

**CITY OF DAYTON, OHIO**

**SINGLE AUDIT REPORT**

**for the year ended December 31, 2005**





Mary Taylor, CPA  
Auditor of State

To the Honorable Members of the City Commission  
City of Dayton  
101 West Third Street  
Dayton, Ohio 45401

We have reviewed the *Independent Auditors' Report* of the City of Dayton, Montgomery County, prepared by Foxx & Company, for the audit period January 1, 2005 through December 31, 2005. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 5, 2007

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**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Ohio, (City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 16, 2006. 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.

*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 basic financial statements and not to provide an opinion 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 judgment, 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 responses as Finding No. 05-01, Finding 05-02, Finding 05-03, and Finding 05-04.

A material weakness is a reportable 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 caused by error or fraud 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 Finding Nos. 05-01, 05-02, 05-03, and 05-04 to be material weaknesses. We also noted other immaterial matters involving the internal control over financial reporting that we have reported to the management of the City of Dayton, Ohio in a separate letter dated June 16, 2006.

*Compliance and Other Matters*

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 grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding No. 05-05.

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 black ink and is positioned to the right of the date information.

Cincinnati, Ohio  
June 16, 2006  
May 17, 2007  
(For the *Schedule of Expenditures of Federal Awards*)



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

The Honorable Members of the City Commission,  
the Audit Committee, and the Management of the City of Dayton  
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, 2005. 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with

OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding No. 05-05.

### *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.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the City of Dayton's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over compliance 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. However, of the reportable conditions described above, we consider Finding No. 05-05 to be a material weakness.

### *Schedule of Expenditures of Federal Awards*

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Ohio, as of and for the year ended December 31, 2005, and have issued our report thereon dated, June 16, 2006. 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 opinions on the financial statements that collectively comprise the City of Dayton's basic financial statements. The accompanying *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the City. Such

information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. However, the results of our auditing procedures disclosed an instance of noncompliance with the preparation of the *Schedule of Expenditure of Federal Awards*, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding No. 05-05.

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 black ink that reads "Foxx & Company". The signature is written in a cursive, flowing style.

Cincinnati, Ohio

June 16, 2006

May 17, 2007

(For the *Schedule of Expenditures of Federal Awards*)

**CITY OF DAYTON, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
for the year ended December 31, 2005**

<u>Grantor Agency/Program</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>2005 Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Community Development Block Grants/Entitlements Grants	14.218	CB-03-MC-39-0010 CB-04-MC-39-0010	\$ 2,689,312 <u>4,872,819</u>
Subtotal			<u>7,562,131</u>
Emergency Shelter Grants Program	14.231	CS-98-MC-39-0010	<u>229,813</u>
Shelter Plus Care	14.238	OH-16-C-93-1122	<u>1,484,536</u>
HOME Investment Partnerships	14.239	M-95-MC-39-0205 M-01-MC-39-0205 M-02-MC-39-0205 M-03-MC-39-0205 M-04-MC-39-0205 M-05-MC-39-0205	215,804 282,171 31,904 262,531 610,814 <u>234,500</u>
Subtotal			<u>1,637,724</u>
Kings Crossing Demolition	14.866	FHA-046-35605	<u>180,801</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>\$ 11,095,005</u></b>

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**for the year ended December 31, 2005**

<u>Grantor Agency/Program</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>2005 Federal Expenditures</u>
<b><u>U.S. Department Of Justice</u></b>			
<i>Passed through Ohio Emergency Management Agency</i>			
EMA Security Grant	16.007	2003-MU-T3-0015-K-539	\$ 498,832
Victim Witness	16.575	2005-VAGENE-500	42,549
<i>Passed through Ohio Office of Criminal Justice Services</i>			
Byrne Formula Grant Program			
Command Centers	16.579	VP-003-4068	8,982
04-05 Safehouse SCLC	16.579	02-DG-D02-4085	108,930
Subtotal			117,912
Reducing Gun Violence	16.609	2003-PS-PSN-301A	26,264
Reducing Gun Violence	16.609	2003-PS-PSN-301	89,555
Subtotal			115,819
Grants to Encourage Arrest Policies	16.590	97-WE-VX-0070	88,613
Domestic Violence Against Women	16.590	97-WE-VX-0070	248,662
Subtotal			337,275
03 Local Law Enforcement Block Grants	16.592	03-LB-BX-2165	176,787
04 Local Law Enforcement Block Grant	16.592	04-LB-BX-1031	7,200
Nunn-Luger Equipment	16.592	02-TE-CX-0092	279,995
Subtotal			463,982
<b>Total U.S. Department of Justice</b>			<b>\$ 1,576,369</b>

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**for the year ended December 31, 2005**

