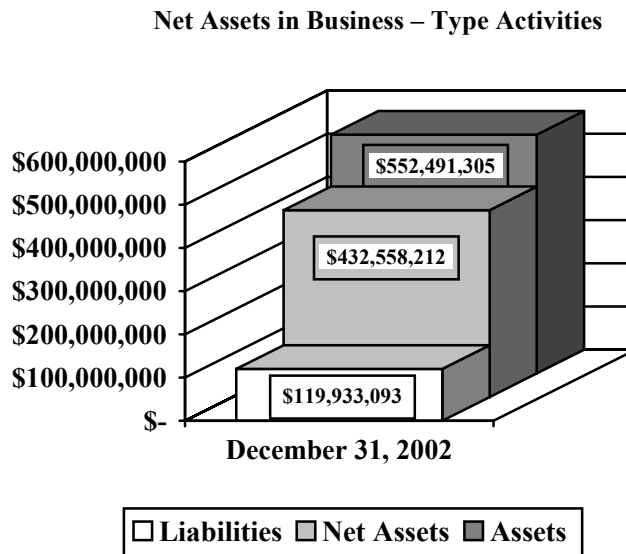
Governmental Activities – General and Program Revenues



CITY OF DAYTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2002
UNAUDITED

Business-Type Activities

Business-type activities include the airport, water, sewer, storm water and golf enterprise funds. These programs had program revenues of \$138,518,943, general revenues of \$3,711,546 and expenses of \$115,478,355 for 2002. The graph below shows the business-type activities assets, liabilities and net assets at year-end.



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 36) reported a combined fund balance of \$94,669,647 which is \$11,039,469 below last year's total of \$105,709,116 (as restated). The December 31, 2001 fund balances have been restated as described in Note 3 to the basic financial statements. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2002 for all major and nonmajor governmental funds.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2002
UNAUDITED**

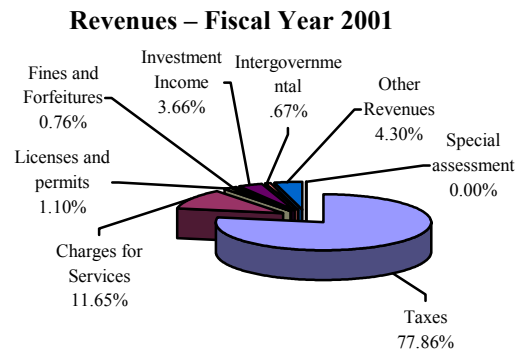
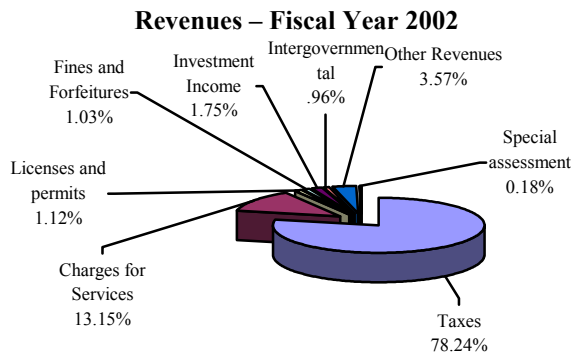
	Fund Balances <u>12/31/02</u>	Fund Balances <u>12/31/01</u>	Increase <u>(Decrease)</u>
Major Funds:			
General	\$34,393,301	\$40,332,068	\$ (5,938,767)
Debt service	24,087,261	26,687,599	(2,600,338)
Capital improvement	20,438,374	25,970,054	(5,531,680)
Other Nonmajor Governmental Funds	<u>15,750,711</u>	<u>12,719,395</u>	<u>3,031,316</u>
Total	<u>\$94,669,647</u>	<u>\$105,709,116</u>	<u>\$(11,039,469)</u>

General Fund

The City's general fund balance decreased \$5,938,767, primarily due to a residual equity transfer of funds in the amount of \$4,925,128. The table that follows assists in illustrating the revenues of the general fund.

	<u>2002 Amount</u>	<u>2001 Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$132,572,948	\$136,048,150	(2.55)%
Charges for services	22,285,355	20,350,543	9.51%
Licenses and permits	1,894,653	1,928,291	(1.74)%
Fines and forfeitures	1,743,839	1,335,077	30.62%
Investment income	2,970,941	6,398,883	(53.57)%
Special assessments	304,651	793	38,317.53%
Intergovernmental	1,635,917	1,148,911	42.39%
Other	<u>6,053,075</u>	<u>7,521,206</u>	(19.52)%
Total	<u>\$169,461,379</u>	<u>\$174,731,854</u>	(3.02)%

Fines and forfeitures revenue increased \$408,762 or 30.62% from the prior year. This increase is attributed to an increase in the number of citations and cases processed by the Dayton municipal court in 2002. The decrease in investment income is due to drastic cuts in interest rates by the Federal Reserve Bank throughout the year. The increase in special assessment revenue is due to an increase in the collections of previous assessments as well as new special assessments. All other revenue remained comparable to 2001.



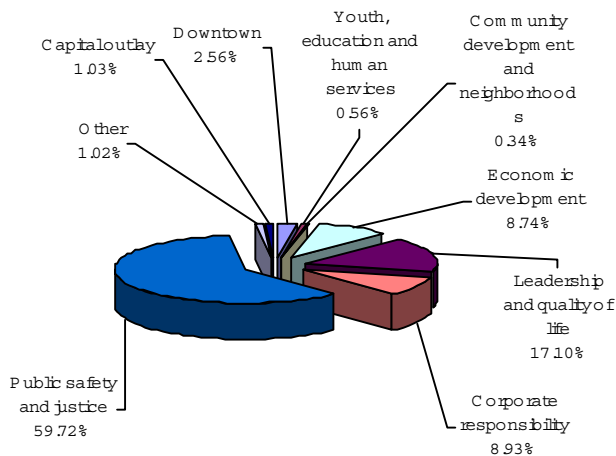
CITY OF DAYTON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2002
UNAUDITED

The table that follows assists in illustrating the expenditures of the general fund.

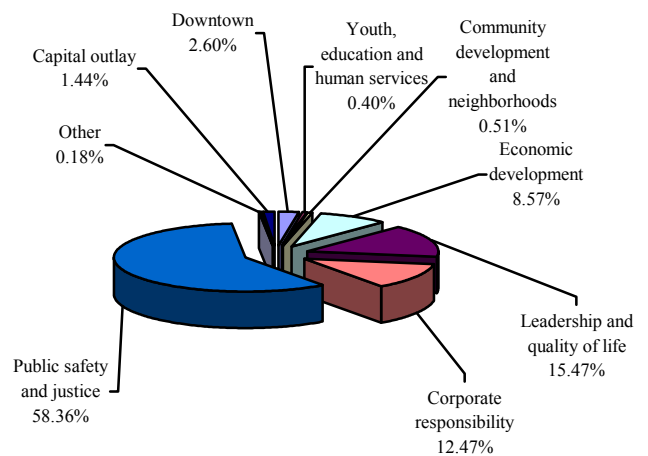
<u>Expenditures</u>	<u>2002 Amount</u>	<u>2001 Amount</u>	<u>Percentage Change</u>
Downtown	\$ 4,247,733	\$ 4,461,369	(4.79)%
Youth, education and human services	933,855	692,763	34.80 %
Community development and neighborhoods	561,250	881,768	(36.35)%
Economic development	14,486,386	14,688,173	(1.37)%
Leadership and quality of life	28,347,659	26,516,220	6.91 %
Corporate responsibility	14,810,368	21,382,393	(30.74)%
Public safety and justice	99,024,747	100,035,747	(1.01)%
Other expenses	1,698,467	302,018	462.37 %
Capital outlay	<u>1,700,349</u>	<u>2,471,754</u>	(31.21)%
Total	<u>\$165,810,814</u>	<u>\$171,432,205</u>	(3.28)%

The most significant decrease was in the area of corporate responsibility. This decrease is primarily due to an allocation of committed expenditures in 2002 by function that were previously reported as corporate responsibility expenditures in 2001. Other expenditures increased due to an adjustment posted in 2001 to correct interfund balances. The amount reported for 2002 is representative of what is expected in the future. Capital outlay expenditures decreased due to an over all decrease in capital spending by the City. The largest expenditure line item, leadership and quality of life, increased slightly which is primarily attributed to wage and benefit increases and overall cost increases in purchased goods and services.

Expenditures - Fiscal Year 2002



Expenditures - Fiscal Year 2001



CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2002
UNAUDITED**

Budgeting Highlights - General Fund

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund. In the general fund one of the most significant changes was between the original and final budgeted amount in the area of revenues, which decreased \$10,663,720 from \$178,372,124 to \$167,708,404. Actual revenues of \$169,867,113 exceeded final budgeted revenues by \$158,709. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in \$3,550,141 lower than the final budgeted amounts.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2002, the City had \$661,300,265 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, equipment, vehicles, infrastructure and construction in progress. Of this total, \$261,528,686 was reported in governmental activities and \$399,771,579 was reported in business-type activities. The following table shows fiscal 2002 balances compared to 2001:

**Capital Assets at December 31
(Net of Depreciation)**

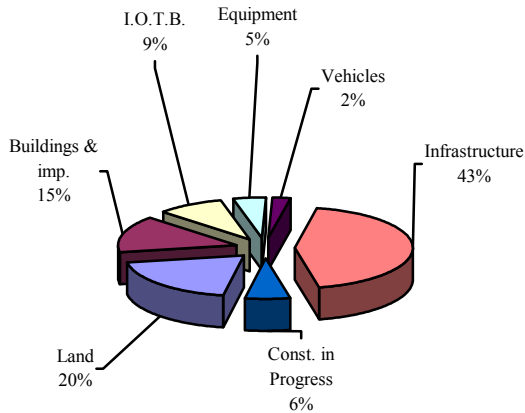
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Land	\$ 51,093,230	\$ 50,890,123	\$ 33,744,572	\$ 31,490,773	\$ 84,837,802	\$ 82,380,896
Buildings and improvements	38,400,484	39,789,702	78,139,875	76,779,473	116,540,359	116,569,175
Improvements other than buildings	23,878,137	25,548,813	248,018,872	238,491,866	271,897,009	264,040,679
Equipment	11,814,995	8,754,917	2,973,979	2,522,236	14,788,974	11,277,153
Vehicles	6,521,133	6,416,498	9,223,902	8,304,557	15,745,035	14,721,055
Infrastructure	114,084,101	106,499,075	-	-	114,084,101	106,499,075
Construction in progress	<u>15,736,606</u>	<u>10,608,468</u>	<u>27,670,379</u>	<u>21,755,791</u>	<u>43,406,985</u>	<u>32,364,259</u>
Totals	<u>\$261,528,686</u>	<u>\$248,507,596</u>	<u>\$399,771,579</u>	<u>\$379,344,696</u>	<u>\$661,300,265</u>	<u>\$627,852,292</u>

CITY OF DAYTON, OHIO

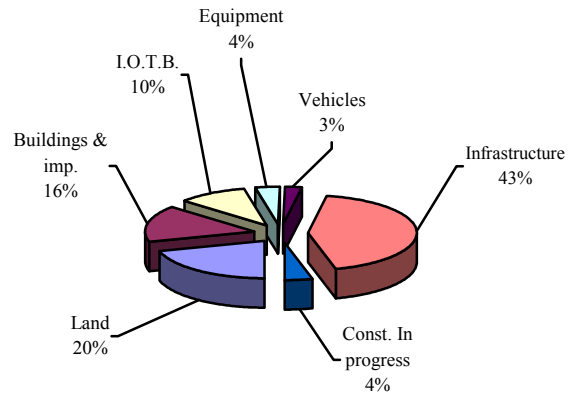
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
UNAUDITED

The following graphs show the breakdown of governmental capital assets by category for 2002 and 2001.

Capital Assets - Governmental Activities 2002



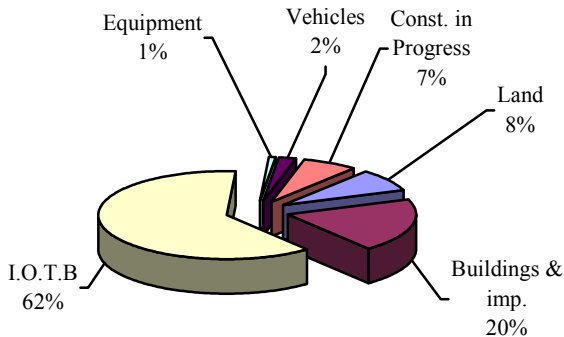
Capital Assets - Governmental Activities 2001



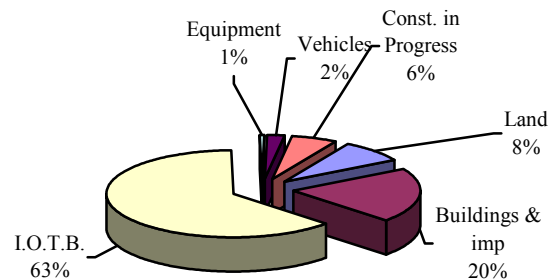
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, right-of-way, street lighting, and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 43% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2002 and 2001.

Capital Assets - Business-Type Activities 2002



Capital Assets - Business-Type Activities 2001



The City's largest business-type capital asset category is improvements other than buildings (I.O.T.B) which primarily includes runways for the airport, water lines, sewer lines and storm water catch basins. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's I.O.T.B (cost less accumulated depreciation) represents approximately 62% of the City's total business-type capital assets.

CITY OF DAYTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
UNAUDITED**

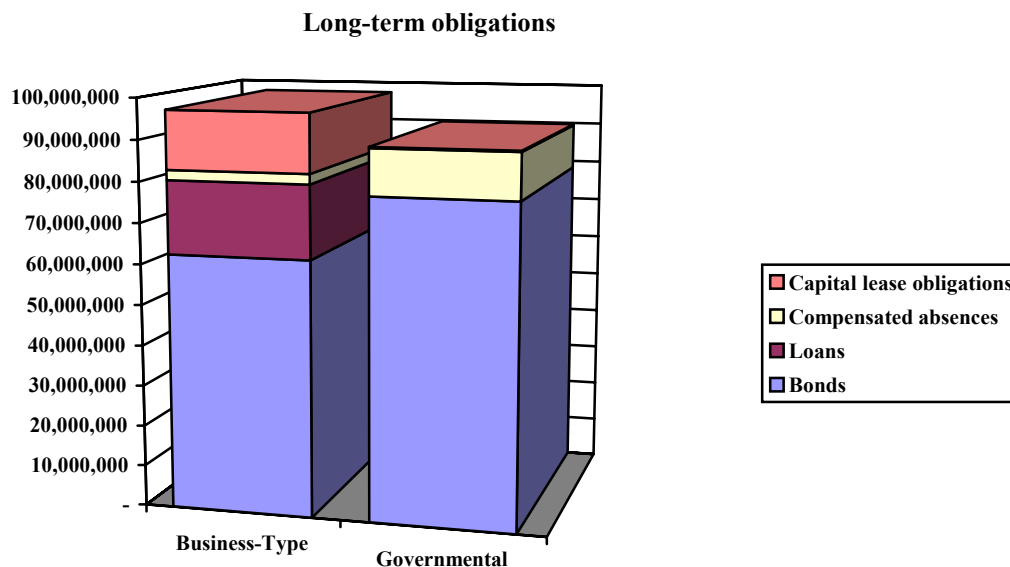
Debt Administration

The City had the following long-term obligations outstanding at December 31, 2002 and 2001:

	Governmental Activities	
	<u>2002</u>	<u>2001</u>
General obligation bonds	\$65,167,452	\$70,705,963
Revenue bonds	12,170,000	11,530,000
Special assessment bonds	<u>885,487</u>	<u>471,029</u>
Total bonds	<u>78,222,939</u>	<u>82,706,992</u>
Compensated absences	11,209,667	9,880,725
Capital lease obligations	<u>312,990</u>	<u>73,226</u>
Total long-term obligations	<u>\$89,745,596</u>	<u>\$92,660,943</u>

	Business-Type Activities	
	<u>2002</u>	<u>2001</u>
General obligation bonds	\$ 3,422,536	\$ 3,829,037
Revenue bonds	<u>59,245,000</u>	<u>66,220,000</u>
Total bonds	<u>62,667,536</u>	<u>70,049,037</u>
OWDA loans	16,994,159	19,957,154
OPWC loans	<u>900,000</u>	<u>950,000</u>
Total loans	<u>17,894,159</u>	<u>20,907,154</u>
Compensated absences	2,456,512	2,534,856
Capital lease obligations	<u>14,284,427</u>	<u>16,102,341</u>
Total long-term obligations	<u>\$97,302,634</u>	<u>\$109,593,388</u>

A comparison of the long-term obligations by category is depicted in the chart below.



CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 UNAUDITED

For the Future

Located at the "Crossroads of America", the intersection of I-70 and I-75, the Dayton region is a diversified economy of nearly one million people strong. As the heart of the region, the City of Dayton is the central employment and entertainment hub assimilating some 85,000 daily commuters and entertainment goers. Although primarily a manufacturing economy in the past, the Dayton economy crossed the threshold of the twenty-first century having undergone a rather profound change in its industrial composition. Dayton's distinguished past, which established its prominence as a manufacturing center in the national economy of the 20th century is not the Dayton of today, though the spirit of innovation lives on. By the decade of the 1970's, winds of change began to blow, not just in Dayton but across the national landscape. The subsequent two decades followed suit ushering in more transition.

Change can be difficult. The City has undergone a structural transition in its economy at the same time as experiencing out-migration of its population, both of which have affected City's coffers. When you couple this structural transition with the cyclical aspects of the recent recession, the formula can be calamitous. But the City's elected and appointed officials answered the trying times with bold and decisive action. Looking ahead into 2003, the City was forced to reduce its workforce and curtail expenditures.

These actions were anything but easy. The estimated revenue in 2003 for the general fund is projected to be approximately 5% lower than 2002's amount. There are a number of significant drivers that underlie the revenue situation. State Shared Taxes are projected to decline as a result of the weak economic times and actions taken at the State level to balance their budget. What could be considered a double-edged sword; interest rates have fallen precipitously, which has seriously affected portfolio earning while at the same time has bolstered housing sales. Income Tax collections are expected to remain flat despite an expected 3.5% increase in wage rates. Flat collections are the result of higher unemployment and tepid profit margins.

But all is not doom and gloom. The City of Dayton will host the world in 2003 as we celebrate the centennial of powered flight. In the years leading up to this momentous occasion, significant investment occurred in the downtown. The Schuster Performing Arts Center, Dayton Dragons Professional Baseball and Riverscape are all new attractions that will add vitality to the region and the city core. Both economic and community development opportunities are numerous. History shows that the City has been very successful in leveraging its dollars with other private and public sources to ensure the greatest impact with limited resources. As the economy recovers the City stands poised for future growth and development.

Contacting the City's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Cheryl Garrett, Finance Director, City of Dayton, 101 West Third Street, P.O. box 22, Dayton, OH 45401-0022, or visit our website at www.ci.dayton.oh.us.

**BASIC
FINANCIAL STATEMENTS**

CITY OF DAYTON, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2002

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets:				
Equity in pooled cash and cash equivalents.	\$ 91,800,553	\$ 105,973,397	\$ 197,773,950	\$ -
Cash and cash equivalents in segregated accounts	37,757	-	37,757	3,373,095
Investments	52,228	-	52,228	-
Receivables (net of allowances for uncollectibles):				
Property and other local taxes	21,418,945	-	21,418,945	-
Municipal income taxes	12,954,924	-	12,954,924	-
Accounts	3,677,546	37,772,706	41,450,252	98,714
Contracts.	-	-	-	255,238
Special assessments	1,486,591	-	1,486,591	-
Accrued interest	1,339,049	1,268,642	2,607,691	1,996,841
Loans.	9,520,000	-	9,520,000	22,986,250
Other.	-	-	-	810,813
Internal balances	169,990	(169,990)	-	-
Due from other governments.	17,519,817	2,879,425	20,399,242	-
Due from agency fund	255,812	-	255,812	-
Prepayments.	-	-	-	78,373
Materials and supplies inventory.	-	965,013	965,013	-
Inventory held for resale	478,313	-	478,313	-
Other assets	-	-	-	10,372
Unamortized bond issue costs	-	1,057,055	1,057,055	-
Advances to component unit.	11,217,721	2,663,808	13,881,529	-
Restricted assets:				
Equity in pooled cash and cash equivalents	-	36,737	36,737	-
Cash with fiscal and escrow agents	424,750	62,933	487,683	-
Cash and cash equivalents in segregated accounts	-	-	-	1,027,433
Equity investments.	-	-	-	1,589,555
Deferred bond costs	-	-	-	400,667
Judgements receivable	-	210,000	210,000	-
Capital assets:				
Land and construction in progress.	66,829,836	61,414,951	128,244,787	5,171,988
Depreciable capital assets, net	194,698,850	338,356,628	533,055,478	17,505,932
Total capital assets.	261,528,686	399,771,579	661,300,265	22,677,920
Total assets.	433,882,682	552,491,305	986,373,987	55,305,271

-- Continued

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DAYTON, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2002

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities:				
Accounts payable	2,146,733	4,691,731	6,838,464	3,714,988
Contracts payable	2,251,174	4,123,313	6,374,487	-
Accrued wages and benefits	5,738,347	1,637,024	7,375,371	-
Retainage payable	10,603	4,524	15,127	-
Grants payable	-	-	-	365,801
Due to other governments	5,422,708	709,775	6,132,483	-
Deferred revenue	18,560,574	-	18,560,574	-
Accrued interest payable	364,034	724,629	1,088,663	20,556
Undistributed monies	-	-	-	-
Accrued liabilities and other payables	-	-	-	516,039
Claims payable	11,945,915	-	11,945,915	-
Advances from primary government	-	-	-	13,881,529
Notes payable	8,294,234	12,850,000	21,144,234	-
Payable from restricted assets:				
Utility deposits	-	36,737	36,737	-
Accrued interest payable	-	222,734	222,734	-
Current portion of revenue bonds	-	7,270,000	7,270,000	-
Long-term liabilities:				
Due within one year	11,339,186	6,310,503	17,649,689	808,884
Due in more than one year	78,406,410	81,352,123	159,758,533	14,582,988
Total liabilities	144,479,918	119,933,093	264,413,011	33,890,785
Net assets:				
Invested in capital assets, net of related debt	184,561,144	294,822,094	479,383,238	15,736,398
Restricted for:				
Capital projects	22,007,335	-	22,007,335	-
Debt service	24,435,904	-	24,435,904	-
Bond proceeds restricted for construction	-	-	-	1,027,433
Bond renewal and replacement	-	9,685	9,685	-
Other purposes	14,260,165	-	14,260,165	-
Unrestricted	44,138,216	137,726,433	181,864,649	4,650,655
Total net assets	\$ 289,402,764	\$ 432,558,212	\$ 721,960,976	\$ 21,414,486

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DAYTON, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:				
Governmental Activities:				
Downtown.	\$ 5,673,050	\$ 644,660	\$ -	\$ -
Youth, education and human services.	1,493,693	186,360	526,462	-
Community development and neighborhoods.	2,634,232	85,178	1,781,024	-
Economic development	24,275,989	2,341,364	8,396,384	376,467
Leadership and quality of life	44,353,088	7,251,167	5,134,100	7,349,893
Corporate responsibility.	17,075,875	2,271,381	623,413	-
Public safety and justice.	102,284,144	17,749,728	768,041	-
Other	1,765,310	279,748	35,974	-
Interest and fiscal charges.	4,449,764	814,194	-	-
Total governmental activities	204,005,145	31,623,780	17,265,398	7,726,360
Business-Type Activities:				
Dayton International Airport	35,815,035	30,274,531	-	17,965,040
Water	44,439,722	42,368,104	221,558	294,543
Sewer	28,256,027	40,681,646	29,159	288,345
Other enterprise funds.	6,967,571	5,786,316	-	609,701
Total business-type activities	115,478,355	119,110,597	250,717	19,157,629
Total primary government	\$ 319,483,500	\$ 150,734,377	\$ 17,516,115	\$ 26,883,989
Component Unit:				
CityWide Development Corporation	\$ 4,509,797	\$ 2,917,457	\$ -	\$ 730,303

General Revenues:

Property taxes levied for:	
General purposes.
Debt service
Special purposes
Income taxes levied for:	
General purposes.
Grants and entitlements not restricted to specific programs.	
Gain from sale of assets	
Investment earnings	
Miscellaneous	
Total general revenues	
Transfers.	
Total general revenues and transfers.	
Change in net assets.	
Net assets, January 1	
Net assets, December 31	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (5,028,390)	\$ -	\$ (5,028,390)	\$ -
(780,871)	-	(780,871)	-
(768,030)	-	(768,030)	-
(13,161,774)	-	(13,161,774)	-
(24,617,928)	-	(24,617,928)	-
(14,181,081)	-	(14,181,081)	-
(83,766,375)	-	(83,766,375)	-
(1,449,588)	-	(1,449,588)	-
(3,635,570)	-	(3,635,570)	-
<u>(147,389,607)</u>	<u>-</u>	<u>(147,389,607)</u>	<u>-</u>
-	12,424,536	12,424,536	-
-	(1,555,517)	(1,555,517)	-
-	12,743,123	12,743,123	-
-	(571,554)	(571,554)	-
<u>-</u>	<u>23,040,588</u>	<u>23,040,588</u>	<u>-</u>
<u>(147,389,607)</u>	<u>23,040,588</u>	<u>(124,349,019)</u>	<u>-</u>
-	-	-	<u>(862,037)</u>
9,202,807	-	9,202,807	-
5,886,324	-	5,886,324	-
2,798,983	-	2,798,983	-
106,710,540	-	106,710,540	-
27,039,019	-	27,039,019	-
25,646	21,489	47,135	-
3,376,292	3,679,757	7,056,049	60,610
-	10,300	10,300	61,402
<u>155,039,611</u>	<u>3,711,546</u>	<u>158,751,157</u>	<u>122,012</u>
<u>(801,514)</u>	<u>801,514</u>	<u>-</u>	<u>-</u>
<u>154,238,097</u>	<u>4,513,060</u>	<u>158,751,157</u>	<u>122,012</u>
6,848,490	27,553,648	34,402,138	(740,025)
<u>282,554,274</u>	<u>405,004,564</u>	<u>687,558,838</u>	<u>22,154,511</u>
<u>\$ 289,402,764</u>	<u>\$ 432,558,212</u>	<u>\$ 721,960,976</u>	<u>\$ 21,414,486</u>

CITY OF DAYTON, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2002

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 23,587,872	\$ 14,146,835	\$ 22,011,135	\$ 9,419,986	\$ 69,165,828
Cash and cash equivalents in segregated accounts	-	-	-	37,757	37,757
Investments	-	-	-	52,228	52,228
Receivables (net of allowance for uncollectibles):					
Property and other local taxes	10,729,342	4,168,931	3,634,488	2,886,184	21,418,945
Municipal income taxes	12,954,924	-	-	-	12,954,924
Accounts	3,570,978	-	21,366	85,202	3,677,546
Special assessments	-	1,248,628	-	237,963	1,486,591
Accrued interest	1,232,916	-	80,056	26,077	1,339,049
Loans	-	9,520,000	-	-	9,520,000
Interfund loans	3,654,362	-	-	-	3,654,362
Due from other funds	28,624	-	-	-	28,624
Due from other governments	8,305,797	200,883	1,669,258	7,343,879	17,519,817
Due from agency fund	255,812	-	-	-	255,812
Advances to component unit	-	-	5,755,471	5,462,250	11,217,721
Restricted assets:					
Cash and cash equivalents with fiscal agents	-	424,750	-	-	424,750
Total assets	<u>\$ 64,320,627</u>	<u>\$ 29,710,027</u>	<u>\$ 33,171,774</u>	<u>\$ 25,551,526</u>	<u>\$ 152,753,954</u>
Liabilities:					
Accounts payable	\$ 1,462,029	\$ -	\$ 177,215	\$ 273,034	\$ 1,912,278
Contracts payable	685,801	-	312,845	1,252,528	2,251,174
Accrued wages and benefits	5,079,159	4,324	21,864	456,857	5,562,204
Compensated absences payable	73,017	-	-	-	73,017
Retainage payable	-	-	10,603	-	10,603
Due to other funds	342,755	-	-	114,555	457,310
Due to other governments	3,979,613	-	29,893	37,210	4,046,716
Interfund payable	-	-	-	3,199,362	3,199,362
Notes payable	-	-	8,294,234	-	8,294,234
Claims payable	26,287	-	-	-	26,287
Deferred revenue	18,278,665	5,618,442	3,886,746	4,467,269	32,251,122
Total liabilities	<u>29,927,326</u>	<u>5,622,766</u>	<u>12,733,400</u>	<u>9,800,815</u>	<u>58,084,307</u>
Fund Balances:					
Reserved for encumbrances	2,516,009	8,210	12,615,522	12,955,605	28,095,346
Reserved for claimants	282,915	-	-	-	282,915
Reserved for advances to component unit	-	-	5,755,471	5,462,250	11,217,721
Reserved for debt service	-	14,559,051	-	-	14,559,051
Reserved for contributions to permanent fund	-	-	-	102,228	102,228
Reserved for loans	-	9,520,000	-	-	9,520,000
Unreserved, undesignated, reported in:					
General fund	31,594,377	-	-	-	31,594,377
Special revenue funds	-	-	-	(1,370,644)	(1,370,644)
Permanent fund	-	-	-	16,380	16,380
Capital projects funds	-	-	2,067,381	(1,415,108)	652,273
Total fund balances	<u>34,393,301</u>	<u>24,087,261</u>	<u>20,438,374</u>	<u>15,750,711</u>	<u>94,669,647</u>
Total liabilities and fund balances	<u>\$ 64,320,627</u>	<u>\$ 29,710,027</u>	<u>\$ 33,171,774</u>	<u>\$ 25,551,526</u>	<u>\$ 152,753,954</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DAYTON, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2002

Total governmental fund balances \$ 94,669,647

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 260,762,023

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Property taxes	\$	2,818,598
Income tax		858,847
Special assessments		1,486,591
State shared taxes		5,005,372
Charges for services		1,079,277
Accrued interest		1,290,107
Intergovernmental revenues		<u>1,151,756</u>

Total 13,690,548

Internal service funds are used by management to charge the costs of fleet management, fire fleet management, stores and reproduction, workers' compensation, and plumbing to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

9,718,582

Long-term liabilities, including bonds, accrued interest, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Accrued interest payable		(364,034)
Special assessment bonds		(885,487)
General obligation bonds		(65,167,452)
Revenue bonds		(12,170,000)
Compensated absences		<u>(10,851,063)</u>

Total (89,438,036)

Net assets of governmental activities \$ 289,402,764

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DAYTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Municipal income taxes	\$106,625,368	\$ -	\$ -	\$ -	\$106,625,368
Property and other taxes	9,141,170	6,320,490	-	2,303,178	17,764,838
State shared taxes	16,806,410	-	-	4,054,596	20,861,006
Charges for services	22,285,355	14,933	454,099	1,059,169	23,813,556
Licenses and permits	1,894,653	-	86,191	-	1,980,844
Fines and forfeitures	1,743,839	-	-	505,494	2,249,333
Intergovernmental	1,635,917	704,800	4,537,616	17,217,883	24,096,216
Special assessments	304,651	191,033	153,335	44,341	693,360
Investment income	2,970,941	-	294,751	96,395	3,362,087
Decrease in FMV of investments	-	-	-	(29,786)	(29,786)
Other	6,053,075	1,217,510	47,502	1,001,493	8,319,580
Total revenues	<u>169,461,379</u>	<u>8,448,766</u>	<u>5,573,494</u>	<u>26,252,763</u>	<u>209,736,402</u>
Expenditures:					
Current:					
Downtown	4,247,733	560,000	-	-	4,807,733
Youth, education and human services	933,855	-	-	572,798	1,506,653
Community development and neighborhoods	561,250	-	-	1,906,953	2,468,203
Economic development	14,486,386	-	-	9,842,151	24,328,537
Leadership and quality of life	28,347,659	-	-	11,095,046	39,442,705
Corporate responsibility	14,810,368	364,811	-	638,702	15,813,881
Public safety and justice	99,024,747	-	-	1,887,711	100,912,458
Other	1,698,467	-	-	49,015	1,747,482
Capital outlay	1,700,349	-	14,393,709	6,070,986	22,165,044
Debt service:					
Principal retirement	-	6,198,173	-	-	6,198,173
Interest and fiscal charges	-	4,317,835	-	-	4,317,835
Total expenditures	<u>165,810,814</u>	<u>11,440,819</u>	<u>14,393,709</u>	<u>32,063,362</u>	<u>223,708,704</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,650,565</u>	<u>(2,992,053)</u>	<u>(8,820,215)</u>	<u>(5,810,599)</u>	<u>(13,972,302)</u>
Other financing sources (uses):					
Proceeds from sale of bonds	-	-	568,387	1,000,000	1,568,387
Transfers in	1,867,285	3,201	3,846,731	3,402,762	9,119,979
Transfers out	<u>(6,581,489)</u>	<u>(1,017)</u>	<u>(737,052)</u>	<u>(435,975)</u>	<u>(7,755,533)</u>
Total other financing sources (uses)	<u>(4,714,204)</u>	<u>2,184</u>	<u>3,678,066</u>	<u>3,966,787</u>	<u>2,932,833</u>
Net change in fund balances	(1,063,639)	(2,989,869)	(5,142,149)	(1,843,812)	(11,039,469)
Fund balances at beginning of year (restated)	40,332,068	26,687,599	25,970,054	12,719,395	105,709,116
Residual equity transfer in (out)	<u>(4,875,128)</u>	<u>389,531</u>	<u>(389,531)</u>	<u>4,875,128</u>	<u>-</u>
Fund balances at end of year	<u>\$ 34,393,301</u>	<u>\$ 24,087,261</u>	<u>\$ 20,438,374</u>	<u>\$ 15,750,711</u>	<u>\$ 94,669,647</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DAYTON, OHIO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2002

Net change in fund balances - total governmental funds \$ (11,039,469)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$22,024,697) exceeded depreciation expense (\$9,295,952) in the current period.	12,728,745
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,220,401
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(1,568,387)
Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	6,052,440
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	15,800
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.	(1,000,455)
Internal service funds used by management to charge the costs of fleet management, fire fleet management, stores and reproduction, workers' compensation, and plumbing to individual funds are not reported in the entity-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.	439,415

Change in net assets of governmental activities. \$ 6,848,490

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DAYTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 113,752,400	\$ 106,887,906	\$ 106,887,906	\$ -
Property and other taxes	10,308,724	10,119,884	10,119,884	-
State shared taxes	17,209,400	16,645,407	16,645,407	-
Charges for services	22,138,800	18,703,120	18,861,819	158,699
Licenses and permits.	2,163,800	1,894,751	1,894,751	-
Fines and forfeitures.	1,715,400	1,643,723	1,643,723	-
Special assessments	-	304,652	304,652	-
Investment income	5,338,500	4,681,875	4,681,875	-
Other	5,745,100	6,827,086	6,827,096	10
Total revenues.	<u>178,372,124</u>	<u>167,708,404</u>	<u>167,867,113</u>	<u>158,709</u>
Expenditures:				
Current:				
Downtown	4,594,447	4,420,908	4,329,386	91,522
Youth, education and human services.	973,318	936,554	917,166	19,388
Community development and neighborhoods.	578,816	556,953	545,423	11,530
Economic development	15,719,083	15,125,351	14,812,226	313,125
Leadership and quality of life	29,798,092	28,672,576	28,078,997	593,579
Corporate responsibility.	16,131,470	15,522,162	15,200,822	321,340
Public safety and justice	107,184,327	103,135,826	101,000,709	2,135,117
Other	1,423,111	1,748,212	1,341,010	407,202
Capital outlay	1,816,836	1,369,358	1,712,020	(342,662)
Total expenditures	<u>178,219,500</u>	<u>171,487,900</u>	<u>167,937,759</u>	<u>3,550,141</u>
Excess (deficiency) of revenues over (under) expenditures	<u>152,624</u>	<u>(3,779,496)</u>	<u>(70,646)</u>	<u>3,708,850</u>
Other financing sources (uses):				
Transfers in.	3,280,400	1,867,285	1,867,285	-
Transfers out	<u>(7,025,800)</u>	<u>(8,344,000)</u>	<u>(6,655,773)</u>	<u>1,688,227</u>
Total other financing sources (uses)	<u>(3,745,400)</u>	<u>(6,476,715)</u>	<u>(4,788,488)</u>	<u>1,688,227</u>
Net change in fund balance	(3,592,776)	(10,256,211)	(4,859,134)	5,397,077
Fund balance at beginning of year (restated) . . .	24,238,206	24,238,206	24,238,206	-
Prior year encumbrances appropriated	5,303,261	5,303,261	5,303,261	-
Residual equity transfers (out).	<u>-</u>	<u>(4,875,128)</u>	<u>(4,875,128)</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 25,948,691</u>	<u>\$ 14,410,128</u>	<u>\$ 19,807,205</u>	<u>\$ 5,397,077</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF DAYTON, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2002

	Business Type Activities -		
	Dayton International Airport	Water	Sewer
Assets:			
Equity in pooled cash and cash equivalents	\$ 12,624,383	\$ 62,093,449	\$ 30,734,035
Receivables (net of allowance for uncollectibles):			
Accounts	4,598,728	13,843,650	13,447,270
Accrued interest	97,267	754,666	400,020
Due from other funds	-	3,003,872	-
Due from other governments	2,763,275	-	116,150
Materials and supplies inventory	17,043	947,970	-
Inventory held for resale	-	-	-
Unamortized bond issuance costs	740,081	270,058	-
Advances to component unit	-	2,663,808	-
Restricted Assets:			
Equity in pooled cash and cash equivalents	-	36,737	-
Cash with fiscal and escrow agents	35,634	27,299	-
Judgment receivable	-	210,000	-
Capital assets:			
Land and construction in progress	29,380,424	15,761,294	15,488,053
Depreciable capital assets, net	135,382,081	98,350,448	88,472,997
Total capital assets	<u>164,762,505</u>	<u>114,111,742</u>	<u>103,961,050</u>
Total assets	<u>185,638,916</u>	<u>197,963,251</u>	<u>148,658,525</u>
Liabilities:			
Accounts payable	1,473,119	1,830,582	1,260,474
Contracts payable	1,255,077	324,009	2,476,917
Accrued wages and benefits	546,652	668,377	289,387
Compensated absences	745,673	1,037,481	439,349
Retainage payable	4,524	-	-
Accrued interest payable	13,674	-	700,345
Due to other funds	1,415	140,475	2,512,227
Due to other governments	576,571	129,010	3,714
Interfund payable	-	-	-
Payable from restricted assets:			
Utility deposits	-	36,737	-
Accrued interest payable	130,125	92,609	-
Current portion of revenue bonds	2,075,000	5,195,000	-
Claims payable	-	-	-
General obligation bonds payable	-	-	-
General obligation notes payable	12,850,000	-	-
Revenue bonds payable	27,878,692	21,726,300	-
OPWC loan payable	-	-	900,000
OWDA loan payable	-	-	16,994,159
Capital lease obligation	14,065,217	-	-
Total liabilities	<u>61,615,739</u>	<u>31,180,580</u>	<u>25,576,572</u>
Net assets:			
Invested in capital assets	108,270,225	87,190,442	86,066,891
Restricted for bond renewal and replacement	9,685	-	-
Unrestricted	15,743,267	79,592,229	37,015,062
Total net assets	<u>\$ 124,023,177</u>	<u>\$ 166,782,671</u>	<u>\$ 123,081,953</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Enterprise Funds		Governmental Activities - Internal Service Funds
Other Enterprise	Total	
\$ 521,530	\$ 105,973,397	\$ 22,634,725
5,883,058	37,772,706	-
16,689	1,268,642	-
-	3,003,872	600,199
-	2,879,425	-
-	965,013	-
-	-	478,313
46,916	1,057,055	-
-	2,663,808	-
-	36,737	-
-	62,933	-
-	210,000	-
785,180	61,414,951	-
16,151,102	338,356,628	766,663
16,936,282	399,771,579	766,663
23,404,475	555,665,167	24,479,900
127,556	4,691,731	234,455
67,310	4,123,313	-
132,608	1,637,024	176,143
234,009	2,456,512	285,587
-	4,524	-
10,610	724,629	-
519,745	3,173,862	1,523
480	709,775	1,375,992
-	-	455,000
-	36,737	-
-	222,734	-
-	7,270,000	-
-	-	11,919,628
3,422,536	3,422,536	-
-	12,850,000	-
-	49,604,992	-
-	900,000	-
-	16,994,159	-
219,210	14,284,427	312,990
4,734,064	123,106,955	14,761,318
13,294,536	294,822,094	453,673
-	9,685	-
5,375,875	137,726,433	9,264,909
\$ 18,670,411	\$ 432,558,212	\$ 9,718,582

CITY OF DAYTON, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Business-Type Activities -		
	Dayton International Airport	Water	Sewer
Operating revenues:			
Charges for services	\$ 29,273,291	\$ 39,851,191	\$ 32,181,969
Other	1,001,240	2,516,913	8,499,677
Total operating revenues	<u>30,274,531</u>	<u>42,368,104</u>	<u>40,681,646</u>
Operating expenses:			
Personal services	10,011,694	13,998,949	5,472,824
Benefit payments	3,091,022	4,519,184	1,725,394
Contractual services.	4,475,956	7,302,880	8,196,054
Materials and supplies	1,486,775	3,180,563	1,380,583
Utilities	3,872,857	5,241,131	2,043,101
Cost of sales	-	-	-
Depreciation	6,827,493	5,169,197	6,385,115
Other	2,738,044	3,678,527	1,525,758
Total operating expenses.	<u>32,503,841</u>	<u>43,090,431</u>	<u>26,728,829</u>
Operating income (loss)	<u>(2,229,310)</u>	<u>(722,327)</u>	<u>13,952,817</u>
Nonoperating revenues (expenses):			
Interest revenue	236,375	1,921,363	1,451,364
Intergovernmental.	-	221,558	29,159
Accrued interest on notes sold.	10,300	-	-
Gain (loss) from disposal of fixed assets.	12,860	-	(25,561)
Interest expense and fiscal charges	(3,311,194)	(1,349,291)	(1,501,637)
Total nonoperating revenues (expenses)	<u>(3,051,659)</u>	<u>793,630</u>	<u>(46,675)</u>
Income (loss) before capital contributions and transfers	(5,280,969)	71,303	13,906,142
Capital contributions	17,965,040	294,543	288,345
Transfers in.	148,690	215,318	88,795
Transfers out	(70,000)	-	-
Changes in net assets	12,762,761	581,164	14,283,282
Net assets, January 1 (restated)	<u>111,260,416</u>	<u>166,201,507</u>	<u>108,798,671</u>
Net assets, December 31	<u>\$ 124,023,177</u>	<u>\$ 166,782,671</u>	<u>\$ 123,081,953</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Enterprise Funds		Governmental Activities - Internal Service Funds
Other Enterprise	Total	
\$ 5,744,768	\$ 107,051,219	\$ 12,494,543
41,548	12,059,378	238,910
<u>5,786,316</u>	<u>119,110,597</u>	<u>12,733,453</u>
2,904,827	32,388,294	3,404,839
856,370	10,191,970	1,075,695
1,524,671	21,499,561	2,084,396
512,442	6,560,363	347,535
165,482	11,322,571	1,489
-	-	3,057,212
505,058	18,886,863	143,248
332,827	8,275,156	37,314
<u>6,801,677</u>	<u>109,124,778</u>	<u>10,151,728</u>
<u>(1,015,361)</u>	<u>9,985,819</u>	<u>2,581,725</u>
70,655	3,679,757	-
-	250,717	-
-	10,300	-
8,629	(4,072)	25,646
<u>(165,894)</u>	<u>(6,328,016)</u>	<u>(1,996)</u>
<u>(86,610)</u>	<u>(2,391,314)</u>	<u>23,650</u>
(1,101,971)	7,594,505	2,605,375
609,701	19,157,629	-
438,711	891,514	4,020
<u>(20,000)</u>	<u>(90,000)</u>	<u>(2,169,980)</u>
(73,559)	27,553,648	439,415
<u>18,743,970</u>	<u>405,004,564</u>	<u>9,279,167</u>
<u>\$ 18,670,411</u>	<u>\$ 432,558,212</u>	<u>\$ 9,718,582</u>

CITY OF DAYTON, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Business-Type Activities -		
	Dayton International Airport	Water	Sewer
Cash flows from operating activities:			
Cash received from customers	\$ 28,216,912	\$ 39,312,472	\$ 31,523,185
Cash received from other operating revenues	1,012,746	1,944,290	8,511,840
Cash payments for personal services	(9,828,941)	(13,928,379)	(5,486,522)
Cash payments for fringe benefits	(3,061,691)	(4,437,049)	(1,688,563)
Cash payments for contract services.	(4,615,815)	(6,522,224)	(9,145,462)
Cash payments for materials and supplies.	(1,510,354)	(3,969,736)	(1,360,211)
Cash payments for utilities	(3,872,857)	(5,241,131)	(2,043,101)
Cash payments for other operating expenses	(2,752,701)	(3,644,534)	(1,019,335)
Net cash provided by (used in) operating activities.	<u>3,587,299</u>	<u>3,513,709</u>	<u>19,291,831</u>
Cash flows from noncapital financing activities:			
Cash used in repayment of interfund loans	-	-	-
Cash received from operating grants	-	221,558	-
Cash received from repayment of advance to component unit	-	134,120	-
Transfers in from other funds.	148,690	215,318	88,795
Transfers out to other funds.	(70,000)	-	-
Net cash provided by (used in) noncapital financing activities	<u>78,690</u>	<u>570,996</u>	<u>88,795</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(17,558,099)	(7,418,261)	(11,234,222)
Proceeds from sale of capital assets	12,860	-	-
Capital contributions	15,516,447	-	-
Proceeds from notes	19,700,000	-	-
Principal paid on notes	(14,450,000)	-	-
Interest paid on notes.	(322,603)	-	-
Principal paid on bonds.	(2,205,000)	(5,000,000)	-
Interest paid on bonds	(1,854,241)	(1,293,738)	-
Principal paid on loans	-	-	(3,012,995)
Interest paid on loans.	-	-	(1,601,779)
Proceeds from capital lease transaction	-	-	-
Principal paid on capital leases	(1,825,117)	-	-
Interest paid on capital leases.	(915,951)	-	-
Net cash provided by (used in) capital and related financing activities.	<u>(3,901,704)</u>	<u>(13,711,999)</u>	<u>(15,848,996)</u>
Cash flows from investing activities:			
Interest received.	295,797	1,847,239	1,302,600
Net cash provide by investing activities	<u>295,797</u>	<u>1,847,239</u>	<u>1,302,600</u>
Net increase (decrease) in cash and cash equivalents	60,082	(7,780,055)	4,834,230
Cash and cash equivalents at beginning of year	<u>12,599,935</u>	<u>69,937,540</u>	<u>25,899,805</u>
Cash and cash equivalents at end of year.	<u>\$ 12,660,017</u>	<u>\$ 62,157,485</u>	<u>\$ 30,734,035</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Enterprise Funds		Governmental Activities - Internal Service Funds
Other Enterprise	Total	
\$ 5,684,080	\$ 104,736,649	\$ 12,540,188
48,472	11,517,348	255,021
(2,867,858)	(32,111,700)	(3,385,666)
(854,298)	(10,041,601)	(1,056,326)
(1,435,873)	(21,719,374)	(587,138)
(489,033)	(7,329,334)	(334,315)
(165,482)	(11,322,571)	(3,045,640)
(334,451)	(7,751,021)	(15,173)
<u>(414,443)</u>	<u>25,978,396</u>	<u>4,370,951</u>
-	-	(414,895)
-	221,558	-
-	134,120	-
438,711	891,514	4,020
<u>(20,000)</u>	<u>(90,000)</u>	<u>(2,169,980)</u>
<u>418,711</u>	<u>1,157,192</u>	<u>(2,580,855)</u>
(399,904)	(36,610,486)	(435,596)
8,629	21,489	25,646
-	15,516,447	-
-	19,700,000	-
-	(14,450,000)	-
-	(322,603)	-
(176,489)	(7,381,489)	-
(145,409)	(3,293,388)	-
-	(3,012,995)	-
-	(1,601,779)	-
77,872	77,872	343,990
(70,669)	(1,895,786)	(104,226)
<u>(6,265)</u>	<u>(922,216)</u>	<u>(1,996)</u>
<u>(712,235)</u>	<u>(34,174,934)</u>	<u>(172,182)</u>
<u>67,786</u>	<u>3,513,422</u>	<u>-</u>
<u>67,786</u>	<u>3,513,422</u>	<u>-</u>
(640,181)	(3,525,924)	1,617,914
<u>1,161,711</u>	<u>109,598,991</u>	<u>21,016,811</u>
<u>\$ 521,530</u>	<u>\$ 106,073,067</u>	<u>\$ 22,634,725</u>

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CITY OF DAYTON, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Business-Type Activities -		
	Dayton International Airport	Water	Sewer
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (2,229,310)	\$ (722,327)	\$ 13,952,817
Adjustments:			
Depreciation	6,827,493	5,169,197	6,385,115
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,043,270)	(1,197,594)	(648,882)
Decrease in due from other funds	-	303,818	-
Decrease in judgments receivable	-	60,000	-
(Increase) decrease in materials and supplies inventory.	(1,968)	95,205	-
Decrease in inventory held for resale	-	-	-
Increase (decrease) in accounts payable	300,581	474,594	585,239
Increase (decrease) in contracts payable	(481,885)	(604,492)	(468,843)
Increase (decrease) in retainage payable	4,524	(5,709)	(285,803)
Increase in accrued wages and benefits.	120,008	74,548	40,747
Increase (decrease) in due to other funds	927	(229,605)	(134,621)
Increase (decrease) in due to other governments.	(1,877)	4,782	(116,324)
Increase in utility deposits	-	13,135	-
Increase (decrease) in compensated absences payable	92,076	78,157	(17,614)
Increase in claims payable	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 3,587,299</u>	<u>\$ 3,513,709</u>	<u>\$ 19,291,831</u>

Non-cash transactions:

During 2002, the Dayton International Airport received \$2,763,275 in capital grants, which was recognized as a receivable in 2002. A receivable in the amount of \$767,365 has been recorded for capital grants in 2001.