<u>Grantor Agency/Program</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>2005 Federal Expenditures</u>
<b><u>U.S. Department of Transportation</u></b>			
Airport Improvement Program	20.106	3-39-0029-44-02	\$ 491,709
		3-39-0029-45-02	1,271,508
		3-39-0029-49-04	93,113
		3-39-0029-48-03	271,273
		3-39-0030-47-03	126,644
		3-39-0030-41-01	388,182
		3-39-0029-06-04	622,792
		3-39-0029-43-02	1,822,479
		3-39-0029-43-02	330,056
		3-39-0029-38-01	407,235
		3-39-0029-37-01	2,833,682
		3-39-0029-53-05	626,123
		3-39-0029-51-05	262,797
		3-39-0029-52-05	1,644,883
		3-39-0029-07-05	<u>3,210</u>
	Subtotal		<u>11,195,686</u>
 <i>Passed-Through Greater Dayton Regional Transit Authority</i>			
Zion Gateway Park Wright Dunbar	20.507	OH-03-0217-00	<u>788,317</u>
 <i>Passed-through Ohio Department of Transportation</i>			
Highway Planning and Construction	20.205	PID 22500	914,143
		PID 21255	302
		PID 22498	2,076,783
		PID 23747	991,792
		PID 75415	70,568
		PID 8224	36,811
		PID 22422	103,854
		PID 77575	35,020
		PID 80024	3,355
		PID 78104	2,657
		PID 23519	2,289,125
		PID 24499	<u>927,211</u>
	Subtotal		<u>7,451,621</u>
State and Community Highway Safety	20.600	5046.0	<u>46,213</u>
<b>Total U.S. Department Of Transportation</b>			<b><u>\$ 19,481,837</u></b>

**CITY OF DAYTON, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
for the year ended December 31, 2005**

<u>Grantor Agency/Program</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>2005 Federal Expenditures</u>
<b><u>U.S. Environmental Protection Agency</u></b>			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96558301-0	\$ 9,843
Targeted Watersheds Grants	66.439	WS-96511901-0	<u>30,000</u>
<b>Total U.S. Environmental Protection Agency</b>			<b><u>\$ 39,843</u></b>
<b><u>U.S. Department of the Interior</u></b>			
Recreation Resource Management	15.225	39-CTY-2090-02-01	<u>605</u>
<b>Total U.S. Department of the Interior</b>			<b><u>\$ 605</u></b>
<b><u>U.S. Department of Homeland Security</u></b>			
Metropolitan Medical Response System	97.071	EMW-2004-GR-0650	\$ 98,271
<i>Passed through Ohio Emergency Management Agency</i> Homeland Security	97.073	2003-TEX-0199	<u>14,865</u>
<b>Total U.S. Department of Homeland Security</b>			<b><u>\$ 113,136</u></b>
<b>Total Federal Financial Assistance</b>			<b><u>\$ 32,306,795</u></b>

**CITY OF DAYTON, OHIO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**for the year ended December 31, 2005**

**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, 2005**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

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

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal Control over major programs:  
 Material weakness(es) identified?  yes  no  
 Reportable condition(s) identified not considered to be material weaknesses?  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)?  yes  no

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$969,204

Auditee qualified as low-risk auditee  yes  no

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended December 31, 2005**

**Section II –Financial Statement Findings**

<i>Finding Number</i>	<b>05-01</b>
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**Reconciliation of Cash Balances**

*Criteria* - Good internal controls require that cash accounts used in the monthly reconciliation process to the bank accounts are complete and accurate.

*Condition* - The City performed monthly bank account reconciliations during calendar year 2005. However, our review of the December 31, 2005 bank account reconciliation noted that unallocated deposits used in the reconciliation process could not be traced to support documentation.

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

*Cause* - The accounting system is unable to generate a report that identifies unallocated deposits.

*Recommendation* - We recommend that the City implement a system to identify its unallocated deposits to ensure accuracy and completeness of the monthly bank reconciliations.

*Views of responsible officials and planned corrective actions* -

Several years ago the City of Dayton conducted an analysis of the Cash Reconciliation process. A procedure was established and implemented to reconcile cash daily. This reconciliation process is composed of 15 components which include the City of Dayton’s Investment Portfolio, Payroll, Accounts Payable, Treasury, Accounts Receivable, Wire in Transfers, Wire out Transfers, and eight ZBAs (Zero Balance Accounts). Thirteen of the components for the December 31, 2005 reconciliation were reconciled with adequate supporting documentation including a list of individual deposits.

**ACTION PLAN:** The City is committed to implementing system enhancements to track all transactions in all components in a more efficient manner.

*Auditor’s Response to the City’s Comments:*

We complement the City for their efforts in this area to resolve the cash reconciliation issue. However, we believe additional effort is needed to reconcile the two accounts which have not been reconciled.