During 2002, the Golf fund (reported as an other enterprise fund) entered into a \$77,872 capital lease agreement. This lease agreement is for the acquisition of mower equipment.

At December 31, 2001, the Water, Sewer, Dayton International Airport and Storm water (reported as an other enterprise fund) enterprise funds purchased \$449,640, \$676,516, \$220,953 and \$0, respectively, in capital assets on account. At December 31, 2002, the Water, Sewer, Dayton International Airport and Storm water (reported as an other enterprise fund) enterprise funds purchased \$210,730, \$1,301,902, \$534,394 and \$12,257, respectively, in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Enterprise Funds		Governmental Activities - Internal Service Funds
Other Enterprise	Total	
\$ (1,015,361)	\$ 9,985,819	\$ 2,581,725
505,058	18,886,863	143,248
(48,284)	(2,938,030)	20,011
-	303,818	41,791
-	60,000	-
-	93,237	-
-	-	14,141
83,599	1,444,013	(12,852)
44,908	(1,510,312)	-
-	(286,988)	-
5,101	240,404	32,092
(30,480)	(393,779)	(123,091)
480	(112,939)	652,666
-	13,135	-
40,536	193,155	6,450
-	-	1,014,770
<u>\$ (414,443)</u>	<u>\$ 25,978,396</u>	<u>\$ 4,370,951</u>

CITY OF DAYTON, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 DECEMBER 31, 2002

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 5,960,436
Cash and cash equivalents with fiscal agent	950,653
Investments with fiscal agent	961,943
Taxes levied for other governments	1,018,178
Total assets	\$ 8,891,210
Liabilities:	
Due to other governments	\$ 1,781,314
Due to primary government	255,812
Due to others.	603,912
Withholdings and deposits	6,250,172
Total liabilities	\$ 8,891,210

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 1 - DESCRIPTION OF THE CITY

The City of Dayton (the "City") is located in Montgomery County in southwestern Ohio approximately seventy-six miles west of Columbus and fifty-four miles north of Cincinnati. The City charter was approved in 1913 and the City became the first large community in the United States to adopt the Commission-Manager Plan form of government. Subsequent amendments to the charter have been made. Legislative power is vested in a five-member commission, one of the members being the Mayor. The City Manager is the chief executive officer and the head of the administrative agencies of the City. The City Manager appoints all department heads, except the Secretary of the Civil Service Board and the Director of the Human Relations Council, who are appointed by the City Commission.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government consists of all funds, departments and agencies that are not legally separate from the City. For the City, this includes providing water supply and treatment, sewer and storm water maintenance, wastewater treatment, airport services, fire and emergency medical services, police protection, a convention center, building inspection, correctional facilities, neighborhood support, recreation and parks, golf, street and bridge maintenance, waste collection, and a municipal court.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes for the organization.

Based on the foregoing criteria, the financial activities of the following potential component units have been reflected in the accompanying BFS as follows:

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

DISCRETELY PRESENTED COMPONENT UNIT

The City has included one discretely presented component unit, the CityWide Development Corporation (CWDC), as part of this report. CWDC was established in 1972 as a private, non-profit development organization which supports the City in a number of ways - primarily as its development financing arm. CWDC's relationship with the City is established via its stated mission: fostering economic development through creating and retaining jobs for City residents, providing administrative support to assist in neighborhood development, increasing tax revenues, and improving the Dayton area economy. Because the City appoints all members of CWDC's board of trustees and is empowered to remove them at will, CWDC is a component unit of the City. CWDC issues separately audited financial statements with a December 31 year-end. Its most recently audited financial statements may be obtained from CityWide Development Corporation, 8 North Main Street, Dayton, Ohio 45402-1916. Further disclosures for the discretely presented component unit can be found in Note 22.

BLENDED COMPONENT UNIT

The City of Dayton Sister City Committee (DSCC) is a blended component unit shown as a special revenue fund of the City of Dayton. The DSCC was created as a not for profit organization under Ohio Revised Code Section 1702.01 in 1966. The DSCC is governed by twenty six committee members, four of which are City of Dayton employees. The Dayton City Commission appoints all board members and provides all financial support or has solicited contributions on behalf of the DSCC. The DSCC provides services solely for the City. The DSCC's services include the promotion of youth and adult exchanges, development of business ties and exchanges of professional and cultural programs between the City of Dayton and five other cities around the world. Financial information can be obtained for the DSCC by contacting Marion Sweeney at P.O. Box 97, Dayton, Ohio, 45402-0097.

JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Regional Planning Commission - The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami, and Montgomery Counties, the City of Dayton, City of Riverside, City of New Carlisle, and the City of Huber Heights. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the general fund. The City contributed \$73,442 for the operation of the Commission during 2002. Financial information can be obtained from Nora Lake, Executive Director, at 40 West Fourth Street, Dayton, Ohio 45402.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

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

Miami Valley Fire/EMS Alliance - The Miami Valley Fire/EMS Alliance (the Alliance) is a jointly governed organization between municipal corporations and townships in Montgomery, Greene and Warren Counties. The purpose of the Alliance is to foster cooperation among the political subdivisions by promoting programs and recommending matters which will result in more efficient methods of delivering fire and emergency medical services in the region. The Board of the Alliance is made up of a representative appointed by the City of Dayton, a representative appointed by the members who are provided Fire/EMS Services by volunteers, two representatives appointed by the members who are provided Fire/EMS Services by a combination of full time employees and volunteers, and a representative appointed by the members who are provided Fire/EMS Services by full time employees. Payments to the Alliance are made from the general fund. The City contributed \$39,883 for the operation of the Alliance during 2002. Financial information can be obtained from Mike Hoverland, Director, at 444 W. Third Street, Suite 13-204, Dayton, Ohio 45402.

Economic Development/Government Equity Program - The Economic Development/Government Equity Program (ED/GE) was established pursuant to Ohio Revised Code Chapter 307 for the purpose of developing and promoting plans and programs designed to assure that County resources are efficiently used, economic growth is properly balanced, and that County economic development is coordinated with that of the State of Ohio and other local governments. Members include villages, township, and cities within Montgomery County, and Montgomery County itself. Cooperation and coordination between the members is intended to promote economic health and improve the economic opportunities of the people in Montgomery County by assisting in the establishment or expansion within the County of industrial, commercial or research facilities and by creating and preserving job and employment opportunities for the people of the County. The ED/GE Advisory Committee, made up of alternating member entities representatives, decides which proposed projects will be granted each year. Sales tax revenues, set aside by Montgomery County, are used to fund the projects. Members annually contribute to or receive benefits based on an elaborate zero-based formula designed to distribute growth in contributing communities to those communities experiencing less economic growth. Any member in default of paying its contributions will be liable for the amount of the contribution, any interest accrued, and penalties. During this time, the member will not be entitled to any allocations from ED/GE. Payments to ED/GE are made from the general fund.

The City did not contribute to the operation of ED/GE during 2002. Financial information can be obtained from Linda Gum, Administrative Assistant, at 451 West Third Street, Dayton, Ohio 45402.

Montgomery County Family and Children First Council - The City participates in the Montgomery County Family and Children First Council. The Council coordinates and integrates those services within Montgomery County which are available for families and children and establishes a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children. The Council is governed by a board of nineteen trustees, one of which is the Mayor of the City of Dayton. During 2002, the City contributed \$26,500 to the Council. Financial information can be obtained from Sue Daily, Executive Director, at 451 West Third Street, P.O. Box 972, Dayton, Ohio 4522-3100.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

Hazardous Material Response Team - The City is a member of a Hazardous Material Response Team ("HAZ MAT") which is a jointly governed organization with other local governments. The organization was created to provide hazardous material response protection and mutual assistance in the event of a hazardous material incident.

The HAZ MAT Advisory Board oversees the operation of HAZ MAT and consists of representatives from sixteen organizations. The City's ability to affect operations is limited to its representation on the board.

The Board established hazardous materials incident response guidelines to provide for response procedures in the event of an incident. In the event of a hazardous material incident within any local government that is a member of this organization, the other members will respond to render assistance. The funding for the operation of the response team is through contributions from each entity. In addition, the persons or company responsible for any hazardous materials emergency is required by state law to reimburse the team any costs associated with clean up. There is no explicit and measurable equity interest in HAZ MAT. During 2002, the City contributed \$13,294 to HAZ MAT. Financial information can be obtained from Edwin Kovar, Executive Director at 4200 Lake Center Drive, Trotwood, Ohio 45426.

Miami Valley Emergency Management Agency - The Miami Valley Emergency Management Agency (the Agency) is a jointly governed organization between various political subdivisions in Montgomery and Greene Counties. The purpose of the Agency is to help provide emergency management preparedness which includes training and incident mitigation. The fourteen member Board of the Agency is made up of a representative appointed by the City of Dayton.

The funding for the operation of the Agency is through contributions from each participating entity. Payments to the Agency are made from the general fund. The City contributed \$18,280 for the operation of the Agency during 2002. Financial information can be obtained from Edwin Kovar, Executive Director at 4200 Lake Center Drive, Trotwood, Ohio 45426.

B. Basis of Presentation-Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

C. Fund Accounting

The City 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 and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - To account for various revenues collected for payment of general obligation debt principal, interest and related costs.

Capital Improvements Fund - To account for resources used to purchase equipment and construct capital assets.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

Other governmental funds of the City are used to account for grants and other resources whose use is restricted to a particular purpose. These funds are nonmajor funds whose activity has been aggregated and presented in a single column in the BFS.

Proprietary Funds - Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Dayton International Airport - To account for the provision of air traffic, primarily commercial, including air freight. Revenues are derived from landing fees, concessionaire fees, and space rentals. The Dayton-Wright Brothers Airport is included in this fund.

Water - To account for the provision of water service and water pollution control activities of the City. The Department also provides water services to several areas outside the City. Revenue is generated by charges for services including those to other departments of the City. The water supply is maintained through the development of well fields, storage facilities, and pumping stations.

Sewer - To account for the provision of sanitary sewer service to the residential, commercial, and industrial consumers of the City and various communities within the Dayton Metropolitan area. The charges for services are based on the City's needs for the cost of service and expenses of improvements to expand the capacity to meet the Environmental Protection Agency (EPA) standards.

Other enterprise funds of the City are used to account for the provision of storm sewers to the residents of the City and to account for the operations of the City's six golf courses. These funds are nonmajor funds whose activity has been aggregated and presented in a single column in the BFS.

Internal Service Funds - The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds include programs for fleet maintenance, fire fleet maintenance, plumbing services, workers' compensation, and stores and reproduction services.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. 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 City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

D. Measurement Focus

Government-wide Financial Statements - The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the 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 relationship between the government-wide statements and the statements for governmental funds.

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

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The government-wide and proprietary fund financial statements are prepared using the accrual basis of accounting. The governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange 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 City, available means expected to be received within sixty days of year-end.

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the 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 year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City 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 year-end: income tax, state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, interest, grants, fees and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance year 2003 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

F. 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 ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, except agency funds, are legally required to be budgeted. Capital Projects funds and the HUD Programs special revenue fund, pursuant to the City's charter, are not required to be budgeted annually. These funds' appropriations, after their initial appropriations by Council at the time capital monies/grants are received (bond proceeds, etc.), remain intact until they are expended or modified by Council. Such monies are appropriated on a project level with specific identification of each project being budgeted.

In addition, the Dayton Sister Cities special revenue fund is not budgeted because it is not included in the entity for which the "appropriated budget" is adopted and does not maintain separate budgetary information. Budget basis financial statements for these funds are not, therefore, presented in this report because such statements would not be meaningful, nor are they required.

The City prepares its budget on a non-GAAP budgetary basis which is the cash basis with the following exceptions: encumbrances at year-end are added to expenditures and certain expenditure accruals at year-end are included as expenditures to the extent they can be determined and they have been expended within thirty-one days after the year-end. The legal level of budgetary control is at the department level. Budgetary modifications at this level may only be made by resolution of the City commission.

Tax Budget - A tax budget of estimated revenues and expenditures for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenues of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing 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 appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2002.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

Appropriations - A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund and department level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations between line items within a department may be modified with approval of the City Manager. All other modifications may only be made by ordinance of City Commission. During the year, several supplemental appropriation measures were passed, however none of them were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations - At the close of each 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 succeeding calendar year.

G. Cash and Cash Equivalents

Cash balances of the City's funds, except cash and cash equivalents and investments held by fiscal agents and cash and cash equivalents and investments in segregated accounts, are pooled and invested in order to provide improved cash management. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" and "Investments" on the Statement of Net Assets. Some funds had expended amounts greater than their share of pooled cash and cash equivalents. These funds had negative cash balances at year-end that were eliminated by a short-term loan from the general fund. These loans are classified as "interfund receivable" and "interfund payable" on the fund financial statements.

During 2002, investments were limited to commercial paper, federal agency securities, U.S. Treasury Notes, City owned debt, U.S. Government money market mutual funds, Dayton Power and Light stock, non-negotiable certificates of deposit, and STAR Ohio. Except for non-participating investment contracts, investments are stated at fair value which is based on quoted market prices. For U.S. Government money market mutual funds, fair value is determined by the fund's share price at December 31, 2002. Non-participating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2002.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, the City's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents. Investments not part of the cash management pool, with an initial maturity of more than three months, are reported as investments.

The City utilizes a financial institution to service bonded debt as principal and interest payments become due. The balance in these accounts along with reserves held for replacement and improvement for enterprise funds, money held by the municipal court and money in the executive savings plan are shown as "Cash and Cash Equivalents with Fiscal Agents" and "Investments with Fiscal Agents".

Cash and cash equivalents that are held separately by CityWide Development Corporation, the discretely presented component unit, and the City of Dayton Sister Cities Committee, the blended component unit, are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts".

Interest income is distributed to the funds according to City Ordinance and statutory requirements. Interest revenue earned during 2002 was \$2,970,941 in the general fund, which includes \$2,019,603 assigned from other City funds. The capital improvement fund, nonmajor governmental funds, and enterprise funds also received interest in the amount of \$294,751, \$96,395 and \$3,679,757, respectively.

H. Inventory of Supplies

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used. The City had no material inventory balances to report on the governmental fund financial statements.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

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

I. Restricted Assets

Restricted assets are those which are legally restricted in their use by bond indentures, or other legal instruments. Restricted assets in the enterprise funds include "Equity in Pooled Cash and Cash Equivalents" and "Cash with Fiscal and Escrow Agents". "Equity in Pooled Cash and Cash Equivalents" represent utility deposits held by the City. "Cash with Fiscal and Escrow Agents" are the proceeds from revenue bond issues that are required by the bond indenture to be held by a financial services corporation. Restricted assets in the debt service fund include "Cash and Cash Equivalents with Fiscal Agents". This represents the residual proceeds from baseball bonds issued during 2000 after the loan was made to Riverfront Area Redevelopment Enterprises, Inc., that are being held in U.S. Government money market mutual funds. This money is restricted for the interest payments on the new baseball revenue bonds.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 assets but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of bridges, curbs, lighting, sidewalks, and roads. 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's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Improvements other than buildings	10 - 25 years	10 - 25 years
Buildings and improvements	30 - 50 years	30 - 50 years
Furniture, Fixtures and Equipment	3 - 15 years	3 - 15 years
Vehicles	3 - 10 years	3 - 10 years
Infrastructure	20 - 50 years	20 - 50 years

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” On fund financial statements, long-term interfund loans are classified as “advances to/from other funds” on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. Advances made from the City to its discretely presented component unit are reported on both the government-wide and fund financial statements.

L. Compensated Absences

The City follows the provisions of Governmental Accounting Standards Board Statement No. 16 “Accounting for Compensated Absences”. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time and compensatory time when earned for all employees with more than one year of service.

Sick leave benefits are accrued using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Compensated Absences Payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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, compensated absences, and contractually required pension contributions 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, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

N. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Issuance costs are recorded as deferred charges.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

For advance refundings resulting in the defeasance of debt reported in the proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

O. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

P. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports amounts representing encumbrances outstanding, amounts due to claimants, advances to component unit, debt service, contributions to permanent fund, and loans receivable as reservations of fund balance in the governmental fund financial statements.

Q. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

R. Contributed Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements.

S. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

T. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for airport, water, sewer, storm water and golf programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

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

U. 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 City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2002.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2002, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues"; GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At December 31, 2001, there was no effect on fund balance as a result of implementing GASB Statements 37 and 38.

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2001, caused by the elimination of the internal service funds and the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the standards of GASB No. 34. Certain funds previously reported as non-expendable trust funds are now reported as a permanent fund which is a governmental fund. It was also determined that GASB Interpretation No. 6 had an effect on fund balances as previously reported at December 31, 2001. The City has also reported a prior period adjustment to properly eliminate an interfund loan receivable for a previous advance that has subsequently been determined to be a transfer not subject to repayment.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The fund reclassification, the prior period adjustment, and the implementation of GASB Interpretation No. 6 had the following effect on the City's governmental fund balances as previously reported follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund Balance					
December 31, 2001	\$41,539,677	\$26,687,599	\$25,970,054	\$12,572,151	\$106,769,481
Fund reclassification	-	-	-	145,589	145,589
Adjustment to properly state interfund loan receivable	(1,073,000)	-	-	-	(1,073,000)
GASB Interpretation No. 6 Adjustments	<u>(134,609)</u>	<u>-</u>	<u>-</u>	<u>1,655</u>	<u>(132,954)</u>
Restated Fund Balance, December 31, 2001	<u>\$40,332,068</u>	<u>\$26,687,599</u>	<u>\$25,970,054</u>	<u>\$12,719,395</u>	<u>\$105,709,116</u>

The transition from governmental fund balance to net assets of the governmental activities is also presented.

Restated Fund Balance, December 31, 2001	\$105,709,116
GASB 34 Adjustments:	
Capital Assets	248,033,278
Internal Service Funds	9,279,167
Long-Term Liabilities	(92,557,600)
Accrued Interest	(379,834)
Long-Term (Deferred Assets)	<u>12,470,147</u>
Governmental Activities Net Assets, December 31, 2001	<u>\$282,554,274</u>

In addition to the above, the City changed the method of reporting its budgetary statements to the cash basis with the following exceptions: encumbrances at year-end are added to expenditures and certain expenditure accruals at year-end are included as expenditures to the extent they can be determined and they have been expended within thirty-one days after the year-end. This accounting change had an effect on the January 1, 2002 fund balances as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis). The fund balances have been restated to equal unencumbered cash of the fund. See Note 2.F. for more information on the City's budgetary process.

Business-Type Activities - Restatement of Fund Equity - The net assets of the business-type activities have been restated at December 31, 2001, to properly report an interfund loan payable that was subsequently deemed to be a transfer not subject to repayment and to report capital assets that were not previously reported. The interfund loan payable was previously reported in the Golf fund and the adjustment for capital assets is reported in the Water, Sewer and Storm Water funds.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The adjustments had the following effect on fund equity of the business-type activities as previously reported:

	<u>Sewer</u>	<u>Water</u>	Dayton <u>International Airport</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Fund equity as previously reported	\$104,938,117	\$161,334,252	\$111,260,416	\$7,943,723	\$385,476,508
Adjustment to properly state interfund loan payable	-	-	-	1,073,000	1,073,000
Adjustment to report previously omitted capital assets	<u>3,860,554</u>	<u>4,867,255</u>	-	<u>9,727,247</u>	<u>18,455,056</u>
Restated net assets as of January 1, 2001	<u>\$108,798,671</u>	<u>\$166,201,507</u>	<u>\$111,260,416</u>	<u>\$18,743,970</u>	<u>\$405,004,564</u>

B. Accountability

The Issue II capital projects fund had a deficit fund balance of \$176,875 at December 31, 2002. This fund did not comply with Ohio state law, which does not permit a cash basis deficit at year-end. This deficit fund balance will be eliminated by future intergovernmental grants and subsidies not recognized or recorded at December 31.

C. Compliance

1. Contrary to Ohio Revised Code Section 5705.10, the City had negative cash balances in the HUD special revenue fund and the Issue II capital projects fund of \$582,538 and \$2,616,824, respectively. For GAAP purposes, these amounts have been reported as fund liabilities in the respective funds.
2. Contrary to Ohio Revised Code Section 5705.41(B), the following funds had expenditures plus encumbrances in excess of appropriations at the legal level of control for the year ended December 31, 2002:

<u>Fund Type Fund/Function</u>	<u>Appropriations</u>	<u>Final Expenditures</u>	<u>Excess</u>
General Fund- Special Assessments	\$ 300,000	\$ 305,269	\$ 5,269
Miscellaneous Grants Special Revenue Fund- Other grants	2,613,200	3,743,177	1,129,977
Other Special Revenue Special Revenue Fund- Various Departments	1,196,000	1,196,349	349

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The investment and deposit of City monies are governed by City Ordinance and the Ohio Revised Code. State statutes classify monies held by the City 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 City 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 Commission has identified as not required for use within the current two 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 deposits are deposits of interim monies. 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 one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of City'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 finance director by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

According to City Ordinance, interim monies can be invested in the following obligations which mature within five years from the date the investments were completed:

1. U. S. Treasury bills, notes, and bonds;
2. U.S. Government agency and instrumentality coupon and discount securities;
3. Certificates of Deposit;
4. Repurchase agreements with institutions having a signed master repurchase agreement on file with the Director of Finance;
5. Securities lending agreements with institutions having a signed securities lending agreement on file with the Director of Finance;
6. Bankers' Acceptances;
7. NOW accounts;
8. Money Market Mutual Funds (open ended investment companies) registered with the Securities and Exchange Commission;
9. State of Ohio Treasurer's investment pool (STAR Ohio);

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

10. Securities of any of the states of the United States or any of their political sub-divisions rated "A" or better by Moody's or S&P;
11. Prime commercial paper; and
12. Corporate notes rated at least AA (not to exceed 15% of the portfolio).

The City may also invest in the following instruments within the indicated maturities:

1. Repurchase agreements that do not exceed ninety days;
2. Money Market Mutual Funds with an average portfolio maturity which does not exceed 120 days;
3. Investments matched to a specific cash flow requirement; and
4. City of Dayton notes or bonds up to twenty years 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 finance director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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 City, and must be purchased with the expectation that it will be held to maturity.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the City's deposits was \$3,934,428 and the related bank balance was \$14,644,287. Of the bank balance:

1. \$437,757 was covered by federal depository insurance; and
2. \$14,206,530 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Investments: Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAR Ohio, an investment fund operated by the Ohio State Treasurer, and U.S. Government money market mutual fund investments are unclassified since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Commercial Paper	\$ -	\$ -	\$206,455	\$ 206,455
FHLMC notes	15,142,410	-	-	15,142,410
FHLB notes	-	-	110,031	110,031
FNMA notes	19,220,660	-	184,430	19,405,090
U.S. Treasury notes	123,133,950	-	312,301	123,446,251
City owned debt	5,154,721	-	-	5,154,721
Dayton Power and Light stock	52,228	-	-	52,228
U.S. Government money market mutual funds	-	-	-	636,409
STAR Ohio	-	-	-	<u>38,173,364</u>
Total	<u>\$162,703,969</u>	<u>\$ -</u>	<u>\$813,217</u>	<u>\$202,326,959</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The reconciliation between classifications of cash and investments on the basic financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 205,247,216	\$ 1,014,171
Investments of the Cash Management Pool:		
FHLMC notes	(15,142,410)	15,142,410
FNMA notes	(19,220,660)	19,220,660
U.S. Treasury notes	(123,133,950)	123,133,950
U.S. Government money market mutual funds	(487,683)	487,683
City owned debt	(5,154,721)	5,154,721
STAR Ohio	<u>(38,173,364)</u>	<u>38,173,364</u>
GASB Statement No. 3	<u>\$ 3,934,428</u>	<u>\$202,326,959</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 5 - INTERFUND TRANSACTIONS

- A. Due from/to other funds consisted of the following at December 31, 2002, as reported on the fund statements:

Due to	Due From							Total
	General	Nonmajor Special Revenue	Dayton International Airport	Water	Sewer	Nonmajor Enterprise	Internal Service Funds	
General	\$ 19,224	\$ 5,181	\$ 1,236	\$ 2,307	\$ 184	\$ 196	\$ 296	\$ 28,624
Water	-	-	-	54,825	2,477,303	471,703	41	3,003,872
Internal Service Funds	<u>323,531</u>	<u>109,374</u>	<u>179</u>	<u>83,343</u>	<u>34,740</u>	<u>47,846</u>	<u>1,186</u>	<u>600,199</u>
Total	<u>\$342,755</u>	<u>\$114,555</u>	<u>\$1,415</u>	<u>\$140,475</u>	<u>\$2,512,227</u>	<u>\$519,745</u>	<u>\$1,523</u>	<u>\$3,632,695</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

- B. Interfund balances, related to items other than charges for goods and services rendered, at December 31, 2002, consist of the following individual fund loans receivable and payable as reported on the fund statements:

Interfund Payable to	Interfund Receivable From			
	Nonmajor Special Revenue	Nonmajor Capital Projects	Internal Service-Fleet Management	Total
General	<u>\$582,567</u>	<u>\$2,616,795</u>	<u>\$455,000</u>	<u>\$3,654,362</u>

The interfund loan payable in the nonmajor special revenue and nonmajor capital projects to the general fund is to cover negative cash balances at year-end. During fiscal 2002, the Fleet Management fund paid \$400,000 down on its loan from the general fund resulting in a balance of \$455,000 at year-end. These amounts are expected to be collected in the subsequent year.

- C. Advances to component unit and advances from primary government consisted of the following at December 31, 2002, as reported on the fund statements:

Advance To	Advance From			Total
	Capital Improvement	Nonmajor Special Revenue	Water	
Component Unit	<u>\$5,755,471</u>	<u>\$5,462,250</u>	<u>\$2,663,808</u>	<u>\$13,881,529</u>

These long-term advances are not expected to be collected in full in the subsequent year.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

D. Interfund transfers for the year ended December 31, 2002, consisted of the following, as reported on the fund statements:

<u>Transfer to</u>	<u>Transfer From</u>								
	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Nonmajor Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Dayton International Airport</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
General	\$ -	\$ -	\$ -	\$274,000	\$ 8,627	\$55,000	\$ -	\$1,529,658	\$1,867,285
Debt Service	-	-	3,201	-	-	-	-	-	3,201
Capital Improvement	3,232,800	1,017	612,914	-	-	-	-	-	3,846,731
Nonmajor Special Revenue	2,862,857	-	120,937	-	153,348	15,000	20,000	155,620	3,327,762
Nonmajor Capital Projects	75,000	-	-	-	-	-	-	-	75,000
Dayton Int. Airport	15,000	-	-	-	-	-	-	133,690	148,690
Water	-	-	-	-	-	-	-	215,318	215,318
Sewer	-	-	-	-	-	-	-	88,795	88,795
Nonmajor Enterprise	391,812	-	-	-	-	-	-	46,899	438,711
Internal Service - Fire Fleet	4,020	-	-	-	-	-	-	-	4,020
Total	<u>\$6,581,489</u>	<u>\$1,017</u>	<u>\$737,052</u>	<u>\$274,000</u>	<u>\$161,975</u>	<u>\$70,000</u>	<u>\$20,000</u>	<u>\$2,169,980</u>	<u>\$10,015,513</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Residual equity transfers are nonrecurring or nonroutine transfers of equity between funds. The City had the following residual equity transfers reported on the fund financial statements:

<u>Residual Equity Transfer to</u>	<u>Residual Equity Transfer From</u>		
	<u>General</u>	<u>Capital Improvement</u>	<u>Total</u>
Debt Service Fund	\$ -	\$389,531	\$ 389,531
Nonmajor Special Revenue Funds	4,875,128	-	4,875,128
Total	<u>\$4,875,128</u>	<u>\$389,531</u>	<u>\$5,264,659</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2002 for real and public utility property taxes represents collections of 2001 taxes. Property tax payments received during 2002 for tangible personal property (other than public utility property) is for 2002 taxes.

2002 real property taxes are levied after October 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2002 real property taxes are collected in and intended to finance 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after October 1, 2002, and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after October 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2002, was \$10.00 per \$ 1,000 of assessed value. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

	Amount	Percent
Real Property	\$1,349,792,850	70.76
Public Utility Real Property	101,461,400	5.32
Tangible Personal Property	456,304,945	23.92
Total Assessed Value	\$1,907,559,195	100.00

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Dayton. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2002. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2002 operations. The receivable is therefore offset by a credit to deferred revenue.

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 7 - INCOME TAX

On March 27, 1984, the City Commission levied a municipal income tax of 1.75 percent on substantially all income earned within the City. In addition, during 2000, the City renewed their additional .50 percent levy through December 31, 2006. The City income tax also applies to the net income of businesses located or doing business within the City. The residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current tax rate.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City of Dayton at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The City of Dayton administers the collection of income taxes and the assessment of interest and penalties. Income tax proceeds are to be used to pay the cost of administering the tax and are recorded in the general fund. Income tax revenue for 2002, as reported in the governmental fund financial statements on the modified accrual basis of accounting, was \$106,625,368.

During 2002, the City acted as the income tax collecting agent for the following communities:

Brookville	Huber Heights	Phillipsburg
Farmersville	Trotwood	West Milton
Yellow Springs	Englewood	Cedarville

For this collection service, the City charged a fee ranging from approximately two percent to five percent of gross collections. Undistributed taxes collected for these cities are shown as due to other governments in the agency funds. Effective December 31, 2002, the City ceased collecting income tax for these communities. Income taxes collected, but not distributed to these communities by year-end, are reported as a liability in the agency funds.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2002, consisted of taxes, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the basic financial statements. Receivables have been recorded to the extent that they are both measurable and available at December 31, 2002, as well as intended to finance fiscal 2002 operations.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 8 -RECEIVABLES - (Continued)

A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Income taxes	\$12,954,924
Real and other taxes	21,418,945
Accounts	3,677,546
Special assessments	1,486,591
Accrued interest	1,339,049
Loans	9,520,000
Due from other governments	17,519,817

Business-Type Activities:

Accounts	\$37,772,706
Accrued interest	1,268,642
Due from other governments	2,879,425

Receivables have been disaggregated on the face of the basic financial statements. Amounts reported as "Due from Other Governments" in the governmental activities include local government and local government revenue assistance from the State of Ohio, motor vehicle license and gasoline taxes, homestead and rollback, and estate taxes. The amounts reported as "Due from Other Governments" in the business-type activities include various state and federal grants whose eligibility requirements have been met by year-end. The only receivables not expected to be collected within the subsequent year are the special assessments and the loans. The special assessments are collected over the term of the assessment and the loans receivable which will be collected annually through 2020 (See Note 9).

NOTE 9 - LOANS RECEIVABLE

During 1999, the City issued taxable economic development revenue bonds payable from nontax revenues of the City, in the amount of \$12,190,000 (See Note 13.A.) and loaned \$11,200,000 of the proceeds to Riverfront Area Redevelopment Enterprises, Inc. (Stadium Owner) to assist in financing the costs of constructing a baseball stadium. In consideration of the repayment of the loan, the Stadium Owner shall make loan payments in the amount of \$560,000 on April 1 of each year for twenty years, commencing April 1, 2000. All loan payments received will be credited against the outstanding principal amount of the loan, there being no interest payable on the loan.

The obligations of the stadium owner to make a loan payment on any loan payment date shall be forgiven if neither the stadium owner nor the team owner has materially breached, violated, or failed to fully perform any provision contained in the ground lease, the stadium lease, or the plaza lease (See Note 12) and the team owner has committed to play all club home games at the stadium during the then current calendar year. At December 31, 2002, the amount owed to the City was \$9,520,000.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 10 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities and business-type activities have been restated due to fund reclassifications (See Note 3 for detail) and an increase of the City's capitalization threshold from \$500 to \$5,000. These adjustments had the following effect on the balances previously reported:

<u>Governmental Activities:</u>	<u>Balance</u> 12/31/01	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> 12/31/01
Land	\$ 50,890,123	\$ -	\$ 50,890,123
Buildings and improvements	88,889,224	(448,337)	88,440,887
Improvements other than buildings	60,170,495	(9,923,678)	50,246,817
Equipment	18,361,258	(1,957,755)	16,403,503
Vehicles	39,321,495	222,647	39,544,142
Construction in progress	18,520,707	(7,912,239)	10,608,468
Infrastructure	-	136,690,899	136,690,899
Less: accumulated depreciation	<u>(118,493,610)</u>	<u>(25,823,633)</u>	<u>(144,317,243)</u>
Total	<u>\$ 157,659,692</u>	<u>\$ 90,847,904</u>	<u>\$248,507,596</u>
<u>Business-Type Activities:</u>	<u>Balance</u> 12/31/01	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> 12/31/01
Land	\$ 31,490,773	\$ -	\$ 31,490,773
Buildings and improvements	127,873,274	-	127,873,274
Improvements other than buildings	422,668,483	21,777,326	444,445,809
Equipment	8,255,237	(1,671,554)	6,583,683
Vehicles	27,734,543	(278,469)	27,456,074
Construction in progress	21,755,791	-	21,755,791
Less: accumulated depreciation	<u>(278,888,460)</u>	<u>(1,372,248)</u>	<u>(280,260,708)</u>
Total	<u>\$ 360,889,641</u>	<u>\$18,455,055</u>	<u>\$379,344,696</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 10 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended December 31, 2002, was as follows:

<u>Governmental Activities:</u>	Restated Balance <u>12/31/01</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/02</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 50,890,123	\$ 568,107	\$ (365,000)	\$ 51,093,230
Construction in progress	<u>10,608,468</u>	<u>6,196,860</u>	<u>(1,068,722)</u>	<u>15,736,606</u>
Total capital assets, not being depreciated	<u>61,498,591</u>	<u>6,764,967</u>	<u>(1,433,722)</u>	<u>66,829,836</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	88,440,887	691,376	-	89,132,263
Improvements other than buildings	50,246,817	1,919	-	50,248,736
Equipment	16,403,503	4,356,925	-	20,760,428
Vehicles	39,544,142	1,389,343	(1,111,123)	39,822,362
Infrastructure	<u>136,690,899</u>	<u>10,546,234</u>	<u>-</u>	<u>147,237,133</u>
Total capital assets, being depreciated	<u>331,326,248</u>	<u>16,985,797</u>	<u>(1,111,123)</u>	<u>347,200,922</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(48,651,185)	(2,080,594)	-	(50,731,779)
Improvements other than buildings	(24,698,004)	(1,672,595)	-	(26,370,599)
Equipment	(7,648,586)	(1,296,847)	-	(8,945,433)
Vehicles	(33,127,644)	(1,284,708)	1,111,123	(33,301,229)
Infrastructure	<u>(30,191,824)</u>	<u>(2,961,208)</u>	<u>-</u>	<u>(33,153,032)</u>
Total accumulated depreciation	<u>(144,317,243)</u>	<u>(9,295,952)</u>	<u>1,111,123</u>	<u>(152,502,072)</u>
Total capital assets being depreciated, net	<u>187,009,005</u>	<u>7,689,845</u>	<u>-</u>	<u>194,698,850</u>
Governmental activities capital assets, net	<u>\$ 248,507,596</u>	<u>\$14,454,812</u>	<u>\$(1,433,722)</u>	<u>\$261,528,686</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 10 - CAPITAL ASSETS - (Continued)

<u>Business-Type Activities:</u>	<u>Restated Balance 12/31/01</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 12/31/02</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 31,490,773	\$ 2,253,799	\$ -	\$ 33,744,572
Construction in progress	<u>21,755,791</u>	<u>18,311,834</u>	<u>(12,397,246)</u>	<u>27,670,379</u>
Total capital assets, not being depreciated	<u>53,246,564</u>	<u>20,565,633</u>	<u>(12,397,246)</u>	<u>61,414,951</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	127,873,274	4,093,447	(63,460)	131,903,261
Improvements other than buildings	444,445,809	24,224,079	(239,878)	468,430,010
Equipment	6,583,683	824,826	(21,312)	7,387,197
Vehicles	<u>27,456,074</u>	<u>2,370,367</u>	<u>(687,778)</u>	<u>29,138,663</u>
Total capital assets, being depreciated	<u>606,358,840</u>	<u>31,512,719</u>	<u>(1,012,428)</u>	<u>636,859,131</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(51,093,801)	(2,669,585)	-	(53,763,386)
Improvements other than buildings	(205,953,943)	(14,457,195)	-	(220,411,138)
Equipment	(4,061,447)	(351,771)	-	(4,413,218)
Vehicles	<u>(19,151,517)</u>	<u>(1,408,313)</u>	<u>645,069</u>	<u>(19,914,761)</u>
Total accumulated depreciation	<u>(280,260,708)</u>	<u>(18,886,864)</u>	<u>645,069</u>	<u>(298,502,503)</u>
Total capital assets being depreciated, net	<u>326,098,132</u>	<u>12,625,855</u>	<u>(367,359)</u>	<u>338,356,628</u>
Business-type activities capital assets, net	<u>\$ 379,344,696</u>	<u>\$33,191,488</u>	<u>\$(12,764,605)</u>	<u>\$ 399,771,579</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

Downtown	\$ 862,469
Youth, education and human services	1,552
Community development and neighborhoods	239,720
Economic development	65,545
Leadership and quality of life	5,188,032
Corporate responsibility	1,432,149
Public safety and justice	<u>1,506,485</u>
Total depreciation expense - governmental activities	<u>\$9,295,952</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 10 - CAPITAL ASSETS - (Continued)

Construction-in-progress reported for general capital assets is composed of the following:

	<u>Project</u> <u>Authorization</u>	<u>Expended at</u> <u>12/31/02</u>	<u>Committed</u>
Facility Improvement	\$ 2,173,675	\$ 506,042	\$ 1,667,633
Convention Center Restorations	1,022,690	746,718	275,972
Fire Facility Improvement	183,635	17,530	166,105
Signal Upgrade, Phase III	1,061,500	778,963	282,537
ODD Dayton Supply and Treatment	500,000	330,514	169,486
Baseball Stadium	6,180,630	2,713,508	3,467,122
Underground Storage	1,005,512	766,993	238,519
Public Facility Improvement	885,200	367,780	517,420
One Stop Shop	1,767,200	1,129,361	637,839
Recreation and Parks	660,600	171,049	489,551
Issue II Infrastructure	432,176	432,176	-
TIP Project Funds	100,000	45,996	54,004
Signal Rebuild, Phase IV	1,062,500	70,031	992,469
2001 Parks and Recreation	730,000	504,215	225,785
Reibold Block Transportation	2,585,071	843,232	1,741,839
Facilities	821,000	561,674	259,326
Convention Center Improvements	3,572,430	1,955,606	1,616,824
McGee Blvd.	2,000,000	1,079,655	920,345
Riverside Dr. Reconstruction	2,000,000	1,239,460	760,540
Recreation and Parks Improvements	1,628,453	902,133	726,320
Valley Street Greenway - Phase II	356,500	65,369	291,131
Demolition Program - Land clean-up	399,830	2,869	396,961
Real Estate Capital	158,433	32,443	125,990
Great Miami Blvd. Renewal	51,888	16,072	35,816
Residential Asphalt Resurfacing	1,168,347	415,939	752,408
Stuart Patterson Rec.	<u>90,000</u>	<u>41,278</u>	<u>48,722</u>
Total	<u>\$32,597,270</u>	<u>\$15,736,606</u>	<u>\$16,860,664</u>

Construction-in-progress reported in the enterprise funds is composed of the following:

<u>Dayton International Airport</u>	<u>Project</u> <u>Authorization</u>	<u>Expended at</u> <u>12/31/02</u>	<u>Committed</u>
PSA Office and Tech Center	\$ 851,000	\$ 526,000	\$ 325,000
ED Dev - GACZ Development	250,000	200,909	49,091
Reservation Center Purchase	2,000,000	1,594,032	405,968
Baggage Claim Rehabilitation	329,415	242,228	87,187
Parking Garage Concept Design	2,302,415	2,110,170	192,245
Parking Lot Rehabilitation	30,000	12,438	17,562

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 10 - CAPITAL ASSETS - (Continued)

<u>Dayton International Airport</u>	<u>Project Authorization</u>	<u>Expended at 12/31/02</u>	<u>Committed</u>
Air Traffic Control Tower	250,000	132,687	117,313
Taxiway W Phase II	360,774	305,023	55,751
NE Deicing Apron Extension	800,000	518,361	281,639
DWBA Pavement and Signage	237,000	20,462	216,538
Terminal Apron Expansion	200,000	77,237	122,763
Perimeter RD PHI	<u>120,000</u>	<u>117,816</u>	<u>2,184</u>
	<u>\$7,730,604</u>	<u>\$5,857,363</u>	<u>\$1,873,241</u>
 <u>Water</u>			
Ottawa Yard Complex I	\$2,500,000	\$1,267,846	\$1,232,154
WIMS Improvement Data	56,248	51,377	4,871
WIMS Upgrade - Water	625,930	213,305	412,625
Trotwood Water Main	5,791,500	11,650	5,779,850
Burkhard Water Tower	500,000	81,064	418,936
Well rehabilitation	700,000	544,399	155,601
Wellfield Improvement (2)	1,988,090	532,142	1,455,948
Replacement of equipment	657,500	40,930	616,570
Miami Treatment Plant Controls	250,000	165,305	84,695
Riverside Dr. Water Improvement	80,000	40,089	39,911
Digize Infrastructure	750,000	654,157	95,843
King Hwy. Maintenance Improvement	549,000	465,204	83,796
Wellfield Interconnect	700,000	180,820	519,180
Mulberry Water Main Installation	1,354,400	7,100	1,347,300
Water Dist mains/Clayton	1,369,170	1,135,936	233,234
Building Renovation/320 W. Main	727,367	644,576	82,791
Wellsfield Development	971,279	641,668	329,611
Ottawa SCADA Treatment System Imp.	500,000	54,457	445,543
Miami Tp Filter Improvements	1,250,000	133,265	1,116,735
Calavary Reservoir Improvement	1,300,000	876,895	423,105
Ottawa Treatment Plant	500,000	196,674	303,326
Miami WTP Roofing	\$ 300,000	\$ 242,506	\$ 57,494
Chlorine Feed System Modification	<u>500,000</u>	<u>57,281</u>	<u>442,719</u>
	<u>\$23,920,484</u>	<u>\$8,238,646</u>	<u>\$15,681,838</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 10 - CAPITAL ASSETS - (Continued)

	<u>Project Authorization</u>	<u>Expended at 12/31/02</u>	<u>Committed</u>
<u>Sewer</u>			
WINS Upgrade - Sanitary	\$ 495,838	\$ 344,730	\$ 151,108
Irving Ave. Sanitary Sewer	75,000	64,204	10,796
Sewer Maintenance Stockroom Exp	177,232	85,694	91,538
AWT Facilities Improvement	10,450,000	8,934,166	1,515,834
Sewer Maintenance Vehicle shelter	80,000	2,640	77,360
Kings Hwy. Sanitary Sewer	33,000	20,064	12,936
Roof Replacement - WWTP	156,199	30,775	125,424
Weaver/Dennison/Della Sanitary Replacement	265,000	180,207	84,793
WWTP Improvements	489,483	268,938	220,545
Admin. Bldg. Conversion	500,000	14,260	485,740
SW Trunk Sanitary Sewer Improvement	10,260,020	976,029	9,283,991
SW Trunk Sanitary Sewer Improvement	1,470,000	1,465,263	4,737
WWT-WWTP SCADA System Improvement	30,825	16,671	14,154
WWTP SCADA System Update	1,000,000	881,258	118,742
Hunter Avenue Sanitary Sewer	40,000	681	39,319
Carillon Part Sanitary Sewer	75,000	51,000	24,000
South East Sewer Phase 3	<u>248,051</u>	<u>47,537</u>	<u>200,514</u>
	<u>\$25,845,648</u>	<u>\$13,384,117</u>	<u>\$12,461,531</u>
 <u>Storm Water</u>			
Centurion Street Sweeper	\$156,000	\$ 88,500	\$ 67,500
Storm Pump Station Improvement	<u>150,000</u>	<u>101,753</u>	<u>48,247</u>
	<u>\$306,000</u>	<u>\$190,253</u>	<u>\$115,747</u>

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

During the current year, the City entered into capitalized leases for copiers and a golf course mower. In a prior year, the Dayton International Airport enterprise fund entered into a lease purchase agreement with Dayton Power and Light to finance a terminal environment restoration project. The terminal restorations will be reported in the capital assets of the Airport enterprise fund. Also in a prior year, the City entered into a lease purchase agreement for the acquisition of 100 golf carts.

The leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Fund fixed assets acquired by capital lease and the related liability and interest expense have been reported in the Dayton International Airport enterprise fund, the Golf enterprise fund (nonmajor enterprise fund) and Stores and Reproduction internal service fund. Principal payments in 2002 totaled \$1,825,117 for the Dayton International Airport, \$70,669 for the Golf enterprise fund and \$104,226 for the Stores and Reproduction internal service fund.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

The following is an analysis of assets leased under capital leases as of December 31, 2002:

	Enterprise		Internal Service
	Dayton		Stores and
	International Airport	Golf Fund	Reproduction Fund
Building improvements	\$19,072,000	\$ -	\$ -
Equipment	-	77,872	343,990
Motorized vehicles	-	<u>347,500</u>	-
Total	<u>\$19,072,000</u>	<u>\$425,372</u>	<u>\$343,990</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2002:

Year Ending December 31	Enterprise		Internal Service
	Airport Fund	Golf Fund	Stores and Reproduction Fund
2003	\$ 2,741,068	\$ 117,465	\$ 84,000
2004	2,741,068	117,464	84,000
2005	2,741,068	-	84,000
2006	2,741,068	-	84,000
2007	2,741,068	-	49,000
2008 - 2009	<u>3,197,911</u>	-	-
Total	16,903,251	234,929	385,000
Less: amount representing interest	<u>(2,838,034)</u>	<u>(15,719)</u>	<u>(72,010)</u>
Present value of minimum lease payments	<u>\$14,065,217</u>	<u>\$219,210</u>	<u>\$312,990</u>

NOTE 12 - OPERATING LEASE - LESSEE AND LESSOR DISCLOSURE

The City leases office space under noncancellable leases. Total costs for such leases were \$223,846 for the year ended December 31, 2002. The future minimum lease payments as of December 31, 2002, are as follows:

Year Ending December 31	Minimum Lease Payments
2003	\$148,707
2004	<u>74,354</u>
Totals	<u>\$223,061</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 12 - OPERATING LEASE - LESSEE AND LESSOR DISCLOSURE - (Continued)

The City is the lessor of land and space (through Dayton International Airport enterprise fund) under noncancellable leases. Leases have varying terms from three to sixty five years. The future minimum rentals as of December 31, 2002, are as follows:

<u>Year Ending December 31</u>	<u>Minimum Lease Payments</u>
2003	\$ 2,307,019
2004	2,072,633
2005	2,016,484
2006	1,960,990
2007	1,878,014
2008 - 2042	<u>23,510,455</u>
Totals	<u>\$33,745,595</u>

The City is also the lessor of land and space to the Riverfront Area Redevelopment Enterprises, Inc. The ground lease is \$9,000 per year and the plaza lease is \$ 1,000 per year, both payable in annual installments before or on April 1 each year for the next 20 years. Both of these payments must be made each year for the \$560,000 loan payment to be forgiven each year (See Note 9). The future minimum rentals as of December 31, 2002, are as follows:

<u>Year Ending December 31</u>	<u>Minimum Lease Payments</u>
2003	\$ 10,000
2004	10,000
2005	10,000
2006	10,000
2007	10,000
2008 - 2012	50,000
2013 - 2017	50,000
2018 - 2019	<u>20,000</u>
Totals	<u>\$170,000</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - LONG-TERM OBLIGATIONS

A. The City's governmental activities long-term compensated absences liability increased \$30,117 from \$9,850,608 to \$9,880,725 due to the implementation of GASB Interpretation No. 6 and the governmental activities capital lease obligations increased by \$73,226 from zero to \$73,226 due to the inclusion of a capital lease that was previously reported in the internal service funds. The effect of these adjustments on the total governmental activities long-term obligations at January 1, 2001 was an increase from \$92,557,600 to \$92,660,943. The City's governmental activities long-term obligations at year-end and a schedule of current year activity is as follows:

<i>Governmental Activities:</i>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Balance 12/31/01</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 12/31/02</u>	<u>Amounts Due in One Year</u>
General Obligation Bonds:									
Western Avenue Improvement	06/01/86	12/01/06	7.625	\$ 9,000,000	\$ 2,250,000	\$ -	\$ (450,000)	\$ 1,800,000	\$ 450,000
Wegerzyn Center Improvement	06/01/86	12/01/06	7.625	1,000,000	250,000	-	(50,000)	200,000	50,000
Exhibition Center Improvement	06/01/86	12/01/06	7.625	6,200,000	1,550,000	-	(310,000)	1,240,000	310,000
Road Improvements	06/01/89	12/01/09	7.000	5,200,000	2,080,000	-	(260,000)	1,820,000	260,000
Human Rehabilitation Center	06/01/89	12/01/09	7.000	2,425,000	985,000	-	(120,000)	865,000	120,000
Police District Facilities	06/01/89	12/01/09	7.000	1,815,000	735,000	-	(90,000)	645,000	90,000
Capital Facilities	10/01/93	11/01/13	4.5 to 4.75	7,465,000	4,300,000	-	(355,000)	3,945,000	355,000
Taxable Housing Improvements	10/01/93	11/01/13	5.35 to 6.5	3,035,000	1,835,000	-	(150,000)	1,685,000	150,000
Capital Facilities	10/01/94	11/01/14	4.5 to 8.0	3,280,000	1,980,000	-	(150,000)	1,830,000	150,000
Capital Facilities	05/01/98	12/01/08	4.6 to 5.0	15,630,000	13,295,000	-	(795,000)	12,500,000	805,000
Capital Facilities	12/01/98	12/01/20	3.1 to 5.125	22,200,000	18,025,000	-	(1,660,000)	16,365,000	1,720,000
Capital Facilities	02/01/01	12/01/14	3.75 to 4.65	24,911,861	<u>23,420,963</u>	<u>-</u>	<u>(1,148,511)</u>	<u>22,272,452</u>	<u>2,071,654</u>
Total general obligation bonds					<u>70,705,963</u>	<u>-</u>	<u>(5,538,511)</u>	<u>65,167,452</u>	<u>6,531,654</u>
Revenue Bonds:									
Baseball Revenue Bonds	03/01/99	12/01/19	5.69 to 6.85	12,190,000	11,530,000	-	(360,000)	11,170,000	380,000
Economic Development Revenue Bonds	12/11/02	11/01/12	5.5	1,000,000	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>
Total revenue bonds					<u>11,530,000</u>	<u>1,000,000</u>	<u>(360,000)</u>	<u>12,170,000</u>	<u>380,000</u>