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended December 31, 2005**

**Section II –Financial Statement Findings**

<i>Finding Number</i>	<b>05-02</b>
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**Municipal Courts - Civil Division**

*Criteria* - Good internal controls require that monthly cash bank reconciliations are complete and accurate. All reconciling items used in the monthly reconciliation process should be agreed to support documentation.

*Condition* - The Civil Division of the Municipal Court's cash account bank reconciliation disclosed an unreconcilable difference of \$57,000 for the year.

*Effect* - There was no assurance that the final cash balance in the Municipal Court's cash account was correct.

*Cause* - Personnel in the Municipal Courts Civil Division stated that its accounting system could not produce the necessary documents to support the December 31, 2005 cashbook balance.

*Recommendation* - We recommend that the Civil Division of the Municipal Court ensure that all numbers reported for its cash account book balances are supported by the necessary documents to ensure accuracy and completeness of the monthly bank reconciliations.

*Views of responsible officials and planned corrective actions* -

The Dayton Municipal Court Civil Division will pay our irreconcilable difference to the City of Dayton. From our reconciliation of the bank statement from month to month, we have observed that the irreconcilable amount has remained the same. The constant irreconcilable amount is \$37,688.12. We will pay this amount of \$37,688.12 to the City of Dayton in November.

We have improved our record keeping and all numbers reported can be supported by computer reports and/or excel spreadsheets.

*Auditor's Response the City's Comments:*

The action contemplated by the City appears to resolve this issue.

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended December 31, 2005**

**Section II –Financial Statement Findings**

<i>Finding Number</i>	<b>05-03</b>
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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. As reported in prior years, manual procedures were required to correct and record billing and receipt data for water and sewer billed amounts into the general ledger system. These entries were based on reports generated by the receivable subsidiary system.

In addition, the collection of receipts for water, sewer, storm water and well field were initially recorded solely in the water fund by the cashiering system. A manual analysis and entry was required to distribute receipts initially recorded in the water fund to the other funds. (Sewer, Storm Water, Well Field) This condition did not result in the financial statement numbers being misstated.

We found that (1) the water system was incorrectly billing storm charges to customers. Customers were not being issued credits unless they protested the charges and (2) accounts certified as bad debt write offs in the subsidiary water system were not being recorded in the Banner general ledger system.

*Effect* - The City could not readily determine, on a monthly basis, the outstanding accounts receivable balance due to the City for the water, sewer, storm water, well field, container and disposal fees. In addition, a considerable amount of manual effort was necessary to separate and record the billings and receipts. The significant manual effort could result in errors.

*Cause* - This condition existed because the City's receivable subsidiary system was not fully integrated into the City's general ledger system. The City did not separate water, sewer, storm water, well field, container and disposal receipts when received. Instead, all receipts were placed in the water fund and manually distributed to the appropriate fund.

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended December 31, 2005**

**Section II –Financial Statement Findings**

*Recommendation* - We recommend that the City:

1. take immediate steps to ensure its water/sewer subsidiary receivable system produces monthly aging trial balance reports,
2. complete the integration of water subsidiary receivable system and the Banner general ledger system,
3. perform monthly reconciliations to ensure that the account balances in both systems are correctly stated until the systems are fully integrated, and
4. correct the system for the storm charge billing errors.

*Views of responsible officials and planned corrective actions* –

The City disagrees that the Water/Sewer Subsidiary Receivable process is an internal control matter. This finding is related to efficiency rather than internal control. The City concurs that the Water/Sewer Subsidiary Receivable system does not produce a monthly aging trial balance listing customer names. However, the City can produce two separate reports that provide the same results: the aged trial balance report without customer's names and the outstanding balance report with customer's names and their outstanding balances match each other.

An Aged Trial Balance report has been created that will correct most of the above finding. The report can be configured to produce balances by line or by customer name and account. The manual process of transferring receipts has been automated. In an effort to complete the Water to Banner Interface, a "Post Data to Banner" screen has been created to facilitate the electronic transfer of Receivables, Payments and Adjustments.

The Water System is incorrectly billing storm charges to customer.

- The Water System was corrected on September 18, 2006. Instead of the system defaulting to 90 days, the system now bills using appropriate "From and To" dates.
- Accounts certified as bad debt write-offs in the Subsidiary Water System are not being recorded in Banner General Ledger system.
- The above statement is partially true. When items are written-off (Certification, Sheriff's Sale, Bankruptcy, Delinquent Write-off or Allocation Collection Agency), the credits are reported on the ED03 report as a credit adjustment to the line item(s) effected. Receivables are reduced. Currently, Collections provides Accounting with a memo annually detailing certified amounts which

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended December 31, 2005**

**Section II –Financial Statement Findings**

can be used to post a journal to a Bad Debt account. All other write-off's are not specified as Bad Debt. Finance is working with ITS in order to develop a report will provide Accounting with the additional Bad Debt totals.