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Special Assessment Bonds:	Issue Date	Maturity Date	Interest Rate(%)	Original Issue Amount	Balance 12/31/01	Increase	Decrease	Balance 12/31/02	Amounts Due in One Year
Ornamental Lighting	11/23/92	11/23/02	6.000	\$479,762	\$ 48,000	\$ -	\$ (48,000)	\$ -	\$ -
Sidewalk Construction	12/01/92	12/01/02	6.000	19,976	2,000	-	(2,000)	-	-
Sidewalk Construction	12/01/93	12/01/03	6.000	28,479	5,800	-	(2,900)	2,900	2,900
Sidewalk Construction	11/01/94	11/01/04	6.000	15,219	4,500	-	(1,500)	3,000	1,500
Sidewalk Construction	11/01/95	11/01/05	6.000	30,459	12,000	-	(3,000)	9,000	3,000
Sidewalk Construction	11/01/96	11/01/06	6.000	29,566	15,000	-	(3,000)	12,000	3,000
Ornamental Lighting	11/01/97	11/01/07	6.000	71,270	42,600	-	(7,100)	35,500	7,100
Sidewalk Construction	11/01/97	11/01/07	6.000	10,141	6,000	-	(1,000)	5,000	1,000
Sidewalk Construction	11/01/97	11/01/02	6.000	22,036	4,400	-	(4,400)	-	-
Sidewalk Construction	11/01/98	11/01/03	6.000	41,384	16,000	-	(8,000)	8,000	8,000
Sidewalk Construction	11/01/98	11/01/08	6.000	9,098	6,300	-	(900)	5,400	900
Sidewalk Construction	11/01/00	11/01/03	6.000	65,838	44,000	-	(22,000)	22,000	22,000
Sidewalk Construction	11/01/00	11/01/05	6.000	112,082	89,600	-	(22,400)	67,200	22,400
Sidewalk Construction	11/01/00	11/01/10	6.000	127,575	115,200	-	(12,800)	102,400	12,800
Sidewalk Construction	12/01/01	12/01/02	6.000	713	713	-	(713)	-	-
Sidewalk Construction	12/01/01	12/01/04	6.000	24,299	24,299	-	(8,299)	16,000	8,000
Sidewalk Construction	12/01/01	12/01/06	6.000	23,528	23,528	-	(4,728)	18,800	4,700
Sidewalk Construction	12/01/01	12/01/11	6.000	11,089	11,089	-	(1,189)	9,900	1,100
Sidewalk Construction	11/01/02	11/01/05	6.000	54,198	-	54,198	-	54,198	18,198
Sidewalk Construction	11/01/02	11/01/07	6.000	174,863	-	174,863	-	174,863	34,863
Sidewalk Construction	11/01/02	11/01/12	6.000	251,050	-	251,050	-	251,050	25,150
Ornamental Lighting	11/01/02	11/01/12	6.000	88,276	-	88,276	-	88,276	9,076
Total special assessment bonds					<u>471,029</u>	<u>568,387</u>	<u>(153,929)</u>	<u>885,487</u>	<u>185,687</u>
Other long-term obligations:									
Compensated absences					9,880,725	1,328,972	-	11,209,667	4,189,804
Capital lease obligations					<u>73,226</u>	<u>343,990</u>	<u>(104,226)</u>	<u>312,990</u>	<u>52,041</u>
Total other long-term obligations					<u>9,953,951</u>	<u>1,672,932</u>	<u>(104,226)</u>	<u>11,522,657</u>	<u>4,241,845</u>
Total governmental activities					<u>\$92,660,943</u>	<u>\$3,241,319</u>	<u>\$(6,156,666)</u>	<u>\$89,745,596</u>	<u>\$11,339,186</u>

General obligation bonds were used to construct street improvements and government construction projects. All general obligation bonds will be paid through the debt service fund from property tax revenues and other revenue sources of the City.

Special assessment bond issues represent assessments for sidewalk, curb and gutter reconstruction, and lighting. They are payable from tax assessments against the property owner whose benefits from the improvements exceed that of the general public. The special assessment bond issues are backed by the full faith and credit of the City. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt. These bonds will be paid from the debt service fund.

Compensated absences will be paid from the fund from which the employees' salaries are paid.

As of December 31, 2002, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$200,293,715 and unvoted legal debt margin was \$104,915,756.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of future principal and interest payments to retire the long-term obligations outstanding at December 31, 2002 for the governmental activities:

Year	General Obligation Bonds			Revenue Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 6,531,654	\$ 3,110,292	\$ 9,641,946	\$ 380,000	\$ 794,093	\$ 1,174,093	\$185,687	\$ 53,129	\$ 238,816
2004	7,565,801	2,800,370	10,366,171	405,000	777,290	1,182,290	152,400	41,988	194,388
2005	6,887,351	2,449,258	9,336,609	430,000	752,666	1,182,666	142,900	32,844	175,744
2006	4,634,874	2,123,906	6,758,780	455,000	726,092	1,181,092	99,500	24,270	123,770
2007	3,917,548	1,882,352	5,799,900	528,183	697,746	1,225,929	91,800	18,300	110,100
2008-2012	20,884,822	6,574,387	27,459,209	3,876,817	2,914,485	6,791,302	213,200	35,832	249,032
2013-2017	11,170,402	2,242,537	13,412,939	4,055,000	1,568,994	5,623,994	-	-	-
2018-2021	3,575,000	305,649	3,880,649	2,040,000	212,008	2,252,008	-	-	-
Totals	<u>\$65,167,452</u>	<u>\$21,488,751</u>	<u>\$86,656,203</u>	<u>\$12,170,000</u>	<u>\$8,443,374</u>	<u>\$20,613,374</u>	<u>\$885,487</u>	<u>\$206,363</u>	<u>\$1,091,850</u>

B. Changes during 2002 in the City's long-term business-type obligations were as follows:

<i>Business-Type Activities:</i>	Issue Date	Maturity Date	Interest Rate	Original Issue Amount	Balance 12/31/01	Increase	Decrease	Balance 12/31/02	Amounts Due in One Year
General Obligation Bonds:									
Dayton International Airport	06/01/82	12/01/02	12.63	\$ 4,770,000	\$ 230,000	\$ -	\$ (230,000)	\$ -	\$ -
Golf Renovations	02/01/01	12/14/14	3.30 to 4.65	3,828,139	3,599,037	-	(176,501)	3,422,536	318,346
Total general obligation bonds					3,829,037	-	(406,501)	3,422,536	318,346
Revenue Bonds:									
Dayton International Airport	10/01/92	12/01/11	3.25 to 5.8	15,175,000	9,790,000	-	(755,000)	9,035,000	800,000
Dayton International Airport	10//15/95	12/15/15	3.85 to 5.5	30,510,000	24,170,000	-	(1,220,000)	22,950,000	1,275,000
Refunding Waterworks	03/01/99	12/01/07	variable	46,690,000	32,260,000	-	(5,000,000)	27,260,000	5,195,000
Total revenue bonds					66,220,000	-	(6,975,000)	59,245,000	7,270,000
Other Long-Term Obligations:									
Ohio Water Development Authority Loan	12/20/88	12/01/13	6.85 to 8.3	\$59,259,894	\$ 19,957,154	\$ -	\$ (2,962,995)	\$16,994,159	\$ 2,962,950
Ohio Public Works Commission Loan	07/01/97	07/01/20	0.00	1,000,000	950,000	-	(50,000)	900,000	50,000
Compensated absences payable					2,534,856	-	(78,344)	2,456,512	931,018
Capital lease obligations					16,102,341	77,872	(1,895,786)	14,284,427	2,048,189
Total other long-term obligations					39,544,351	77,872	(4,987,125)	34,635,098	5,992,157
Total business-type activities					<u>\$109,593,388</u>	<u>\$77,872</u>	<u>\$(12,368,626)</u>	<u>\$97,302,634</u>	<u>\$13,580,503</u>

Enterprise fund general obligation bonds were used for the Dayton International Airport improvements and golf renovations. The bonds will be paid from the respective enterprise fund.

Revenue bonds were issued for various projects at the Dayton International Airport and for water system improvements. The revenue bonds are pledged against the revenue generated by the specific enterprise fund, and will be paid from the respective enterprise fund.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The revenue bonds in the Dayton International Airport enterprise fund are reported at carrying value. Face value of the bond was \$33,960,000. The unamortized bond discount was \$303,550 and the unamortized deferred charge on the 1995 refunding was \$1,727,758. The deferred charge is being amortized as part of interest expense over the life of the new debt.

The revenue bonds in the Water enterprise fund are reported at carrying value. Face value of the bond was \$32,260,000. The unamortized deferred charge on the 1999 refunding was \$338,700. The deferred charge is being amortized as part of interest expense over the life of the new debt.

The City of Dayton's Wastewater Treatment Plant capital improvement project is funded through the joint efforts of the United States Environmental Protection Agency (EPA) and the Ohio Water Development Authority (OWDA). Repayment amounts include capital expenses, administration fees, and accrued interest. The Ohio Water Development Authority Loan will be paid from the Sewer enterprise fund.

During 1997, the City of Dayton was granted a \$1,000,000 loan from the Ohio Public Works Commission. The purpose of the loan is to finance and reimburse the costs of replacing a wastewater treatment laboratory facility to meet Ohio Environmental Protection Agency and the Occupational Safety and Health Association requirements. The loan is being paid out of the Sewer fund over 20 years, with semi-annual payments of \$25,000. There is no interest on this loan.

A reconciliation of the above schedule to the amounts reported on the Statement of Net Assets follows:

Business-Type Activities

Total long-term obligations as stated above	\$97,302,634
Less: Unamortized bond discount - Airport	(303,550)
Less: Unamortized deferred charge on refunding - Airport	(1,727,758)
Less: Unamortized deferred charge on refunding - Water	(338,700)
Less: Current portion of revenue bonds (restricted payable)	<u>(7,270,000)</u>
Total long-term liabilities reported on the Statement of Net Assets	<u>\$87,662,626</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the Dayton International Airport and Golf enterprise funds. The claims payable liability will be paid from the Workers' Compensation internal service fund.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of future principal and interest payments to retire the long-term obligations outstanding at December 31, 2002 for the business-type activities:

Year	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 318,346	\$139,585	\$ 457,931	\$ 7,270,000	\$2,824,852	\$10,094,852
2004	464,199	127,965	592,164	7,580,000	2,513,765	10,093,765
2005	347,649	110,790	458,439	7,920,000	2,177,100	10,097,100
2006	205,126	97,753	302,879	8,285,000	1,824,910	10,109,910
2007	212,452	89,855	302,307	7,745,000	1,453,690	9,198,690
2008-2012	1,475,178	300,612	1,775,790	13,730,000	3,939,593	17,669,593
2013-2017	399,586	27,672	427,258	6,715,000	717,152	7,432,152
2018-2021	-	-	-	-	-	-
Total	<u>\$3,422,536</u>	<u>\$894,232</u>	<u>\$4,316,768</u>	<u>\$59,245,000</u>	<u>\$15,451,062</u>	<u>\$74,696,062</u>

Year	OWDA Loans			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 2,962,995	\$1,347,678	\$ 4,310,673	\$ 50,000	\$ -	\$ 50,000
2004	2,962,995	1,110,028	4,073,023	50,000	-	50,000
2005	2,962,995	872,378	3,835,373	50,000	-	50,000
2006	2,806,233	634,727	3,440,960	50,000	-	50,000
2007	2,649,471	412,722	3,062,193	50,000	-	50,000
2008-2012	2,649,470	206,360	2,855,830	250,000	-	250,000
2013-2017	-	-	-	250,000	-	250,000
2018-2021	-	-	-	150,000	-	150,000
Total	<u>\$16,994,159</u>	<u>\$4,583,893</u>	<u>\$21,578,052</u>	<u>\$900,000</u>	<u>\$ -</u>	<u>\$900,000</u>

NOTE 14 - NOTES PAYABLE

A. A summary of the governmental-activities notes payable transactions for the year ended December 31, 2002, follows:

	Issue Date	Maturity Date	Interest Rate	Balance 12/31/01	Increase	Decrease	Balance 12/31/02
<u>Governmental Activities:</u>							
General Obligation Notes:							
Series 2002	12/19/02	12/18/03	2.00%	\$ -	\$8,250,000	\$ -	\$8,250,000
Total G.O. Notes				-	8,250,000	-	8,250,000
Special Assessment Notes:							
Sidewalk Construction	11/01/02	11/01/03	6.00%	-	1,446	-	1,446
Grafton Hill Lighting	11/01/02	11/01/03	6.00%	-	1,610	-	1,610
Central Business Listing	11/01/02	11/01/03	6.00%	-	41,178	-	41,178
Total special assessment notes				-	44,234	-	44,234
Total governmental activities				\$ -	\$8,294,234	\$ -	\$8,294,234

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 14 - NOTES PAYABLE - (Continued)

B. A summary of the business-type activities notes payable transactions for the year ended December 31, 2002, follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/01</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 12/31/02</u>
<i>Business-Type Activities:</i>							
General Obligation Notes:							
Airport Improvement Notes	08/30/01	05/30/02	4.75%	\$7,600,000	\$ -	\$ (7,600,000)	\$ -
Airport Note Series 1	05/30/02	12/02/02	1.93%	-	6,850,000	(6,850,000)	-
Airport Notes Series B	11/29/02	05/29/03	2.00%	-	4,850,000	-	4,850,000
Airport Note Series C	12/19/02	12/18/03	2.00%	-	8,000,000	-	8,000,000
Total G.O. notes				<u>\$7,600,000</u>	<u>\$19,700,000</u>	<u>\$(14,450,000)</u>	<u>\$12,850,000</u>

The special assessment note represents an assessment for sidewalk improvements. It is payable from tax assessments against the property owner whose benefits from the improvements exceed that of the general public. The special assessment note is backed by the full faith and credit of the City. In the event that an assessed property owner fails to make payments, the City will be required to pay the related debt. This note will be repaid from the Capital Improvement capital projects fund.

NOTE 15 - SEGMENT INFORMATION - NONMAJOR ENTERPRISE FUNDS

The City's maintains two nonmajor enterprise funds to account for Storm Water and Golf activities. Neither of these activities are supported by revenue bonds or other revenue-backed debt instruments, therefore, segment information is not required. See the combining statements included as part of this CAFR for detailed fund activity of the nonmajor enterprise funds.

NOTE 16 - RISK MANAGEMENT

A. Property and Liability

The City 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. In 2002, the City contracted with various insurance companies to provide the following coverages:

<u>Type of Coverage</u>	<u>Coverage</u>
Primary and Excess Airport Liability	\$100,000,000
Per Occurrence	25,000,000
Property	521,821,274
General Liability (North West Railway)	5,000,000
Commercial Liability (Convention Center)	1,000,000
Errors and Omissions (Ambulance Attendants)	500,000
Garagekeepers/Operators Liability	3,000,000
Comprehensive/Catastrophic Fleet	20,000,000
Air Show Liability	95,000,000

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 16 - RISK MANAGEMENT - (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

The City has elected to take advantage of the workers' compensation plan being offered by the State of Ohio. This plan, called retrospective rating, allows the City to pay a fraction of the premium it would pay as an experience-rated risk.

Retrospective rating constitutes a step closer to self-insurance. In the retrospective rating plan, the City agrees to assume a portion of the risk in return for a possible reduction in premiums. The greater the percentage of the risk the City assumes, the greater the potential reduction in the premium. If the City's loss experience is better than predicted by the experience-rating system, its premium obligation will be less than what it would have paid under experience rating. If its experience is worse than predicted, its premium obligation will be more than it would have been assessed under experience rating, limited to a maximum premium. The City has assumed the risk for individual claims up to a maximum of \$300,000.

The City has agreed to pay all claims up to a maximum of 200% of what the City would have paid had the City remained an experience-rated risk. Claims exceeding these limits will be paid by the State. Each year, the City pays the State a "minimum premium" for retaining the risk of having to pay claims which exceeds the City's maximum claim limits. Ten years after each year the City elected the retrospective plan for workers' compensation, the City settles up for the reserve on any claims that are still open. The City has established a Workers' Compensation Internal Service Fund to account for and finance its uninsured risks of loss in this program.

The claims liability of \$11,919,628 reported at December 31, 2002, as estimated by the third party administrator, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The estimate was not affected by non-incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the funds' claims liability amount in 2001 and 2002 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2002	\$10,904,858	\$1,895,751	\$ (880,981)	\$11,919,628
2001	11,458,122	2,666,797	(3,220,061)	10,904,858

CITY OF DAYTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 17 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, compensatory time and sick leave components are derived from negotiated agreements and State laws. Vacation time is accrued at the rate of one day per month, plus one to nine additional days per year for all employees except police, who receive up to 12 additional days per year, depending upon the length of service. The maximum accrual which can be carried forward into January is thirty days. Accumulated unused vacation time is paid to employees upon termination or retirement.

Compensatory time off in lieu of overtime pay is an option given to uniformed Police under union contract. It is given on the basis of time and one-half for actual hours worked. Police officers, sergeants, and lieutenants may accumulate up to 136 hours. Currently, overtime pay is paid as overtime hours worked by those uniformed employees who have already accumulated the maximum hours allowed.

All uniformed employees of the Fire Department also have the option to choose compensatory time in lieu of overtime pay, and they may accumulate up to one hundred twenty hours of compensatory time. Employees who have accumulated the maximum hours are paid overtime as overtime hours are worked.

Sick leave is accrued at the rate of one and one-fourth days per month. The maximum sick leave accrual which can be carried forward into January is 125 days. Accrued sick leave in excess of 125 days must be converted to vacation days in January at the rate of two sick leave days for one vacation day. Upon retirement, payment is made for one-half of the total sick leave accumulation, up to a maximum of 140 days.

B. Insurance Benefits

Medical insurance is provided to employees through United Health Care or Anthem Blue Cross/Blue Shield Health Maintenance insurance plans. Dental insurance is provided to employees through Superior Dental Care and Ohio AFSCME Care. Group Life and Accidental Death and Dismemberment insurance is provided to employees through Provident Life Insurance. Life insurance coverage amounts range from \$12,000 to \$300,000 according to employee position.

C. Deferred Compensation Plans

City employees and elected officials participate in either the International City Managers Association (ICMA) Deferred Compensation Plan, or the Ohio Public Employees Deferred Compensation Plan. These plans are created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 18 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

All City full-time employees, other than uniformed employees, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2002 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 8.55% was the portion used to fund pension obligations for 2002. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 11.70% was the portion used to fund pension obligations for 2002. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to OPERS to fund pensions for the years ended December 31, 2002, 2001, and 2000 were \$8,056,838, \$7,959,610, and \$5,339,039, respectively; 75.27% has been contributed for 2002 and 100% for 2001 and 2000. \$1,992,545, representing the unpaid contribution for 2002, is recorded as a liability within the respective funds.

B. Ohio Police and Fire Pension Fund

Full-time uniformed employees of the City participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. The OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The City's contributions to OP&F for the years ended December 31, 2002, 2001, and 2000 were \$7,155,301, \$7,330,677, and \$5,745,158, respectively; 71.81% has been contributed for 2002 and 100% for the years 2001 and 2000. \$2,017,402, representing the unpaid contributions for 2002, is recorded as a liability within the respective funds.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 19 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2002 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2002 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The City's contribution actually made to fund postemployment benefits was \$1,992,545.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

As of December 31, 2001 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively, at December 31, 2001 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2001 (the latest information available) was 402,041.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2002, Comprehensive Annual Financial Report.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 19 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.50% and 7.75% of covered payroll in 2001 and 2002, respectively. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2001 (the latest information available), is 13,174 for police officers and 10,239 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$2,195,162 and \$1,825,257, respectively. OP&F's total health care expense for the year ending December 31, 2001 (the latest information available), was \$122.299 million, which was net of member contributions of \$6.875 million.

NOTE 20 - BUDGETARY BASIS OF ACCOUNTING

While the City is 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, disbursements and encumbrances as described in Note 2.F. The Statement of Revenues, Expenditures and Changes in Fund Balances - 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 GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 20 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

5. Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The adjustments necessary to convert the results of operations for the year ended December 31, 2002, on the GAAP basis to the budget basis are as follows:

Net Change in Fund Balance

	<u>General</u>
Budget basis	\$(4,859,134)
Net adjustment for revenue accruals	1,594,266
Net adjustment for expenditure accruals	(1,709,517)
Net adjustment for other sources/uses	74,284
Adjustment for encumbrances	<u>3,836,462</u>
GAAP basis	<u><u>\$ (1,063,639)</u></u>

NOTE 21 - CONDUIT DEBT OBLIGATIONS

The City has the following conduit debt obligations at December 31, 2002:

	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
Emery Revenue Refunding - 1988	\$46,000,000	\$46,000,000
Emery Revenue Refunding - 1988	17,000,000	17,000,000
Emery Revenue Refunding - 1988	13,000,000	13,000,000
Emery Revenue Refunding - 1993	16,000,000	16,000,000
Emery Revenue Refunding - 1993	16,000,000	16,000,000
Ohio Special Facilities Revenue - 1999	7,015,000	6,720,000

These bonds do not constitute a general obligation, debt or bonded indebtedness of the City. Neither is the full faith and credit or taxing power of the City pledged to make repayment, and therefore they have been excluded entirely from the City's debt presentation. There has not been and is not any condition of default under the bond or the related financing documents.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 22 - DISCRETELY PRESENTED COMPONENT UNIT

A. Basis of Accounting

CityWide prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement Number 29, "The Use of Not-for-Profit Accounting and Financial Accounting Principles by Governmental Entities". CityWide elected to use the not-for-profit model, which includes the accounting and financial reporting principles contained in Statement of Position 78-10 as modified by all applicable Financial Accounting Standards Board pronouncements issued through November 30, 1989, and as modified by all GASB pronouncements issued after GASB Statement Number 1, "Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide".

B. Deposits and Investments

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits:

The carrying amount of CityWide Development Corporation deposits was \$1,404,288 and the related bank balance was \$1,764,824. Of the bank balance \$451,633 was covered by federal depository insurance, and \$1,313,191 was uncollateralized and uninsured.

Investments:

Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Mutual funds and money markets are unclassified since they are not evidenced by securities that exist in physical or book entry form. The following is a schedule of CityWide's investments according to GASB 3 Categorization:

	<u>Category 1</u>	<u>Fair Value</u>
Mutual Funds	\$ -	\$ 892,580
Money Markets	-	552,672
Commercial Paper	<u>1,550,988</u>	<u>1,550,988</u>
Total Investments	<u>\$1,550,988</u>	<u>\$2,996,240</u>

A reconciliation to the Statement of Net Assets follows:

Deposits	\$1,404,288
Investments	<u>2,996,240</u>
Total	<u>\$4,400,528</u>
Cash and cash equivalents in segregated accounts	\$3,373,095
Restricted cash and cash equivalents in segregated accounts	<u>1,027,433</u>
Total	<u>\$4,400,528</u>

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 22 - DISCRETELY PRESENTED COMPONENT UNIT - (Continued)

C. Notes Payable Advance from Primary Government

Notes payable/advance from primary government at December 31, 2002, consisted of the following:

Note	Payable to	Amount
Noninterest-bearing Note for Landing Project	City of Dayton	\$ 5,433,600
Noninterest-bearing Note for Wellfield Project	City of Dayton	2,663,808
Note for Renovation of Western Manor	City of Dayton and the Dayton Montgomery County Housing Authority	139,572
Note for Redevelopment of Hawthorn School Building	City of Dayton	719,549
Note for Webster Street Project	City of Dayton	200,000
Note for Renovation of Ice Avenue Units	City of Dayton	150,000
Note for Renovation of 119 North Main Street	City of Dayton	150,000
Note for Development of West 3 rd Street	City of Dayton	<u>4,425,000</u>
Total Advance from Primary Government		<u>13,881,529</u>
Note for Redevelopment of Hawthorne School Building	McPherson Town Neighborhood Development Corporation, Inc.	250,000
Note for Renovation of Genesis Project Area	Affordable Housing Fund	350,000
Note for Housing Loans	Third-Party Insurance Company	349,200
Other Notes Payable	Not Disclosed	<u>246,996</u>
Total Notes Payable		<u>1,196,196</u>
Total Advance from Primary Government/Notes Payable		<u>\$15,077,725</u>

The amounts payable to the City are shown on the Statement of Net Assets as "Advance from Primary Government".