*ACTION PLAN:* The City concurs that our current finance system does not separate water sewer, storm water, etc. when payments are applied on account; however, each day a manual journal voucher is prepared to reallocate the cash payments. As of February 28, 2007 this process was automated and the water, sewer, storm water, well field, container and disposal receipts are posted to appropriated funds. Manual journal entries are no longer created.

*Auditor's Response to City's Comments:*

At the time of field work we considered this issue an internal control problem. Any revisions to the City's procedures since that time have not been reviewed by Foxx. We complement the City for their actions in this area to correct a long standing problem.

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended December 31, 2005**

**Section II –Financial Statement Findings**

<i>Finding Number</i>	<b>05-04</b>
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**Payroll Department**

*Criteria* – Good internal controls require procedures in effect that restrict manipulation to data after it has been processed.

*Condition* – As discussed in the previous management letters, the departmental payroll clerk has the ability to change the hours of an employee without notifying the City’s main payroll department.

*Effect* – The ability of the payroll clerk to change payroll data after processing could result in discrepancies of the payroll data maintained by the departmental and central payroll.

*Cause* – Procedures are not in place to restrict the payroll clerk’s ability to edit payroll data after it has been processed.

*Recommendation* – We recommend that the City implement procedures to eliminate the departmental payroll clerk’s ability to edit the payroll data after submission to the City’s central payroll department.

*Views of responsible officials and planned corrective actions -*

The recommendation was that the City implement procedures to eliminate the departmental payroll clerk’s ability to edit the payroll data after submission to the City’s central payroll department.

Response; The City’s IT department has looked into this and as yet is unable to find a way to prevent edits by departmental payroll clerks without also preventing the central payroll office from doing any required edits. Procedures have been given to departmental payroll clerks that require them to notify the central payroll staff prior to making edits after time sheets have been submitted to the central payroll office.

Note: Opportunities for departmental payroll clerks to edit should be reduced once each Department starts using the Kronos time and attendance system being implemented by the City. We expect full implementation to occur by late 2007.

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended December 31, 2005**

**Section II –Financial Statement Findings**

*Auditor's Response to the City's Comments:*

The City's constant monitoring of this issue until the new system is implemented should resolve this issue.

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended December 31, 2005**

**Section III – Findings and Questioned Costs for Federal Awards**

<i>Finding Number</i>	<b>05-05</b>
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**Schedule of Expenditures of Federal Awards**

*Criteria* – OMB Circular A-133 requires recipients of Federal awards with expenditures of \$500,000 or more annually to prepare a *Schedule of Expenditures of Federal Awards* and provide it to the single auditor. The schedule should show the name of the program, the Catalog of Federal Domestic Assistance number, the Federal agency, and the federal expenditures by program. For Federal awards received as a sub recipient, the name of the pass through entity and identifying number assigned by the pass-through entity shall be included.

*Condition* – As reported in prior years, the procedures utilized to prepare the City’s *Schedule of Expenditures of Federal Awards* were inadequate. The City could not provide an accurate *Schedule of Expenditures of Federal Awards* in a timely manner. The City provided several schedules which had federal expenditure amounts that exceeded the amounts shown in Banner, the City’s official accounting system. Since Banner, at a minimum, should have at least the amount shown on the federal schedule as an expenditure, there was no assurance that the federal expenditures on the schedules were accurate. Although the City made a number of attempts to provide an accurate schedule, a *Schedule of Expenditures of Federal Awards* which reflected amounts in Banner, was not provided to us for Calendar Year 2005 until May 3, 2007. The May 3rd schedule revised several fund amounts and added four federal programs that had not been included on the previous schedules.

*Effect* –The *Schedule of Expenditures of Federal Awards* was not provided in a timely manner, all federal programs were not included and there was no assurance that the revisions made to the schedule after our audit contract expired were correct. Furthermore, the delay in providing the *Schedule of Expenditures of Federal Awards* has resulted in the issuance of the Calendar Year 2005 Single Audit for the City of Dayton being delayed for over ten months.

*Cause* – The City does not have a system in Banner to identify and monitor federal award expenditures. Instead, the accounting department relies on the various City departments that manage each award to provide expenditure data and grant agreements on their respective awards. However, because of turnovers and transfers of personnel the accounting department did not have experienced staff to prepare the *Schedule of Expenditures of Federal Awards*. In addition, because the City does not have written procedures to reconcile the federal expenditures to Banner, differences occur.

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended December 31, 2005**

**Section III – Findings and Questioned Costs for Federal Awards**

*Recommendation* – We recommend that the City:

1. Develop a system to identify federal award expenditures in Banner and monitor its agreements for federal programs periodically during the year to ensure that all federal funds are being reported accurately on the schedule, and provide it to the Single Auditor.
2. Develop written procedures for reconciling federal award expenditures with Banner, and
3. Provide the *Schedule of Expenditures of Federal Awards* to the Single Auditor in a timely manner, for future audits.

*Views of responsible officials and planned corrective actions* –

The Financial Analysis section of the Accounting and Treasury Division experienced vacancies due to promotions, retirement and long-term illness. This prolonged the process of completing the Federal Schedule. The lack of availability of the Auditors to address the City of Dayton's questions and concerns during this period also contributed to the delay in completing the Federal Schedule.

During the preparation of the Federal Schedule, the City was in communication with Foxx & Company to determine the accurate amount of federal expenditures to be reported on the federal schedule. In some funds, there was a difference between the expenditures reported in Banner (the City's certified financial system) and the federal schedule because of reconcilable differences.

In February 2007, it was brought to the Finance Department's attention that there was a federal program that had been omitted from the Single Audit Report. This program was a pass-through grant and was reported as being a State program. In an effort to ensure the integrity of the Federal Schedule, the City of Dayton began an emergency in-depth procedural analysis of all federally funded programs in the Banner Financial System for 2005. A period of continuous communication was maintained with Foxx & Co. regarding the fund amounts and the accurate number of federally funded programs. This resulted in the City of Dayton providing several Federal Schedules which contained updated information as it was received.

*ACTION PLAN: Audit Finding 05-05 (Schedule Federal Awards)*

The City of Dayton will implement and document a process whereby no budget authority or fund number will be assigned to an activity without proper documentation. This will ensure that federal grant awards are identified and classified in the appropriate Banner fund sequence.

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended December 31, 2005**

**Section III – Findings and Questioned Costs for Federal Awards**

In response to the issue of monitoring Banner and its agreements for federal programs periodically during the year to ensure that all federal funds are being reported, the City Project Managers in collaboration with the Finance Department will ensure that project expenditures are viewed monthly and reimbursement requests are submitted as required by the Federal agency. Implementation of this action plan will in the future ensure a timely completion of the Federal schedule.

*Auditor's Response to City's Comments:*

The City's plans for compiling the Federal Schedule should alleviate the problem discussed in the finding. However, we suggest that the City put its new procedure in writing and share it with all the federal grant managers.

**CITY OF DAYTON, OHIO**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**for the year ended December 31, 2005**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Or Finding No Longer Valid; Explain:</b>
04-01	Reconciliation of Cash Balances	No	Not corrected, see Finding Number 05-01
04-02	Municipal Courts	No	Not corrected, see Finding Number 05-02
04-03	Water/Sewer Subsidiary Receivable	No	Not corrected, see Finding Number 05-03

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, 2004.



**CITY OF DAYTON, OHIO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended December 31, 2005**

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.



**CITY OF DAYTON, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**CITY OF DAYTON, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**CITY OF DAYTON, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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June 30, 2006

The Honorable Mayor, Members of the City Commission, the City Manager,  
and the Citizens of the City of Dayton, Ohio

We are pleased to submit the City of Dayton's Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2005. State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. The CAFR was prepared using Generally Accepted Accounting Principals (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 the management of the City.

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 require estimates and judgments by management.

The City's Charter, Sections 44 and 78, prescribes 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 in whole. The City has again received an unqualified opinion from the independent auditor that the financial statements are presented fairly. The opinion letter is included in the Financial Section of this report.

This transmittal letter is designed to provide historical information about the City, as well as compliment the required Management's Discussion and Analysis (MD&A). Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements. The City's MD&A, which focuses on the government-wide statements, can be found immediately following the report of the independent auditors.

### **PROFILE OF THE CITY OF DAYTON**

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 2,459 people.

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, neighborhood support, recreation and parks, golf, street and bridge maintenance, waste collection, and a municipal court system.

The City has included in the CAFR all of the funds for which it is financially accountable. The City has one component unit: Citywide Development Corporation that is shown as a separate discrete component unit. This component unit is 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 organization. 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 annual budget serves as the foundation for the City of Dayton's financial planning and control. The council is required to adopt a final budget by no later than the close of the fiscal year. The budget is prepared by fund, function and department. Department heads may make transfers within a department.

## **LOCAL ECONOMY**

The City's inventors have given the world the airplane, the automobile self-starter, the cash register, food for the astronauts, micro-encapsulation and major components for the Gemini and Apollo flights. The City's area is known as a leader in the production of many products, including business machines, business forms and automotive parts. The area has one of the highest per capita concentrations of scientific and technical personnel in the State.

The City's geographic location in southwestern Ohio makes it accessible to some of the largest markets in North America. From the City's area it is possible to reach more than half of the United States population within 90 minutes by air. Interstates 70 and 75 intersect just north of the City. This intersection is the nucleus of a national network of 25 interstate highways and major state routes. The I-675 bypass has increased access to both of the cities of Cincinnati and Columbus and the communities east and south of the City.