D. Bonds Payable

During 1996, CityWide issued \$2,560,000 County of Montgomery Ohio, Adjustable Rate Industrial Development Revenue Bonds, Series 1996. Also during 1996, CityWide issued \$2,420,000 in Montgomery County Series, 1996A Industrial Development Revenue Bonds. The Series 1996A Indenture refunded a Trust Indenture dated as of December 1, 1988. Proceeds of the bonds were used to construct a building and an addition to an existing building to be rented to Advanced Assembly Automation, Inc.

CITY OF DAYTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

NOTE 22 - DISCRETELY PRESENTED COMPONENT UNIT - (Continued)

Principal maturities due under these agreements are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2003	\$ 235,000
2004	250,000
2005	270,000
2006	295,000
2007	310,000
2008 - 2012	2,956,448
2013	<u>420,000</u>
Total	<u>\$4,736,448</u>

NOTE 23 - CONTINGENCIES

A. Litigation

The City is party to legal proceedings. The City is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the City.

B. Grants

For the period January 1, 2002, to December 31, 2002, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

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**COMBINING STATEMENTS
AND SCHEDULES**

**COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULES**

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CITY OF DAYTON, OHIO

COMBINING STATEMENTS - NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. The following are the nonmajor special revenue funds which the City of Dayton operates:

Street

To account for monies for all street and road repairs and general upkeep to ensure safe, smooth transportation for all users of Dayton roadways. Funds are provided by shared tax revenues and registration fees from the State of Ohio and Montgomery County, respectively.

Highway Maintenance

To account for lighting the freeways through Dayton. Funds are provided by shared tax revenues and registration fees from the State of Ohio and Montgomery County, respectively.

HUD Programs

To account for various program funds administered by the Department of Housing and Urban Development. Such monies are appropriated on a project level with specific identification of each project being budgeted. Budget basis financial statements for these funds are not, therefore, presented in this report because such statements would not be meaningful. The first three programs listed below are entitlement grants. Funds are granted annually using a statutory formula.

The Community Development Block Grant Program (CDBG) was established in 1974 to assist in the development of viable urban communities, to conserve and renew older urban areas, to improve the living environment of low and moderate income families, and to develop opportunities for economic growth.

Emergency Shelter Grant Program (EMRG) was established in 1987 to provide for the creation and operations of emergency shelters for the homeless.

HOME Program was established in 1990 to expand the supply of decent and affordable housing for low income families.

Urban Development Action Grants (UDAG) are granted on a project basis. The City has used these funds for projects such as the renovation of the Arcade and The Landing rental housing downtown.

Law Enforcement

To account for the fines generated from the prosecution of those in possession of contraband and the proceeds gained from the sale of confiscated contraband. This money may be spent for any law enforcement activity.

Miscellaneous Grants

To account for miscellaneous grant projects. These projects include food service for children at child care and recreation centers, additional police patrol in high density traffic areas, juvenile court mediation services, and drug rehabilitation programs. Funding sources include the United States Departments of Justice, Housing and Urban Development, Agriculture, Education, Interior and Transportation and the Ohio Departments of Education, Development, Highway Safety, and Natural Resources.

Other Special Revenue

To account for monies restricted by City Ordinance to finance various special projects undertaken by the City and to account for probation fees and municipal court fees that are used for victim witness assistance and operation of the probation department.

Dayton Sister Cities

To account for financial activity of the City of Dayton's blended component unit.

CITY OF DAYTON, OHIO

COMBINING STATEMENTS - NONMAJOR GOVERNMENTAL FUNDS

Nonmajor Capital Projects Funds

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 the proprietary or nonexpendable trust funds. The following is a description of all the City's nonmajor capital projects funds:

Economic Development/Government Equity Improvement

To account for grant revenues received from the County and used to develop and promote economic development.

Issue II

To account for Issue II funds received from the state of Ohio for each project awarded through this program and local matching funds.

The above capital projects funds appropriate monies on a project level with specific identification of each project being budgeted. Budget basis financial statements for these funds are not, therefore, presented in this report because such statement would not be meaningful.

Nonmajor Permanent Fund

Permanent funds are used to account for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support City programs. Included in the permanent fund is the Schantz Waldruhe Park Trust which accounts for interest earned on Dayton Power & Light stock that is used for the improvement, care and maintenance of Waldruhe Park and the Forrest B. Lucas Foundation which accounts for interest earned on a contribution made by Forrest B. Lucas that is to be used for fire department training purposes.

The City reports only one permanent fund to account for the above activity. No combining schedules are required.

CITY OF DAYTON, OHIO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2002

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Nonmajor Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 9,155,830	\$ 197,776	\$ 66,380	\$ 9,419,986
Cash and cash equivalents in segregated accounts	37,757	-	-	37,757
Investments	-	-	52,228	52,228
Receivables (net of allowances of uncollectibles):				
Property and other local taxes	2,886,184	-	-	2,886,184
Accounts	81,213	3,989	-	85,202
Special assessments	237,963	-	-	237,963
Accrued interest	26,077	-	-	26,077
Due from other governments	3,864,331	3,479,548	-	7,343,879
Advances to component unit	5,462,250	-	-	5,462,250
Total assets	<u>\$ 21,751,605</u>	<u>\$ 3,681,313</u>	<u>\$ 118,608</u>	<u>\$ 25,551,526</u>
Liabilities:				
Accounts payable	\$ 223,195	\$ 49,839	\$ -	\$ 273,034
Contracts payable	1,132,413	120,115	-	1,252,528
Accrued wages and benefits	456,711	146	-	456,857
Due to other funds	114,555	-	-	114,555
Due to other governments	37,210	-	-	37,210
Interfund payable	582,538	2,616,824	-	3,199,362
Deferred revenue	4,467,269	-	-	4,467,269
Total liabilities	<u>7,013,891</u>	<u>2,786,924</u>	<u>-</u>	<u>9,800,815</u>
Fund equity:				
Reserved for encumbrances	10,646,108	2,309,497	-	12,955,605
Reserved for advances	5,462,250	-	-	5,462,250
Reserved for contributions to permanent fund	-	-	102,228	102,228
Unreserved, undesignated, reported in:				
Special revenue funds	(1,370,644)	-	-	(1,370,644)
Permanent funds	-	-	16,380	16,380
Capital projects funds	-	(1,415,108)	-	(1,415,108)
Total fund equity	<u>14,737,714</u>	<u>894,389</u>	<u>118,608</u>	<u>15,750,711</u>
Total liabilities and fund equity	<u>\$ 21,751,605</u>	<u>\$ 3,681,313</u>	<u>\$ 118,608</u>	<u>\$ 25,551,526</u>

CITY OF DAYTON, OHIO

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2002

	<u>Street</u>	<u>Highway Maintenance</u>	<u>HUD Programs</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 423,044	\$ 543,773	\$ -
Cash and cash equivalents in segregated accounts . .	-	-	-
Receivables (net of allowances of uncollectibles):			
Property and other local taxes	2,886,184	-	-
Accounts.	808	-	-
Special assessments, net.	-	-	237,963
Accrued interest	-	-	-
Due from other governments	1,894,933	147,990	1,316,851
Advances to component unit	-	-	5,462,250
Total assets.	<u>\$ 5,204,969</u>	<u>\$ 691,763</u>	<u>\$ 7,017,064</u>
Liabilities:			
Accounts payable.	\$ 14,610	\$ -	\$ 50,303
Contracts payable.	-	-	84,725
Accrued wages and benefits	288,185	-	146,817
Due to other funds	98,169	-	12,973
Due to other governments	-	-	9,699
Interfund loan payable	-	-	582,538
Deferred revenue.	4,110,561	93,621	237,963
Total liabilities.	<u>4,511,525</u>	<u>93,621</u>	<u>1,125,018</u>
Fund equity:			
Reserved for encumbrances.	59,814	114,211	7,962,192
Reserved for advances to component unit	-	-	5,462,250
Unreserved, undesignated	633,630	483,931	(7,532,396)
Total fund equity	<u>693,444</u>	<u>598,142</u>	<u>5,892,046</u>
Total liabilities and fund equity.	<u>\$ 5,204,969</u>	<u>\$ 691,763</u>	<u>\$ 7,017,064</u>

<u>Law Enforcement</u>	<u>Miscellaneous Grants</u>	<u>Other Special Revenue</u>	<u>Dayton Sister Cities</u>	<u>Total</u>
\$ 2,495,056	\$ 685,454	\$ 5,008,503	\$ -	\$ 9,155,830
-	-	-	37,757	37,757
-	-	-	-	2,886,184
-	12,613	67,792	-	81,213
-	-	-	-	237,963
26,077	-	-	-	26,077
-	504,557	-	-	3,864,331
-	-	-	-	5,462,250
<u>\$ 2,521,133</u>	<u>\$ 1,202,624</u>	<u>\$ 5,076,295</u>	<u>\$ 37,757</u>	<u>\$ 21,751,605</u>
\$ 10,687	\$ 37,858	\$ 109,737	\$ -	\$ 223,195
-	9,875	1,037,813	-	1,132,413
-	21,101	608	-	456,711
2,882	531	-	-	114,555
-	-	27,511	-	37,210
-	-	-	-	582,538
25,124	-	-	-	4,467,269
<u>38,693</u>	<u>69,365</u>	<u>1,175,669</u>	<u>-</u>	<u>7,013,891</u>
343,587	2,137,753	28,551	-	10,646,108
-	-	-	-	5,462,250
2,138,853	(1,004,494)	3,872,075	37,757	(1,370,644)
<u>2,482,440</u>	<u>1,133,259</u>	<u>3,900,626</u>	<u>37,757</u>	<u>14,737,714</u>
<u>\$ 2,521,133</u>	<u>\$ 1,202,624</u>	<u>\$ 5,076,295</u>	<u>\$ 37,757</u>	<u>\$ 21,751,605</u>

CITY OF DAYTON, OHIO

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2002

	Economic Development/ Government Equity Improvement	Issue II	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 197,776	\$ -	\$ 197,776
Receivables (net of allowances of uncollectibles):			
Accounts.	3,989	-	3,989
Due from other governments	<u>1,003,454</u>	<u>2,476,094</u>	<u>3,479,548</u>
Total assets.	<u>\$ 1,205,219</u>	<u>\$ 2,476,094</u>	<u>\$ 3,681,313</u>
Liabilities:			
Accounts payable.	\$ 13,840	\$ 35,999	\$ 49,839
Contracts payable.	120,115	-	120,115
Accrued wages and benefits	-	146	146
Interfund loan payable	<u>-</u>	<u>2,616,824</u>	<u>2,616,824</u>
Total liabilities.	<u>133,955</u>	<u>2,652,969</u>	<u>2,786,924</u>
Fund equity:			
Reserved for encumbrances.	1,759,888	549,609	2,309,497
Unreserved, undesignated	<u>(688,624)</u>	<u>(726,484)</u>	<u>(1,415,108)</u>
Total fund equity	<u>1,071,264</u>	<u>(176,875)</u>	<u>894,389</u>
Total liabilities and fund equity.	<u>\$ 1,205,219</u>	<u>\$ 2,476,094</u>	<u>\$ 3,681,313</u>

CITY OF DAYTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Nonmajor Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
Property and other local taxes	\$ 2,303,178	\$ -	\$ -	\$ 2,303,178
State shared taxes.	4,054,596	-	-	4,054,596
Charges for services	1,045,180	13,989	-	1,059,169
Fines and forfeitures	505,494	-	-	505,494
Intergovernmental	14,182,474	3,035,409	-	17,217,883
Special assessments	44,341	-	-	44,341
Investment income	96,275	-	120	96,395
Decrease in FMV of investments	-	-	(29,786)	(29,786)
Other	421,196	574,439	5,858	1,001,493
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	22,652,734	3,623,837	(23,808)	26,252,763
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Current:				
Youth, education and human services.	572,798	-	-	572,798
Community development and neighborhoods.	1,906,953	-	-	1,906,953
Economic development	9,842,151	-	-	9,842,151
Leadership and quality of life	11,091,873	-	3,173	11,095,046
Corporate responsibility.	638,702	-	-	638,702
Public safety and justice.	1,887,711	-	-	1,887,711
Other.	49,015	-	-	49,015
Capital outlay	1,145,244	4,925,742	-	6,070,986
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures.	27,134,447	4,925,742	3,173	32,063,362
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures.	(4,481,713)	(1,301,905)	(26,981)	(5,810,599)
	<hr/>	<hr/>	<hr/>	<hr/>
Other financing sources (uses):				
Proceeds from sale of bonds	-	1,000,000	-	1,000,000
Transfers in	3,327,762	75,000	-	3,402,762
Transfers out	(161,975)	(274,000)	-	(435,975)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	3,165,787	801,000	-	3,966,787
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,315,926)	(500,905)	(26,981)	(1,843,812)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances at beginning of year	11,178,512	1,395,294	145,589	12,719,395
Residual equity transfer in	4,875,128	-	-	4,875,128
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances at end of year.	\$ 14,737,714	\$ 894,389	\$ 118,608	\$ 15,750,711
	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Street</u>	<u>Highway Maintenance</u>	<u>HUD Programs</u>
Revenues:			
Property and other local taxes	\$ 2,303,178	\$ -	\$ -
State shared taxes	3,746,750	307,846	-
Charges for services	403,445	-	-
Fines and forfeitures	-	-	-
Intergovernmental	258,115	-	12,300,400
Special assessments	-	-	44,341
Investment income	-	-	364
Other	86,700	-	145,292
Total revenues	<u>6,798,188</u>	<u>307,846</u>	<u>12,490,397</u>
Expenditures:			
Current:			
Youth, education and human services	-	-	473,262
Community development and neighborhoods	-	-	1,859,007
Economic development	-	-	8,750,996
Leadership and quality of life	8,664,111	423,499	1,605,538
Corporate responsibility	-	-	150,178
Public safety and justice	123,406	-	-
Other	-	-	-
Capital outlay	-	-	896,209
Total expenditures	<u>8,787,517</u>	<u>423,499</u>	<u>13,735,190</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,989,329)</u>	<u>(115,653)</u>	<u>(1,244,793)</u>
Other financing sources (uses):			
Transfers in	1,815,200	-	1,086,335
Transfers out	-	-	(135,237)
Total other financing sources (uses)	<u>1,815,200</u>	<u>-</u>	<u>951,098</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(174,129)	(115,653)	(293,695)
Fund balances, January 1	867,573	713,795	6,185,741
Residual equity transfer in	-	-	-
Fund balances, December 31.	<u>\$ 693,444</u>	<u>\$ 598,142</u>	<u>\$ 5,892,046</u>

Law Enforcement	Miscellaneous Grants	Other Special Revenue	Dayton Sister City	Total
\$ -	\$ -	\$ -	\$ -	\$ 2,303,178
-	-	-	-	4,054,596
29	593,344	48,362	-	1,045,180
505,494	-	-	-	505,494
465,224	1,158,735	-	-	14,182,474
-	-	-	-	44,341
95,727	-	-	184	96,275
423	114,605	67,792	6,384	421,196
<u>1,066,897</u>	<u>1,866,684</u>	<u>116,154</u>	<u>6,568</u>	<u>22,652,734</u>
-	99,536	-	-	572,798
-	-	47,946	-	1,906,953
-	17,008	1,060,129	14,018	9,842,151
-	347,270	51,455	-	11,091,873
413,946	19,499	55,079	-	638,702
715,933	1,046,472	1,900	-	1,887,711
-	49,015	-	-	49,015
78,376	170,659	-	-	1,145,244
<u>1,208,255</u>	<u>1,749,459</u>	<u>1,216,509</u>	<u>14,018</u>	<u>27,134,447</u>
<u>(141,358)</u>	<u>117,225</u>	<u>(1,100,355)</u>	<u>(7,450)</u>	<u>(4,481,713)</u>
61,478	299,749	50,000	15,000	3,327,762
-	(17,003)	(9,735)	-	(161,975)
<u>61,478</u>	<u>282,746</u>	<u>40,265</u>	<u>15,000</u>	<u>3,165,787</u>
(79,880)	399,971	(1,060,090)	7,550	(1,315,926)
2,562,320	733,288	85,588	30,207	11,178,512
-	-	4,875,128	-	4,875,128
<u>\$ 2,482,440</u>	<u>\$ 1,133,259</u>	<u>\$ 3,900,626</u>	<u>\$ 37,757</u>	<u>\$ 14,737,714</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Economic Development/ Government Equity Improvement	Issue II	Total
Revenues:			
Charges for services	\$ 13,989	\$ -	\$ 13,989
Intergovernmental	376,467	2,658,942	3,035,409
Other	-	574,439	574,439
Total revenues	<u>390,456</u>	<u>3,233,381</u>	<u>3,623,837</u>
Expenditures:			
Current:			
Capital outlay	<u>1,185,822</u>	<u>3,739,920</u>	<u>4,925,742</u>
Total expenditures	<u>1,185,822</u>	<u>3,739,920</u>	<u>4,925,742</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(795,366)</u>	<u>(506,539)</u>	<u>(1,301,905)</u>
Other financing sources (uses):			
Proceeds from sale of bonds	1,000,000	-	1,000,000
Transfers in	-	75,000	75,000
Transfers out	<u>(274,000)</u>	-	<u>(274,000)</u>
Total other financing sources (uses)	<u>726,000</u>	<u>75,000</u>	<u>801,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(69,366)</u>	<u>(431,539)</u>	<u>(500,905)</u>
Fund balances, January 1	<u>1,140,630</u>	<u>254,664</u>	<u>1,395,294</u>
Fund balances, December 31.	<u>\$ 1,071,264</u>	<u>\$ (176,875)</u>	<u>\$ 894,389</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENTS - NONMAJOR ENTERPRISE FUNDS

Nonmajor Enterprise Funds

The enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be recovered primarily through user charges, or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income in appropriate for capital maintenance, public policy, management control, accountability or other purposes. The following are the nonmajor enterprise funds which the City of Dayton operates:

Storm Water

To account for the provision of storm sewers to the residents of the City of Dayton. Charges for services are used to maintain the storm sewers throughout the City.

Golf

To account for the operations of the City's six golf courses. Revenue is generated by golf fees charged for the use of the facilities. The six golf courses provide needed green space inside the City with three providing scenic cover to the City's north well field.

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2002

	<u>Storm Water</u>	<u>Golf</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 433,507	\$ 88,023	\$ 521,530
Receivables (net of allowances of uncollectibles):			
Accounts.	5,882,514	544	5,883,058
Accrued interest	16,689	-	16,689
Unamortized bond issuance costs	-	46,916	46,916
Capital assets:			
Land and construction in progress	-	785,180	785,180
Depreciable capital assets, net	10,525,780	5,625,322	16,151,102
Total capital assets.	<u>10,525,780</u>	<u>6,410,502</u>	<u>16,936,282</u>
Total assets.	<u>16,858,490</u>	<u>6,545,985</u>	<u>23,404,475</u>
Liabilities:			
Accounts payable.	\$ 74,385	\$ 53,171	\$ 127,556
Contracts payable.	13,679	53,631	67,310
Accrued wages and benefits	79,662	52,946	132,608
Compensated absences payable.	132,125	101,884	234,009
Accrued interest payable	-	10,610	10,610
Due to other funds	487,528	32,217	519,745
Due to other governments	-	480	480
General obligation bonds payable.	-	3,422,536	3,422,536
Capital lease obligation.	-	219,210	219,210
Total liabilities.	<u>787,379</u>	<u>3,946,685</u>	<u>4,734,064</u>
Net assets:			
Invested in capital assets, net of related debt	10,525,780	2,768,756	13,294,536
Unrestricted	<u>5,545,331</u>	<u>(169,456)</u>	<u>5,375,875</u>
Total net assets	<u>\$ 16,071,111</u>	<u>\$ 2,599,300</u>	<u>\$ 18,670,411</u>

CITY OF DAYTON, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Storm Water	Golf	Total
Operating revenues:			
Charges for services	\$ 2,625,147	\$ 3,119,621	\$ 5,744,768
Other	16,506	25,042	41,548
Total operating revenues	<u>2,641,653</u>	<u>3,144,663</u>	<u>5,786,316</u>
Operating expenses:			
Personal services	1,584,840	1,319,987	2,904,827
Benefit payments	463,570	392,800	856,370
Contract services	824,510	700,161	1,524,671
Materials and supplies.	177,094	335,348	512,442
Utilities	36,763	128,719	165,482
Depreciation.	264,960	240,098	505,058
Other.	88,828	243,999	332,827
Total operating expenses	<u>3,440,565</u>	<u>3,361,112</u>	<u>6,801,677</u>
Operating income (loss)	<u>(798,912)</u>	<u>(216,449)</u>	<u>(1,015,361)</u>
Nonoperating revenues (expenses):			
Interest income.	70,655	-	70,655
Gain on disposal of fixed assets	-	8,629	8,629
Interest and fiscal charges	-	(165,894)	(165,894)
Total nonoperating revenues (expenses).	<u>70,655</u>	<u>(157,265)</u>	<u>(86,610)</u>
Income (loss) before transfers.	(728,257)	(373,714)	(1,101,971)
Capital contributions.	609,701	-	609,701
Transfers in	25,892	412,819	438,711
Transfers out	<u> </u>	<u>(20,000)</u>	<u>(20,000)</u>
Change in net assets.	(92,664)	19,105	(73,559)
Net assets, January 1 (restated)	<u>16,163,775</u>	<u>2,580,195</u>	<u>18,743,970</u>
Net assets, December 31	<u>\$ 16,071,111</u>	<u>\$ 2,599,300</u>	<u>\$ 18,670,411</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Storm Water</u>	<u>Golf</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 2,565,003	\$ 3,119,077	\$ 5,684,080
Cash received from other operating revenues	16,506	31,966	48,472
Cash payments for personal services	(1,554,666)	(1,313,192)	(2,867,858)
Cash payments for fringe benefits	(469,341)	(384,957)	(854,298)
Cash payments for contract services.	(804,405)	(631,468)	(1,435,873)
Cash payments for materials and supplies.	(197,508)	(291,525)	(489,033)
Cash payments for utilities.	(36,763)	(128,719)	(165,482)
Cash payments for other operating expenses	<u>(88,911)</u>	<u>(245,540)</u>	<u>(334,451)</u>
Net cash provided by (used in) operating activities.	<u>(570,085)</u>	<u>155,642</u>	<u>(414,443)</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds.	25,892	412,819	438,711
Transfers out to other funds.	-	(20,000)	(20,000)
Net cash provided by (used in) noncapital financing activities	<u>25,892</u>	<u>392,819</u>	<u>418,711</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(206,752)	(193,152)	(399,904)
Proceeds from sale of capital assets	-	8,629	8,629
Principal paid on bonds	-	(176,489)	(176,489)
Interest paid on bonds	-	(145,409)	(145,409)
Proceeds from capital lease transaction.	-	77,872	77,872
Principal paid on capital leases	-	(70,669)	(70,669)
Interest paid on capital leases.	<u>-</u>	<u>(6,265)</u>	<u>(6,265)</u>
Net cash provided by (used in) capital and related financing activities	<u>(206,752)</u>	<u>(505,483)</u>	<u>(712,235)</u>
Cash flows from investing activities:			
Interest received.	67,786	-	67,786
Net cash provide by investing activities	<u>67,786</u>	<u>-</u>	<u>67,786</u>
Net increase (decrease) in cash and cash equivalents . .	(683,159)	42,978	(640,181)
Cash and cash equivalents at beginning of year . . .	<u>1,116,666</u>	<u>45,045</u>	<u>1,161,711</u>
Cash and cash equivalents at end of year.	<u>\$ 433,507</u>	<u>\$ 88,023</u>	<u>\$ 521,530</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (798,912)	\$ (216,449)	\$ (1,015,361)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	264,960	240,098	505,058
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(60,160)	11,876	(48,284)
Increase in accounts payable	34,653	48,946	83,599
Increase (decrease) in contracts payable	(8,723)	53,631	44,908
Increase (decrease) in accrued wages and benefits. .	(2,865)	7,966	5,101
Increase (decrease) in due to other funds	(32,902)	2,422	(30,480)
Increase in due to other governments.	-	480	480
Increase in compensated absences payable	<u>33,864</u>	<u>6,672</u>	<u>40,536</u>
Net cash provided by (used in) operating activities . .	<u>\$ (570,085)</u>	<u>\$ 155,642</u>	<u>\$ (414,443)</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENTS - INTERNAL SERVICE FUNDS

The internal service funds account for the financing of goods or services provided by one department or agency to other departments of the City of Dayton on a cost-reimbursement basis. Accounting for these funds is designed to accumulate all of the costs incurred by the internal service funds in providing goods and services to other departments. However, charges to the other departments are not intended to produce a significant profit in the long run, but to recover the total costs of providing goods or services.

Fleet Management

To account for the maintenance of City vehicles. Revenues are derived from direct charges to other departments for fuel usage and repairs. General maintenance is charged to the other funds on a pro-rated basis.

Fire Fleet Management

To account for the maintenance of City fire vehicles and to charge for maintenance of fire vehicles from other municipalities. A majority of the maintenance will be provided to City fire vehicles. Revenues are derived from direct charges to the fire department within the general fund and from fees charged to other municipalities.