Because of the City's strategic location near the intersection of Interstates 70 and 75 and only minutes from the Airport facilities, over 20 trucking firm terminals are located in the City's area, including contract haulers, heavy and light haulers, liquid or dry bulk and motor freight carriers. The City also has two major rail systems, CSX Transportation and Conrail. CSX has a 2,500 car-switching yard and Conrail has a 1,000 car switching yard located within the County which can service trailer and flat cars.

The City's strategic location gives the region an important advantage in that its "second morning market" encompasses a 600-mile radius and services approximately 138 million people. The aerospace and high technology industries are integral to the City's economy. The City's support of research and development firms is one reason it boasts one of the highest concentrations of engineers and patents in the country. Because of the regions varied economic base, unemployment has declined. During the past 10 years, the unemployment rate has fluctuated. The unemployment rate in 2005 was 7.6%

## **LONG-TERM FINANCIAL PLANNING**

Faced with the challenges of reduced revenues from the Local Government Fund, it is important for the City to be prudent in its spending and seek other sources of revenues. The City has instituted the remaining \$5 vehicle tax, which brings the City's vehicle license tax rate in line with other local jurisdictions. This revenue, projected to provide an annual \$500,000 annually, will be used to maintain Dayton's streets.

## **RELEVANT FINANCIAL POLICIES**

The City's long-standing policy is to maintain a General Fund reserve (unrestricted, GAAP) from 10% to 20% of revenues. During the previous 10 years, the City's General Fund GAAP reserve has averaged 27% of revenues. The City Commission's policy is to apply the General Fund balance only to the following limited purposes: one-time strategic investments yielding a significant number of jobs; one-time strategic investments in technology to reduce operating costs; and, to weather a recession or economic shock during a maximum 18-month period. The City experienced a decline in General Fund revenues in 2002 and 2003 as a result of general economic conditions and reductions in State funds. Consistent with City policy to maintain the General Fund reserve and not increase the City income tax, City management took action to increase General Fund revenues and reduce General Fund expenses.

## **MAJOR INITIATIVES**

Efforts at maintaining the Dayton International Airport as a choice departure and arrival for travelers has resulted in the completion of the Airport Terminal Roadway Projects I and II at an estimated cost of \$10.5 million, initiating Gate Enhancement Project III at a cost of \$8 million and completion of the Rental Car Campus. Acquisition of the Amateur Trapshooting Association property will lead to greater development at the Airport. Other projects include the development of Tech Town, which to date the City has received nearly \$13 million in outside funding. We have committed \$5.5 million for capital equipment and technology, the highest level of investment in well over a decade.

## AWARDS AND ACKNOWLEDGEMENTS

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 CAFR for the year ended December 31, 2004. This was the 23<sup>rd</sup> 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 judged by the GFOA. This report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement program requirements, and it has been submitted to the GFOA.

My appreciation is extended to the City Commission Office, the City Manager's Office, City department heads, and all city 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, Julian and Grube, Inc., all of whom contributed to the development of the CAFR.