Stores and Reproduction

Stores is used in purchasing and storage of office materials and supplies for the entire organization. The other departments are charged the cost of the materials and supplies plus an average of fifteen percent markup to cover the overhead cost of operating this fund. Reproduction is used to account for the reproducing of written material, and the print, binding and distribution of the City's various publications. All costs are recouped from charges to other departments within the organization on a per-job basis.

Workers' Compensation

To account for claims and administrative payments to cover risks due to job-related injuries to City employees. Revenues are derived from pro-rated charges against personnel costs of each department to cover claim payments and costs of administering the fund.

Plumbing Shop

To account for plumbing services to departments within the City.

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2002

	<u>Fleet Management</u>	<u>Fire Fleet Management</u>	<u>Stores and Reproduction</u>	<u>Workers' Compensation</u>	<u>Plumbing Shop</u>	<u>Total</u>
Assets:						
Equity in pooled cash and cash equivalents.	\$ 451,985	\$ 4,020	\$ 10,221	\$ 22,119,711	\$ 48,788	\$ 22,634,725
Due from other funds.	585,399	-	14,800	-	-	600,199
Inventory held for resale	459,525	-	18,788	-	-	478,313
Capital assets:						
Depreciable capital assets, net	258,107	-	462,738	-	45,818	766,663
Total capital assets.	<u>258,107</u>	<u>-</u>	<u>462,738</u>	<u>-</u>	<u>45,818</u>	<u>766,663</u>
Total assets.	<u>1,755,016</u>	<u>4,020</u>	<u>506,547</u>	<u>22,119,711</u>	<u>94,606</u>	<u>24,479,900</u>
Liabilities:						
Accounts payable.	\$ 196,989	\$ -	\$ 3,060	\$ 17,036	\$ 17,370	\$ 234,455
Accrued wages and benefits	136,427	1,711	5,367	13,255	19,383	176,143
Compensated absences payable	201,250	-	12,014	34,906	37,417	285,587
Due to other funds	296	-	-	102	1,125	1,523
Due to other governments	-	-	-	1,375,992	-	1,375,992
Interfund loans payable.	455,000	-	-	-	-	455,000
Claims payable	-	-	-	11,919,628	-	11,919,628
Capital lease obligation	-	-	312,990	-	-	312,990
Total liabilities.	<u>989,962</u>	<u>1,711</u>	<u>333,431</u>	<u>13,360,919</u>	<u>75,295</u>	<u>14,761,318</u>
Net assets:						
Invested in capital assets, net of related debt	258,107	-	149,748	-	45,818	453,673
Unrestricted	<u>506,947</u>	<u>2,309</u>	<u>23,368</u>	<u>8,758,792</u>	<u>(26,507)</u>	<u>9,264,909</u>
Total net assets.	<u>\$ 765,054</u>	<u>\$ 2,309</u>	<u>\$ 173,116</u>	<u>\$ 8,758,792</u>	<u>\$ 19,311</u>	<u>\$ 9,718,582</u>

CITY OF DAYTON, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Fleet Management</u>	<u>Fire Fleet Management</u>	<u>Stores and Reproduction</u>	<u>Workers' Compensation</u>	<u>Plumbing Shop</u>	<u>Total</u>
Operating revenues:						
Charges for services	\$ 6,948,059	\$ -	\$ 343,147	\$ 4,495,867	\$ 707,470	\$ 12,494,543
Other	37,099	-	-	201,811	-	238,910
Total operating revenues	<u>6,985,158</u>	<u>-</u>	<u>343,147</u>	<u>4,697,678</u>	<u>707,470</u>	<u>12,733,453</u>
Operating expenses:						
Personal services	2,528,516	1,264	138,040	380,336	356,683	3,404,839
Benefit payments	803,390	447	47,018	115,246	109,594	1,075,695
Contract services	169,326	-	38,603	1,869,464	7,003	2,084,396
Materials and supplies.	76,504	-	1,993	106,021	163,017	347,535
Utilities	1,489	-	-	-	-	1,489
Cost of sales.	2,942,242	-	114,970	-	-	3,057,212
Depreciation.	50,112	-	87,287	-	5,849	143,248
Other.	23,630	-	-	13,684	-	37,314
Total operating expenses	<u>6,595,209</u>	<u>1,711</u>	<u>427,911</u>	<u>2,484,751</u>	<u>642,146</u>	<u>10,151,728</u>
Operating income (loss)	<u>389,949</u>	<u>(1,711)</u>	<u>(84,764)</u>	<u>2,212,927</u>	<u>65,324</u>	<u>2,581,725</u>
Nonoperating revenues (expenses):						
Gain on disposal of fixed assets.	25,646	-	-	-	-	25,646
Interest and fiscal charges	-	-	(1,996)	-	-	(1,996)
Total nonoperating revenues (expenses)	<u>25,646</u>	<u>-</u>	<u>(1,996)</u>	<u>-</u>	<u>-</u>	<u>23,650</u>
Income (loss) before transfers	415,595	(1,711)	(86,760)	2,212,927	65,324	2,605,375
Transfers in	-	4,020	-	-	-	4,020
Transfers out	-	-	-	(2,169,980)	-	(2,169,980)
Change in net assets	415,595	2,309	(86,760)	42,947	65,324	439,415
Net assets, January 1	<u>349,459</u>	<u>-</u>	<u>259,876</u>	<u>8,715,845</u>	<u>(46,013)</u>	<u>9,279,167</u>
Net assets, December 31	<u>\$ 765,054</u>	<u>\$ 2,309</u>	<u>\$ 173,116</u>	<u>\$ 8,758,792</u>	<u>\$ 19,311</u>	<u>\$ 9,718,582</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Fleet Management	Fire Fleet Management	Stores and Reproduction	Workers' Compensatio	Plumbing Shop	Total
Cash flows from operating activities:						
Cash received from customers	\$ 6,954,899	\$ -	\$ 369,165	\$ 4,495,867	\$ 720,257	\$ 12,540,188
Cash received from other operating revenues	53,210	-	-	201,811	-	255,021
Cash payments for personal services	(2,512,339)	-	(140,746)	(380,047)	(352,534)	(3,385,666)
Cash payments for fringe benefits	(786,642)	-	(46,092)	(114,926)	(108,666)	(1,056,326)
Cash payments for contract services.	(291,408)	-	(76,259)	(211,403)	(8,068)	(587,138)
Cash payments for materials and supplies.	(73,935)	-	(1,993)	(106,021)	(152,366)	(334,315)
Cash payments for utilities.	(2,942,242)	-	(103,398)	-	-	(3,045,640)
Cash payments for other operating expenses	(1,489)	-	-	(13,684)	-	(15,173)
Net cash provided by (used in) operating activities.	<u>400,054</u>	<u>-</u>	<u>677</u>	<u>3,871,597</u>	<u>98,623</u>	<u>4,370,951</u>
Cash flows from noncapital financing activities:						
Cash used in repayment of interfund loans	(400,000)	-	-	-	(14,895)	(414,895)
Transfers in from other funds.	-	4,020	-	-	-	4,020
Transfers out to other funds.	-	-	-	(2,169,980)	-	(2,169,980)
Net cash provided by (used in) noncapital financing activities	<u>(400,000)</u>	<u>4,020</u>	<u>-</u>	<u>(2,169,980)</u>	<u>(14,895)</u>	<u>(2,580,855)</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(37,429)	-	(363,227)	-	(34,940)	(435,596)
Proceeds from sale of capital assets	25,646	-	-	-	-	25,646
Proceeds from capital lease transaction.	-	-	343,990	-	-	343,990
Principal paid on capital leases	-	-	(104,226)	-	-	(104,226)
Interest paid on capital leases.	-	-	(1,996)	-	-	(1,996)
Net cash provided by (used in) capital and related financing activities	<u>(11,783)</u>	<u>-</u>	<u>(125,459)</u>	<u>-</u>	<u>(34,940)</u>	<u>(172,182)</u>
Net increase (decrease) in cash and cash equivalents	(11,729)	4,020	(124,782)	1,701,617	48,788	1,617,914
Cash and cash equivalents at beginning of year	463,714	-	135,003	20,418,094	-	21,016,811
Cash and cash equivalents at end of year.	<u>\$ 451,985</u>	<u>\$ 4,020</u>	<u>\$ 10,221</u>	<u>\$ 22,119,711</u>	<u>\$ 48,788</u>	<u>\$ 22,634,725</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 389,949	\$ (1,711)	\$ (84,764)	\$ 2,212,927	\$ 65,324	\$ 2,581,725
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	50,112	-	87,287	-	5,849	143,248
Changes in assets and liabilities:						
Decrease in accounts receivable	20,011	-	-	-	-	20,011
Decrease in due from other funds	2,986	-	26,018	-	12,787	41,791
Decrease in inventory held for resale.	2,569	-	11,572	-	-	14,141
Increase (decrease) in accounts payable	23,630	-	(37,656)	(9,477)	10,651	(12,852)
Increase in accrued wages and benefits	23,517	1,711	544	1,964	4,356	32,092
Increase (decrease) in due to other funds	(122,128)	-	-	102	(1,065)	(123,091)
Increase in due to other governments	-	-	-	652,666	-	652,666
Increase (decrease) in compensated absences payable	9,408	-	(2,324)	(1,355)	721	6,450
Increase in claims payable	-	-	-	1,014,770	-	1,014,770
Net cash provided by (used in) operating activities.	<u>\$ 400,054</u>	<u>\$ -</u>	<u>\$ 677</u>	<u>\$ 3,871,597</u>	<u>\$ 98,623</u>	<u>\$ 4,370,951</u>

CITY OF DAYTON, OHIO

COMBINING STATEMENTS - FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and/or funds. The following are the City's fiduciary fund types:

Agency Funds

Agency funds are custodial in nature, and thus, do not recognize revenues or expenditures, only changes in assets and liabilities. These funds are used to record the collection and payment of employee payroll, withholdings, medical and life insurance premiums, refundable deposits, PERS, Police and Fire Pension funds, taxes collected for other governments, and municipal court.

CITY OF DAYTON, OHIO

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 DECEMBER 31, 2002

	<u>Balance</u> <u>12/31/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/02</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 7,286,404	\$ 1,011,192	\$ 2,337,160	\$ 5,960,436
Cash and cash equivalents with fiscal agents	1,197,886	13,847,109	14,094,342	950,653
Investments with fiscal agents	1,037,600	-	75,657	961,943
Taxes levied for other governments.	2,006,835	1,018,178	2,006,835	1,018,178
Total assets.	<u>\$ 11,528,725</u>	<u>\$ 15,876,479</u>	<u>\$ 18,513,994</u>	<u>\$ 8,891,210</u>
Liabilities:				
Due to other governments	\$ 2,869,514	\$ 4,534,004	\$ 5,622,204	\$ 1,781,314
Due to primary government.	162,941	3,681,088	3,588,217	255,812
Due to others.	750,571	5,632,017	5,778,676	603,912
Withholdings and deposits.	7,745,699	95,099	1,590,626	6,250,172
Total liabilities.	<u>\$ 11,528,725</u>	<u>\$ 13,942,208</u>	<u>\$ 16,579,723</u>	<u>\$ 8,891,210</u>

**INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP
BUDGETARY BASIS)**

CITY OF DAYTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 113,752,400	\$ 106,887,906	\$ 106,887,906	\$ -
Property and other local taxes	10,308,724	10,119,884	10,119,884	-
State shared taxes	17,209,400	16,645,407	16,645,407	-
Charges for services	22,138,800	18,703,120	18,861,819	158,699
Licenses and permits.	2,163,800	1,894,751	1,894,751	-
Fines and forfeitures.	1,715,400	1,643,723	1,643,723	-
Special assessments	-	304,652	304,652	-
Investment income	5,338,500	4,681,875	4,681,875	-
Other	5,745,100	6,827,086	6,827,096	10
Total revenues.	<u>178,372,124</u>	<u>167,708,404</u>	<u>167,867,113</u>	<u>158,709</u>
Expenditures:				
General operating:				
Clerk of Commission	1,176,700	1,221,700	1,176,744	44,956
Civil Service Board	1,282,300	1,163,000	1,111,686	51,314
Human Relations Council	968,500	812,800	762,441	50,359
City Manager's Office	1,041,600	1,012,800	975,863	36,937
Department of Public Affairs.	1,037,700	962,600	946,891	15,709
Department of Planning	2,867,700	3,401,300	3,149,836	251,464
Department of Building Services	2,606,500	2,449,000	2,429,479	19,521
Clerk of Courts	3,103,900	3,023,900	3,000,125	23,775
Municipal Court.	3,645,600	3,526,200	3,402,290	123,910
Office of Economic Development.	844,200	945,700	863,471	82,229
Department of Management and Budget	1,130,300	1,051,200	941,628	109,572
Department of Water	64,100	65,100	64,280	820
Department of Law	1,991,600	2,095,400	2,063,817	31,583
Department of Finance	4,654,500	4,419,600	4,322,326	97,274
Department of Human Resources	1,289,900	935,800	913,030	22,770
Department of Information and Technology Services	8,143,700	8,186,400	7,915,068	271,332
Department of Police.	56,759,700	52,297,000	51,836,752	460,248
Department of Fire	39,476,500	38,956,200	38,130,087	826,113
Department of Public Works	25,565,600	27,162,700	26,657,173	505,527
Department of Parks, Recreation and Culture.	5,882,100	5,844,000	5,721,723	122,277
Non-Departmental	2,197,600	1,049,300	746,812	302,488
Convention Center Operating	3,731,500	3,321,000	3,215,785	105,215
Special Assessments	357,700	300,000	305,269	(5,269)
Special Projects	8,400,000	7,285,200	7,285,183	17
Total expenditures.	<u>178,219,500</u>	<u>171,487,900</u>	<u>167,937,759</u>	<u>3,550,141</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>152,624</u>	<u>(3,779,496)</u>	<u>(70,646)</u>	<u>3,708,850</u>
Other financing sources (uses):				
Transfers in	3,280,400	1,867,285	1,867,285	-
Transfers out	(7,025,800)	(8,344,000)	(6,655,773)	1,688,227
Total other financing sources (uses)	<u>(3,745,400)</u>	<u>(6,476,715)</u>	<u>(4,788,488)</u>	<u>1,688,227</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses.	<u>(3,592,776)</u>	<u>(10,256,211)</u>	<u>(4,859,134)</u>	<u>5,397,077</u>
Fund balance at beginning of year (restated).	<u>24,238,206</u>	<u>24,238,206</u>	<u>24,238,206</u>	<u>-</u>
Prior year encumbrances appropriated.	<u>5,303,261</u>	<u>5,303,261</u>	<u>5,303,261</u>	<u>-</u>
Residual equity transfers (out)	<u>-</u>	<u>(4,875,128)</u>	<u>(4,875,128)</u>	<u>-</u>
Fund balance at end of year.	<u>\$ 25,948,691</u>	<u>\$ 14,410,128</u>	<u>\$ 19,807,205</u>	<u>\$ 5,397,077</u>

CITY OF DAYTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 DEBT SERVICE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
Revenues:				
Property and other local taxes	\$ 6,754,571	\$ 6,806,457	\$ 7,018,376	\$ 211,919
Charges for services	2,938	1,438	14,933	13,495
Intergovernmental	1,360	666	6,914	6,248
Special assessments	37,588	18,401	191,033	172,632
Other	1,266,468	616,774	6,433,262	5,816,488
Total revenues	<u>8,062,925</u>	<u>7,443,736</u>	<u>13,664,518</u>	<u>6,220,782</u>
Expenditures:				
Department of Finance	<u>12,398,400</u>	<u>13,397,300</u>	<u>10,870,527</u>	<u>2,526,773</u>
Total expenditures	<u>12,398,400</u>	<u>13,397,300</u>	<u>10,870,527</u>	<u>2,526,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,335,475)</u>	<u>(5,953,564)</u>	<u>2,793,991</u>	<u>8,747,555</u>
Other financing sources (uses):				
Transfers in	-	3,201	3,201	-
Transfers out	-	(1,100)	(1,017)	(83)
Total other financing sources (uses)	<u>-</u>	<u>2,101</u>	<u>2,184</u>	<u>(83)</u>
Net change in fund balance	<u>(4,335,475)</u>	<u>(5,951,463)</u>	<u>2,796,175</u>	<u>8,747,472</u>
Fund balance at beginning of year (restated) . . .	<u>16,150,837</u>	<u>16,150,837</u>	<u>16,150,837</u>	<u>-</u>
Prior year encumbrances appropriated	<u>3,102</u>	<u>3,102</u>	<u>3,102</u>	<u>-</u>
Residual equity transfer in	<u>76,646</u>	<u>37,521</u>	<u>389,531</u>	<u>(352,010)</u>
Fund balance at end of year	<u>\$ 11,895,110</u>	<u>\$ 10,239,997</u>	<u>\$ 19,339,645</u>	<u>\$ 8,395,462</u>

CITY OF DAYTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
Revenues:				
Property and other local taxes	\$ 2,498,266	\$ 2,517,457	\$ 2,561,293	\$ 43,836
State shared taxes	4,292,709	3,600,912	3,627,276	26,364
Charges for services	422,733	354,606	345,061	(9,545)
Other	109,476	91,833	89,361	(2,472)
Total revenues	<u>7,323,184</u>	<u>6,564,808</u>	<u>6,622,991</u>	<u>58,183</u>
Expenditures:				
Department of Public Works	9,326,400	9,118,300	8,830,061	288,239
Total expenditures	<u>9,326,400</u>	<u>9,118,300</u>	<u>8,830,061</u>	<u>288,239</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,003,216)</u>	<u>(2,553,492)</u>	<u>(2,207,070)</u>	<u>346,422</u>
Other financing sources (uses):				
Transfers in	2,223,793	1,865,413	1,815,200	50,213
Total other financing sources (uses)	<u>2,223,793</u>	<u>1,865,413</u>	<u>1,815,200</u>	<u>50,213</u>
Net change in fund balance	220,577	(688,079)	(391,870)	396,635
Fund balance at beginning of year (restated) . . .	590,387	590,387	590,387	-
Prior year encumbrances appropriated	<u>239,286</u>	<u>239,286</u>	<u>239,286</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,050,250</u>	<u>\$ 141,594</u>	<u>\$ 437,803</u>	<u>\$ 396,635</u>

CITY OF DAYTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 HIGHWAY MAINTENANCE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State shared taxes	\$ 353,023	\$ 296,131	\$ 288,160	\$ (7,971)
Total revenues	<u>353,023</u>	<u>296,131</u>	<u>288,160</u>	<u>(7,971)</u>
Expenditures:				
Department of Public Works	550,000	550,000	537,710	12,290
Total expenditures	<u>550,000</u>	<u>550,000</u>	<u>537,710</u>	<u>12,290</u>
Net change in fund balance	(196,977)	(253,869)	(249,550)	4,319
Fund balance at beginning of year (restated) . . .	679,112	679,112	679,112	-
Prior year encumbrances appropriated	-	-	-	-
Fund balance at end of year	<u>\$ 482,135</u>	<u>\$ 425,243</u>	<u>\$ 429,562</u>	<u>\$ 4,319</u>

CITY OF DAYTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 LAW ENFORCEMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over</u>
				<u>(Under)</u>
Revenues:				
Charges for services	\$ 58	\$ 29	\$ 29	\$ -
Fines and forfeitures	1,005,198	497,807	506,869	9,062
Intergovernmental	916,734	453,997	462,261	8,264
Investment income	185,236	91,735	93,405	1,670
Other	839	415	423	8
Total revenues	2,108,065	1,043,983	1,062,987	19,004
Expenditures:				
Department of Police	2,200,000	2,400,000	1,514,900	885,100
Total expenditures	2,200,000	2,400,000	1,514,900	885,100
Excess (deficiency) of revenues over (under) expenditures	(91,935)	(1,356,017)	(451,913)	904,104
Other financing sources (uses):				
Transfers in	-	61,500	61,478	22
Total other financing sources (uses)	-	61,500	61,478	22
Net change in fund balance	(91,935)	(1,294,517)	(390,435)	904,126
Fund balance at beginning of year (restated) . . .	1,976,355	1,976,355	1,976,355	-
Prior year encumbrances appropriated	394,461	394,461	394,461	-
Fund balance at end of year	\$ 2,278,881	\$ 1,076,299	\$ 1,980,381	\$ 904,126

CITY OF DAYTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 MISCELLANEOUS GRANTS FUND
 FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 804,602	\$ 1,384,753	\$ 591,568	\$ (793,185)
Intergovernmental	1,141,822	1,965,121	839,502	(1,125,619)
Other	155,876	268,270	114,605	(153,665)
Total revenues	<u>2,102,300</u>	<u>3,618,144</u>	<u>1,545,675</u>	<u>(2,072,469)</u>
Expenditures:				
Other Grants	<u>2,100,000</u>	<u>2,613,200</u>	<u>3,743,177</u>	<u>(1,129,977)</u>
Total expenditures	<u>2,100,000</u>	<u>2,613,200</u>	<u>3,743,177</u>	<u>(1,129,977)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,300</u>	<u>1,004,944</u>	<u>(2,197,502)</u>	<u>(3,202,446)</u>
Other financing sources (uses):				
Transfers in	-	299,796	299,749	47
Transfers out	-	(17,096)	(17,003)	93
Total other financing sources (uses)	<u>-</u>	<u>282,700</u>	<u>282,746</u>	<u>140</u>
Net change in fund balance	2,300	1,287,644	(1,914,756)	(3,202,306)
Fund balance at beginning of year (restated) . . .	378,304	378,304	378,304	-
Prior year encumbrances appropriated	<u>508,868</u>	<u>508,868</u>	<u>508,868</u>	<u>-</u>
Fund balance at end of year	<u>\$ 889,472</u>	<u>\$ 2,174,816</u>	<u>\$ (1,027,584)</u>	<u>\$ (3,202,306)</u>

CITY OF DAYTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 OTHER SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 45,400	\$ 98,355	\$ 48,355	\$ (50,000)
Total revenues	<u>45,400</u>	<u>98,355</u>	<u>48,355</u>	<u>(50,000)</u>
Expenditures:				
Various Departments	78,000	1,196,000	1,196,349	(349)
Total expenditures	<u>78,000</u>	<u>1,196,000</u>	<u>1,196,349</u>	<u>(349)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,600)</u>	<u>(1,097,645)</u>	<u>(1,147,994)</u>	<u>(50,349)</u>
Other financing sources (uses):				
Transfers out	-	(9,800)	(9,735)	(65)
Total other financing sources (uses)	<u>-</u>	<u>(9,800)</u>	<u>(9,735)</u>	<u>(65)</u>
Net change in fund balance	(32,600)	(1,107,445)	(1,157,729)	(50,414)
Fund balance at beginning of year (restated) . . .	65,831	65,831	65,831	-
Prior year encumbrances appropriated	19,634	19,634	19,634	-
Residual equity transfers in	-	4,875,128	4,875,128	-
Fund balance at end of year	<u>\$ 52,865</u>	<u>\$ 3,853,148</u>	<u>\$ 3,802,864</u>	<u>\$ (50,414)</u>

STATISTICAL SECTION

STATISTICAL SECTION

THE FOLLOWING UNAUDITED STATISTICAL TABLES
REFLECT SOCIAL AND ECONOMIC DATA FINANCIAL TRENDS AND
FISCAL CAPACITY OF THE CITY

CITY OF DAYTON, OHIO

**GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
LAST TEN YEARS (1 - 3)**

<u>Year (2)</u>	<u>Downtown</u>	<u>Youth, Education and Human Services</u>	<u>Community Development and Neighborhoods</u>	<u>Economic Development</u>	<u>Leadership and Quality of Life</u>
2002	\$ 4,807,733	\$ 1,506,653	\$ 2,468,203	\$ 24,328,537	\$ 39,442,705
2001	5,021,369	1,436,191	2,331,172	23,658,978	37,964,500
2000	4,869,311	1,301,481	3,281,232	21,838,458	43,581,245

<u>Year</u>	<u>Policy Development</u>	<u>Economic Development</u>	<u>Neighborhood Development</u>	<u>Land Use</u>	<u>Community Security</u>
1999	\$ 4,209,530	\$ 8,666,422	\$ 21,562,100	\$ 27,568,631	\$ 47,025,960
1998	3,906,544	8,129,048	20,916,252	27,023,884	43,658,203
1997	3,517,339	6,234,581	22,007,949	24,691,637	41,438,538
1996	3,333,165	5,176,240	19,680,327	24,204,931	36,719,057
1995	3,035,584	5,016,975	17,697,932	23,086,873	33,746,207
1994	2,741,913	2,329,099	18,166,050	23,413,484	34,946,963
1993	3,183,915	2,339,069	20,507,222	22,431,467	29,816,483

(1) Includes general, special revenue and debt service.

(2) For 2000, the City of Dayton Changed program classifications.

(3) For 2002, the City of Dayton changed accounting procedures to GASB 34 and includes all governmental activities.