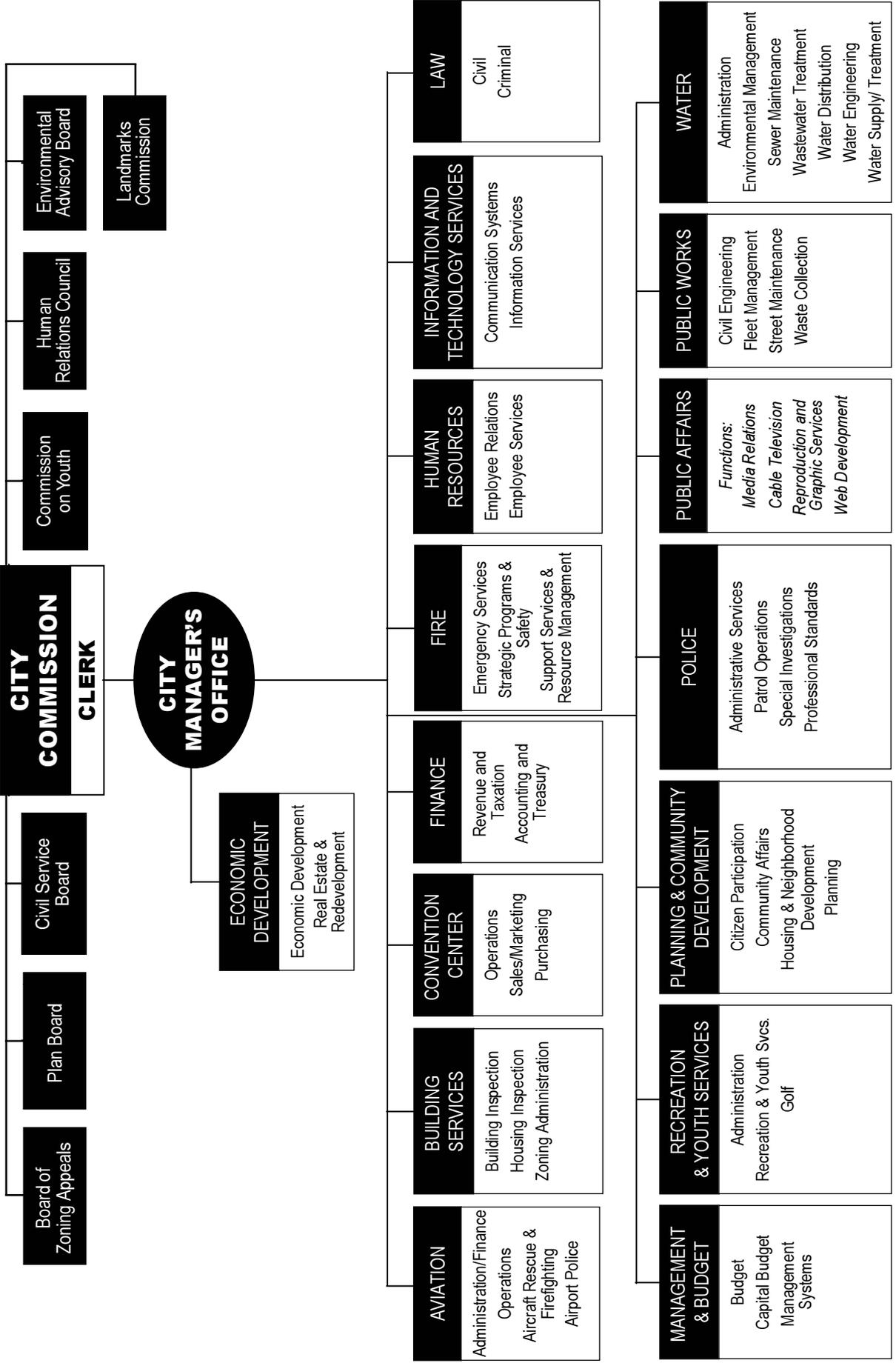
Respectively submitted,



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, 2004

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.



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

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## 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, 2005, 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 City Wide 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 the *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 basic financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, 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, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2006 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 our audit.

The Management's Discussion and Analysis on pages 13 - 36 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, is 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 these sections.

*Foxx & Company*

Cincinnati, Ohio  
June 16, 2006

## CITY OF DAYTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005 UNAUDITED

The management's 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, 2005. 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 2005 are as follows:

- The total net assets of the City increased \$40,312,025. Net assets of governmental activities increased \$19,934,131 or 6.26% over 2004 and net assets of business-type activities increased \$20,377,894 or 4.65% over 2004.
- General revenues accounted for \$158,192,703 of total governmental activities revenue. Program specific revenues accounted for \$59,608,527 or 27.37% of total governmental activities revenue.
- The City had \$197,867,099 in expenses related to governmental activities; \$59,608,527 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$138,258,572 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$158,192,703.
- The general fund had revenues of \$171,628,723 in 2005. This represents an increase of \$9,097,230 from 2004 revenues. The expenditures of the general fund, which totaled \$152,384,111 in 2005, increased \$1,910,970 from 2004. The net increase in fund balance for the general fund was \$2,717,067 or 6.49%.
- The debt service major fund had \$10,065,116 in revenues and \$12,200,071 in expenditures in 2005. The fund balance in the debt service was \$13,298,438, a 13.27% decrease from 2004.
- The capital improvement major fund had \$2,726,016 in revenues and \$17,686,963 in expenditures in 2005. The capital improvement fund also had a transfer in of \$7,684,500 from the general fund. The fund balance for the capital improvement fund balance decreased \$7,274,847 or 30.15%.
- 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 2005 by \$20,377,894. 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.
- The Dayton International Airport enterprise fund had \$40,174,905 in operating revenues and \$36,982,428 in operating expenditures in 2005. The Dayton International Airport enterprise fund also had non-operating revenues of \$1,062,110, non-operating expenditures of \$3,424,942 and capital contributions of \$18,926,901. The net assets of the Dayton International Airport enterprise fund increased \$19,756,546 or 11.96%.
- The Water enterprise fund had \$43,578,504 in operating revenues and \$43,193,561 in operating expenditures in 2005. The Water enterprise fund also had non-operating revenues of \$475,451 and non-operating expenditures of \$768,479. The net assets of the Water enterprise fund increased \$91,915 or 0.06%.
- The Sewer enterprise fund had \$27,796,918 in operating revenues and \$26,861,250 in operating expenditures in 2005. The Sewer enterprise fund also had non-operating expenditures of \$1,188,595. The retained earnings of the Sewer enterprise fund decreased \$252,927 or 0.24%.