Source: Finance Department; City of Dayton, Ohio

Corporate Responsibility	Public Safety and Justice	Other	Capital Outlay	Debt Service	Total
\$ 15,813,881	\$ 100,912,458	\$ 1,747,482	\$ 22,165,044	\$ 10,516,008	\$ 223,708,704
22,350,461	101,900,533	373,382	2,700,494	10,857,264	208,594,344
20,761,269	96,185,438	-	802,361	8,673,494	201,294,289

Human Development	Transportation	Administrative Services	Capital Outlay	Debt Service	Total
\$ 17,112,029	\$ 11,833,639	\$ 47,817,478	\$ 137,543	\$ 9,545,571	\$ 195,478,903
15,513,271	11,015,768	42,719,087	1,600,399	4,545,625	179,028,081
16,557,005	12,598,951	41,180,581	1,456,176	5,520,712	175,203,469
15,469,711	12,851,449	35,982,191	1,259,976	6,229,068	160,906,115
13,812,617	13,461,208	36,941,100	3,116,588	6,462,872	156,377,956
13,142,781	12,415,315	32,918,053	4,166,146	8,074,252	152,314,056
14,520,709	14,554,398	32,267,293	7,709,116	7,467,236	154,796,908

CITY OF DAYTON, OHIO

**GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN YEARS (1 - 2)**

<u>Year</u>	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Special Assessments</u>	<u>Charges for Services</u>
2002	\$ 145,251,212	\$ 24,096,216	\$ 693,360	\$ 23,813,556
2001	146,833,625	15,969,587	217,330	23,256,851
2000	153,002,507	19,702,445	258,235	22,092,957
1999	147,004,491	20,024,791	380,316	24,247,038
1998	143,115,776	15,426,707	499,771	21,049,556
1997	142,195,336	13,332,977	388,842	18,391,334
1996	136,955,246	11,160,341	532,893	14,169,018
1995	131,722,164	10,136,704	425,856	15,086,577
1994	129,387,223	11,555,482	524,771	11,848,319
1993	123,336,911	9,264,452	728,560	12,371,976

(1) Includes General, Special Revenue and Debt Service Funds.

(2) For 2002, the City of Dayton changed accounting procedures to GASB 34 and includes all governmental activities.

Source: Finance Department; City of Dayton, Ohio

<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Investment Income</u>	<u>Other</u>	<u>Total</u>
\$ 1,980,844	\$ 2,249,333	\$ 3,332,301	\$ 8,319,580	\$ 209,736,402
1,928,291	2,454,517	6,568,991	8,085,266	205,314,458
1,995,969	1,754,313	9,463,035	3,973,520	212,242,981
1,620,192	1,211,084	5,831,860	3,572,839	203,892,611
1,651,854	1,486,577	7,403,205	2,203,395	192,836,841
1,537,560	1,081,276	6,663,012	2,195,147	185,785,484
1,341,104	3,141,376	6,035,638	2,000,914	175,336,530
1,101,256	906,991	4,541,703	1,689,196	165,610,447
1,095,730	2,382,328	3,020,007	689,687	160,503,547
968,402	2,483,473	3,998,178	1,031,452	154,183,404

CITY OF DAYTON, OHIO

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS (1)**

<u>Year</u>	<u>Current Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Collections to Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Collections to Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percentage of Outstanding Delinquent Taxes to Total Levy</u>
2002	\$ 19,075,592	\$ 17,815,051	93.4%	\$ 1,327,331	\$ 19,142,382	100.4%	\$ 4,765,605	25.0%
2001	18,861,580	18,027,699	95.6%	1,121,799	19,149,498	101.5%	3,458,115	18.3%
2000	18,747,632	17,953,577	95.8%	1,028,171	18,981,748	100.1%	4,089,228	21.8%
1999	17,228,696	16,688,916	96.8%	889,833	17,578,749	100.2%	2,854,545	16.6%
1998	17,236,685	16,369,525	95.0%	887,443	17,256,968	100.1%	2,091,752	12.1%
1997	17,139,435	16,499,010	96.3%	820,972	17,319,982	101.1%	2,721,684	15.9%
1996	15,955,014	15,303,711	95.9%	882,680	16,186,391	101.5%	2,754,440	17.3%
1995	15,865,444	15,284,346	96.3%	700,632	15,984,978	100.8%	2,560,886	16.1%
1994	15,828,987	14,720,696	93.0%	658,321	15,379,017	97.2%	2,654,699	16.8%
1993	15,708,639	15,342,123	97.7%	708,859	16,050,982	102.2%	2,754,087	17.5%

(1) Includes the General, Special Revenue, Debt Service, Trust and Agency Funds. Presented on the cash basis for all years.

Source: County Auditor; Montgomery County, Ohio

CITY OF DAYTON, OHIO

**ASSESSED VALUE AND ESTIMATED TRUE VALUE OF TAXABLE PROPERTY
LAST TEN YEARS (1)**

<u>Year</u>	<u>Real Property</u>	<u>Public Utility Real Property</u>	<u>Tangible Personal Property</u>	<u>Total Assessed Value</u>	<u>(1) Estimated Value</u>	<u>Percentage of Assessed Value To Estimated True Value</u>
2002	\$ 1,349,792,850	\$ 101,461,400	\$ 456,304,945	\$ 1,907,559,195	\$ 5,797,067,825	32.91%
2001	1,321,740,600	139,196,290	440,728,086	1,901,664,976	5,897,206,567	32.25%
2000	1,308,366,160	142,951,440	403,346,103	1,854,663,703	5,799,921,138	31.98%
1999	1,199,695,480	150,755,290	387,618,846	1,738,069,616	5,161,385,240	33.67%
1998	1,196,725,090	146,457,920	356,354,152	1,699,537,162	5,080,306,397	33.45%
1997	1,197,994,870	146,932,600	364,241,202	1,709,168,672	5,048,624,860	33.85%
1996	1,098,801,200	144,608,520	352,091,721	1,595,501,441	4,774,338,272	33.42%
1995	1,092,389,270	153,879,570	340,355,176	1,586,624,016	4,922,188,818	32.23%
1994	1,101,588,140	148,330,870	331,905,260	1,581,824,270	4,898,818,212	32.29%
1993	1,076,506,330	148,783,680	347,624,932	1,572,914,942	4,891,328,328	32.16%

(1) This is calculated by dividing the assessed value by the assessment percentage. The percentages for 2002 were thirty-five percent (35%) for all real property, eighty-eight (88%) for public utility tangible personal property and twenty five percent (25%) for tangible personal and interexchange telecom public utility.

Source: County Auditor; Montgomery County, Ohio

CITY OF DAYTON, OHIO

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATION)
LAST TEN YEARS (1)**

Collection Year	Direct 10 Mill Limitation (By Ohio Constitution)				By November 6, 1945 Charter Amendment		
	Debt Service Fund	Judgment Trust Fund	Street Maintenance Fund	Total	Debt Service Fund	General	Total
2002	\$ 0.15	\$ -	\$ 1.35	\$ 1.50	\$ 3.50	\$ 5.00	\$ 8.50
2001	0.15	-	1.35	1.50	3.50	5.00	8.50
2000	0.15	0.50	0.85	1.50	3.50	5.00	8.50
1999	0.15	0.50	0.85	1.50	3.50	5.00	8.50
1998	0.15	-	1.35	1.50	3.50	5.00	8.50
1997	0.15	0.50	0.85	1.50	3.50	5.00	8.50
1996	0.15	0.50	0.85	1.50	3.50	5.00	8.50
1995	0.15	0.50	0.85	1.50	3.50	5.00	8.50
1994	0.15	0.50	0.85	1.50	3.50	5.00	8.50
1993	0.15	0.50	0.85	1.50	3.50	5.00	8.50

(1) The Ohio Constitution places a ten-mill limitation upon the combined property tax levied by the County, the School District, and the City. The City of Dayton has been permitted to levy only 1.5 mills of that ten-mill limitation. The Constitution permits the City to Levy additional millage beyond 1.5 mills upon approval of the electorate. Our City Charter also has a ten-mill limitation which prohibits the City from levying a total tax rate for all purposes in excess of ten mills. As a result of the passage of a Charter amendment, the City has been levying an additional 8.5 mills above the 1.5 mills. This additional millage has resulted in a total property tax rate of ten mills for the City of Dayton, the maximum permitted by the City Charter.

Source: County Auditor; Montgomery County, Ohio

<u>City of Dayton</u>							
<u>Grand Total</u>		<u>Dayton City School District</u>		<u>Montgomery County</u>	<u>Montgomery County Public Library</u>		
\$	10.00	\$	70.85	\$	17.24	\$	0.26
	10.00		62.65		16.64		0.26
	10.00		62.65		16.64		0.26
	10.00		62.65		16.64		0.26
	10.00		62.65		16.64		0.26
	10.00		62.65		16.64		0.72
	10.00		62.65		16.64		0.72
	10.00		62.65		16.64		0.72
	10.00		62.65		16.14		-
	10.00		62.65		13.65		-

CITY OF DAYTON, OHIO

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN YEARS**

<u>Year (3)</u>	<u>Current Assessments Due (1)</u>	<u>Current Assessments Collected (1)</u>	<u>Percent of Current Collections to Current Assessments</u>	<u>Delinquent Assessments Collected (1)</u>	<u>Total Assessments Collected</u>	<u>Percent of Total Assessments Collected to Current Due (2)</u>
2002	\$ 1,734,308	\$ 1,179,253	68.0%	\$ 185,355	\$ 1,364,608	78.7%
2001	1,481,584	1,159,041	78.2%	192,008	1,351,049	91.2%
2000	1,392,991	769,441	55.2%	158,810	928,251	66.6%
1999	1,346,031	736,056	54.7%	189,940	925,996	68.8%
1998	1,726,054	1,171,223	67.9%	137,995	1,309,218	75.9%
1997	1,777,543	450,731	25.4%	106,135	556,866	31.3%
1996	1,001,476	358,649	35.8%	190,900	549,549	54.9%
1995	1,005,686	369,126	36.7%	118,995	488,121	48.5%
1994	809,459	390,427	48.2%	175,405	565,832	69.9%
1993	475,974	346,157	72.7%	109,309	455,466	95.7%

(1) Reported on a cash basis and includes collections of delinquent utility bills.

(2) Total collections exceed Current Assessments Due because of high collection of curb, gutter and sidewalk delinquent assessments.

(3) Beginning in 1994, this table includes nuisance abatement and weed mowing assessments.

Note: This table reflects only those special assessments collected through the County Auditor's Office.

Source: County Auditor; Montgomery County, Ohio

CITY OF DAYTON, OHIO

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN YEARS**

<u>Year</u>	<u>Net General Bonded Debt (1)</u>	<u>Assessed Value (2)</u>	<u>Population (3)</u>	<u>Ratio of Net General Bonded Debt to Assessed Value</u>	<u>Net General Bonded Debt Per Capita</u>
2002	\$ 50,608,401	\$ 1,907,559,195	166,179	2.65%	\$ 305
2001	54,101,466	1,901,664,976	166,179	2.84%	326
2000	33,448,972	1,854,663,703	166,179	1.80%	201
1999	27,526,130	1,738,069,616	167,475	1.58%	164
1998	43,224,643	1,699,537,162	172,947	2.54%	250
1997	9,463,362	1,709,168,672	172,947	0.55%	55
1996	14,767,060	1,595,501,441	178,540	0.93%	83
1995	19,402,055	1,586,624,016	182,005	1.22%	107
1994	24,078,345	1,581,824,270	182,005	1.52%	132
1993	24,885,632	1,572,914,942	182,005	1.58%	137

(1) Net general bonded debt is defined as bonded debt supported by taxes less Debt Service Fund fund balance (which does not include reserve for encumbrances or loans receivable).

(2) Source: County Auditor; Montgomery County, Ohio

(3) Source: U.S. Census Bureau and Miami Valley Regional Planning Commission.

(4) In years 1996 - 1999 the City had no general obligation debt. All debt was repaid through enterprise operations.

CITY OF DAYTON, OHIO

COMPUTATION OF LEGAL DEBT MARGINS
DECEMBER 31, 2002

COMPUTATION OF OVERALL LEGAL DEBT MARGIN

Assessed Value		\$ 1,907,559,195
Overall Debt Limitation		
10 1/2 Percent of Assessed Valuation		\$ 200,293,715
Total Voted and Unvoted Debt Outstanding at December 31, 2002	179,928,869	
Less: Exempt Debt		
Primary Government:		
Golf Renovation General Obligation Bonds	3,422,536	
Airport General Obligation Bonds and Note	12,850,000	
Waterworks Revenue Bonds (1)	27,260,000	
Ohio Water Development Authority Loan	16,994,159	
Ohio Public Works Commission Loan	900,000	
Airport Revenue Bonds (1)	31,985,000	
Special Assessment Bonds and Note	929,721	
Capital Facilities and Various Purpose Income Tax Bonds	56,912,452	
Economic Development Bonds	12,170,000	
	<hr/>	
Debt Within 10 1/2 Percent Limitation	16,505,001	
Less: Bond Retirement Fund Balance	14,559,051	
	<hr/>	
Net Debt Subject to 10 1/2 Percent Limitation		<hr/> 1,945,950
Legal Debt Margin Within 10 1/2 Percent Limitation		<hr/> \$ 198,347,765

COMPUTATION OF UNVOTED LEGAL DEBT MARGIN

Assessed Value		\$ 1,907,559,195
Unvoted Debt Limitation		
5 1/2 Percent of Assessed Valuation		\$ 104,915,756
Total Unvoted Debt Outstanding at December 31, 2002	179,928,869	
Less: Exempt Debt		
Primary Government:		
Golf Renovation General Obligation Bonds	3,422,536	
Airport General Obligation Bonds and Note	12,850,000	
Waterworks Revenue Bonds (1)	27,260,000	
Ohio Water Development Authority Loan	16,994,159	
Ohio Public Works Commission Loan	900,000	
Airport Revenue Bonds (1)	31,985,000	
Special Assessment Bonds and Note	929,721	
Capital Facilities and Various Purpose Income Tax Bonds	56,912,452	
Economic Development Bonds	12,170,000	
	<hr/>	
Debt Within 5 1/2 Percent Limitation	16,505,001	
Less: Bond Retirement Fund Balance	14,559,051	
	<hr/>	
Net Debt Subject to 5 1/2 Percent Limitation		<hr/> 1,945,950
Legal Debt Margin Within 5 1/2 Percent Limitation		<hr/> \$ 102,969,806

(1) Airport and Waterworks revenue bonds are shown on the balance Sheet net of a discount and unamortized deferred charges of \$270,058 and \$740,081, respectively.

CITY OF DAYTON, OHIO

COMPUTATION OF DIRECT AND OVERLAPPING
GENERAL OBLIGATION BONDED DEBT
DECEMBER 31, 2002

Jurisdiction	Assessed Value	Net General Bonded Debt	Percentage Overlapping	Net Tax Supported Overall Debt
Direct:				
City of Dayton	\$ 1,907,559,195	\$ 50,608,401	100.00%	<u>\$ 50,608,401</u>
Overlapping Debt:				
Dayton City School District	1,933,832,835	-	98.64%	-
Montgomery County	9,154,539,323	38,917,639	20.80%	<u>8,094,869</u>
Total Overlapping Debt				<u>8,094,869</u>
Total Direct and Overlapping Debt				<u><u>\$ 58,703,270</u></u>

Source: County Auditor; Montgomery County, Ohio

Note: The percentage of gross indebtedness of the City's overlapping political subdivisions was determined by dividing each overlapping subdivision's assessed valuation within the City by the subdivision's total assessed valuation.

CITY OF DAYTON, OHIO

**RATIO OF ANNUAL DEBT PRINCIPAL AND INTEREST EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL
GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS (1)**

<u>Year</u>	<u>Principal (2)</u>	<u>Interest and Fiscal Charges (2)</u>	<u>Total</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
2002	\$ 6,198,173	\$ 4,317,835	\$ 10,516,008	\$ 223,708,704	4.70%
2001	6,524,068	4,333,196	10,857,264	208,594,344	5.20%
2000	4,465,000	2,917,114	7,382,114	201,192,360	3.70%
1999	5,295,000	3,139,008	8,434,008	195,478,903	4.30%
1998	2,200,000	2,057,228	4,257,228	179,028,081	2.40%
1997	2,657,475	1,840,797	4,498,272	175,203,469	2.60%
1996	4,147,664	2,081,404	6,229,068	160,906,115	3.90%
1995	4,120,582	2,342,289	6,462,871	156,377,956	4.10%
1994	5,636,163	2,438,089	8,074,252	152,314,056	5.30%
1993	5,200,939	2,266,297	7,467,236	154,796,908	4.80%

(1) Total General Expenditures include General, Special Revenue, and Debt Service Funds.

(2) Excludes general obligation debt reported in the enterprise funds.

Source: Finance Department; City of Dayton, Ohio

CITY OF DAYTON, OHIO
REVENUE BOND COVERAGE
DAYTON INTERNATIONAL AIRPORT
LAST TEN YEARS

Year	Net Revenue Available for Debt Service (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2002	\$ 22,901,448	\$ 1,975,000	\$ 1,820,023	\$ 3,795,023	6.03
2001	17,388,079	1,890,000	1,910,247	3,800,247	4.58
2000	6,922,358	1,800,000	1,994,329	3,794,329	1.82
1999	9,114,117	1,725,000	2,073,164	3,798,164	2.40
1998	10,690,242	1,645,000	2,146,660	3,791,660	2.82
1997	9,775,151	1,580,000	2,215,570	3,795,570	2.58
1996	8,861,002	1,520,000	2,473,688	3,993,688	2.22
1995	4,915,697	1,075,000	3,199,898	4,274,898	1.15
1994	8,357,703	1,015,000	3,254,828	4,269,828	1.96
1993	5,228,138	970,000	3,305,815	4,275,815	1.22

(1) Net Revenue Available for Debt Service is computed by adding net income (loss) for the reporting period to depreciation, amortization, and interest expense.

CITY OF DAYTON, OHIO

REVENUE BOND COVERAGE
WATER FUND
LAST TEN YEARS

Year	Net Revenue Available for Debt Service (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2002	\$ 7,099,652	\$ 5,000,000	\$ 1,301,110	\$ 6,301,110	1.13
2001	19,668,398	4,805,000	1,493,310	6,298,310	3.12
2000	18,333,123	4,625,000	1,678,310	6,303,310	2.91
1999	15,414,054	5,000,000	1,389,983	6,389,983	2.41
1998	13,764,616	750,000	3,436,222	4,186,222	3.29
1997	11,138,819	710,000	3,478,112	4,188,112	2.66
1996	11,221,602	670,000	3,516,302	4,186,302	2.68
1995	14,246,626	2,095,000	4,204,486	6,299,486	2.26
1994	22,095,917	1,940,000	4,360,706	6,300,706	3.51
1993	19,453,064	1,800,000	4,502,118	6,302,118	3.09

(1) Net Revenue Available for Debt Service is computed by adding net income (loss) for the reporting period to depreciation, amortization, and interest expense.

CITY OF DAYTON, OHIO

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

Fiscal Year	Population (1)	Public School Enrollment (2)				Unemployment Statistics (3)	Age Distribution of Population for the Last Three Censuses:			
		Elementary	Intermediate	High	Total		Age	2000	1990	1980
2002	166,179	11,969	3,345	5,474	20,788	5.6%	Under 5	7.1%	8.5%	8.2%
2001	166,179	12,023	3,345	5,474	20,842	7.4%	5-14	14.1%	13.8%	14.3%
2000	166,179	11,995	3,568	5,516	21,079	6.0%	15-24	18.2%	16.8%	20.7%
1999	167,475	13,228	3,515	5,735	22,478	4.0%	25-34	14.1%	18.0%	16.1%
1998	172,947	16,305	3,386	6,595	26,286	6.6%	35-44	14.9%	13.0%	8.9%
1997	172,947	15,671	4,394	6,102	26,167	6.9%	45-54	12.1%	8.3%	9.5%
1996	178,540	16,052	4,328	6,599	26,979	7.6%	55-64	7.5%	8.5%	10.2%
1995	182,005	15,913	4,246	6,832	26,991	7.2%	65+	12.0%	13.1%	12.1%
1994	182,005	16,210	4,442	6,690	27,342	8.5%				
1993	182,005	15,979	4,593	6,568	27,140	8.2%				

(1) Source: U.S. Bureau of Census and Miami Valley Regional Planning Commission.

(2) Source: Records of the Dayton Board of Education, Office of Public Information.

(3) Unemployment rate are an average of that year. Source: Ohio Bureau of Employment Services.

CITY OF DAYTON, OHIO

**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN YEARS**

Year	Real Property (1)		Building Permits Issued (2)	Estimated Value of Buildings (2)	County Bank Deposits (3)
	Assessed Value	Estimated Market Value			
2002	\$ 1,349,792,850	\$ 3,856,551,000	1,314	\$ 148,084,800	\$ 241,447,000
2001	1,321,740,600	3,776,401,714	1,206	129,052,146	208,298,000
2000	1,308,366,160	3,738,189,028	1,652	124,091,672	191,473,000
1999	1,199,695,480	3,427,701,371	1,564	80,143,557	2,994,378,000
1998	1,196,725,090	3,419,214,543	1,390	101,936,784	3,264,705,000
1997	1,197,994,870	3,422,842,486	1,634	82,811,189	3,530,314,000
1996	1,098,801,200	3,139,432,000	1,512	67,723,613	3,899,145,000
1995	1,092,389,270	3,121,112,200	1,571	91,960,478	3,995,114,000
1994	1,101,588,140	3,147,394,686	1,597	90,875,248	4,034,766,000
1993	1,076,506,330	3,075,732,371	1,574	84,860,993	3,834,335,000

Source: (1) County Auditor; Montgomery County, Ohio

(2) City of Dayton Division of Business Services, Permit Section.

(3) Decrease for 2000 due to bank restructuring. Deposits at end of year are no longer held in Montgomery County, but in Cuyahoga County.

CITY OF DAYTON, OHIO

**PRINCIPAL TAXPAYERS
DECEMBER 31, 2002**

The following is a list of the ten largest ad valorem taxpayers (based on the taxable valuation of their property) subject to the City's taxing jurisdiction.

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Tangible Property Taxable Valuation</u>	<u>Real Property Taxable Valuation (1)</u>	<u>Total Taxable Valuation (1)</u>	<u>Percentage of Total Assessed Valuation</u>
Delphi Automotive Systems Corporation	Automotive	\$ 43,243,620	\$ 3,380,110	\$ 46,623,730	2.45%
Dayton Power and Light Company	Public Utility	-	46,413,920	46,413,920	2.43%
NCR	Computer Technology	16,347,290	16,897,860	33,245,150	1.74%
Ohio Bell Telephone Company	Public Utility	-	26,443,600	26,443,600	1.39%
Cargill, Incorporated	Manufacturing	21,259,870	2,180,640	23,440,510	1.23%
Tate & Lyle Citric Acid, Inc.	Manufacturing	15,232,140	1,308,240	16,540,380	0.87%
Daimler Chrysler Corporation	Automotive	12,273,170	-	12,273,170	0.64%
Emery Air Freight Incorporated	Air Freight	10,725,900	-	10,725,900	0.56%
Standard Register	Computer/office equipment	7,058,860	1,921,100	8,979,960	0.47%
Reynolds and Reynolds	Information Technology	8,377,160	-	8,377,160	0.44%
Total		134,518,010	98,545,470	233,063,480	12.22%
All Other Taxpayers		321,786,935	1,352,708,780	1,674,495,715	87.78%
Total Assessed Valuation		\$ 456,304,945	\$1,451,254,250	\$1,907,559,195	100.00%

(1) Includes Public Utility Real

Source: County Auditor; Montgomery County, Ohio

(Continued)

CITY OF DAYTON, OHIO

**PRINCIPAL TAXPAYERS
DECEMBER 31, 2002
(Continued)**

The listing of employers as shown is based on income tax withholding recorded by the City of Dayton Division of Taxation.

<u>Name of Taxpayer</u>	<u>Nature of Business</u>
AT&T/NCR	Computer Technology
Delphi Automotive Systems Corporation	Automotive
Miami Valley Hospital	Hospital
Montgomery County	Government
City of Dayton	Government
Dayton City School District	Education
M.V. Custom Papers	Manufacturing
University of Dayton	Education
Good Samaritan Hospital	Hospital
Veterans Administration	Hospital

CITY OF DAYTON, OHIO

**MISCELLANEOUS STATISTICS
DECEMBER 31, 2002**

Date of Incorporation	February 12, 1805
Date Present Charter Adopted	August 12, 1913
Form of Government	Commission-Manager Plan
Area - Square Miles	56.3
Miles of Streets and Alleys Paved	855
Miles of Sewers:	
Storm	600
Sanitary	650
Number of Street Lights	19,188
Employees as of December 31, 2002 (all positions)	3,281
Elections:	
Number of Registered Voters	87,290
Number of Votes Cast in Last General Election	36,534
Percentage of Registered Voters Voting in Last General Election	41.85%
Municipal Water Department:	
Number of Accounts	62,070
Average Daily Consumption (million gallons)	72.35
Miles of Water Mains	800.0
Fire Protection:	
Number of Stations	13
Number of Employees	413
Police Protection:	
Number of Districts	5
Number of Employees	611
Recreation and Park Facilities:	
Number of Acres	1,400
Total Facilities	11
Tennis Courts	22
Golf Courses	3
Swimming Pools (including wading)	16

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**Auditor of State
Betty Montgomery**

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800-282-0370

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CITY OF DAYTON

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2003**