## CITY OF DAYTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005 UNAUDITED

- In the general fund, the actual revenues came in \$1,836,871 higher than they were in the final budget and actual expenditures were \$3,119,751 less than the amount in the final budget. Budgeted revenues increased \$1,084,600 from the original to the final budget due primarily to an increase in projected income tax revenue and property taxes. Budgeted expenditures decreased \$434,300 from the original to the final budget as a result of projected decreases in other costs 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.

#### **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 2005?" 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 will take 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.

## CITY OF DAYTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005 UNAUDITED

#### 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 focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 21.

##### *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.

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 42-46 of this report and further detail on the City's major and nonmajor governmental funds can be found on page 65 of this report.

##### *Proprietary Funds*

The City maintains two 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 48-57 of this report.

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***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 statement can be found on page 58 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 61-108 of this report.

**Government-Wide Financial Analysis**

The Statement of Net Assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2005 compared to 2004:

	<b>Net Assets</b>					
	Governmental Activities 2005	Restated Governmental Activities 2004	Business-Type Activities 2005	Restated Business-Type Activities 2004	Total 2005	Total 2004
<b><u>Assets</u></b>						
Current and other assets	\$ 166,679,777	\$ 164,766,015	\$ 140,919,847	\$ 142,994,518	\$ 307,599,624	\$ 307,760,533
Capital assets	298,542,014	286,424,283	439,608,571	425,526,088	738,150,585	711,950,371
Total assets	<u>465,221,791</u>	<u>451,190,298</u>	<u>580,528,418</u>	<u>568,520,606</u>	<u>1,045,750,209</u>	<u>1,019,710,904</u>
<b><u>Liabilities</u></b>						
Long-term liabilities						
outstanding	92,326,462	100,571,490	105,505,280	109,736,764	197,831,742	210,308,254
Other liabilities	<u>34,479,687</u>	<u>32,137,297</u>	<u>16,427,845</u>	<u>20,566,443</u>	<u>50,907,532</u>	<u>52,703,740</u>
Total liabilities	<u>126,806,149</u>	<u>132,708,787</u>	<u>121,933,125</u>	<u>130,303,207</u>	<u>248,739,274</u>	<u>263,011,994</u>
<b><u>Net Assets</u></b>						
Invested in capital						
assets, net of related debt	228,383,145	207,581,135	328,655,724	311,084,002	557,038,869	518,665,137
Restricted	65,403,080	63,442,672	-	-	65,403,080	63,442,672
Unrestricted	<u>44,629,417</u>	<u>47,457,704</u>	<u>129,939,569</u>	<u>127,133,397</u>	<u>174,568,986</u>	<u>174,591,101</u>
Total net assets	<u>\$ 338,415,642</u>	<u>\$ 318,481,511</u>	<u>\$ 458,595,293</u>	<u>\$ 438,217,399</u>	<u>\$ 797,010,935</u>	<u>\$ 756,698,910</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the City's assets exceeded liabilities by \$797,010,935. At year-end, net assets were \$338,415,642 and \$458,595,293 for the governmental activities and the business-type activities, respectively.

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Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 70.59% of total assets. Capital assets include land, construction in progress (CIP), 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, 2005, were \$228,383,145 and \$328,655,724 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, 2005, 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, \$65,403,080, 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 \$44,629,417 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal years 2005 and 2004.

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**Change in Net Assets**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>	Business-Type Activities <u>2005</u>	Business-Type Activities <u>2004</u>	Total <u>2005</u>	Total <u>2004</u>
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 29,887,629	\$ 28,523,521	\$ 121,179,898	\$ 115,856,533	\$ 151,067,527	\$ 144,380,054
Operating grants and contributions	17,571,173	18,789,989	-	-	17,571,173	18,789,989
Capital grants and contributions	<u>12,149,725</u>	<u>9,604,411</u>	<u>18,926,901</u>	<u>14,794,084</u>	<u>31,076,626</u>	<u>24,398,495</u>
Total program revenues	<u>59,608,527</u>	<u>56,917,921</u>	<u>140,106,799</u>	<u>130,650,617</u>	<u>199,715,326</u>	<u>187,568,538</u>
General revenues:						
Property taxes	20,719,101	19,496,591	-	-	20,719,101	19,496,591
Income taxes	112,169,475	108,438,846	-	-	112,169,475	108,438,846
Unrestricted grants	18,276,100	20,377,849	-	-	18,276,100	20,377,849
Interest	3,383,886	1,706,199	1,537,561	1,032,922	4,921,447	2,739,121
Miscellaneous	<u>3,644,141</u>	<u>1,984,048</u>	<u>-</u>	<u>-</u>	<u>3,644,141</u>	<u>1,984,048</u>
Total general revenues	<u>158,192,703</u>	<u>152,003,533</u>	<u>1,537,561</u>	<u>1,032,922</u>	<u>159,730,264</u>	<u>153,036,455</u>
Total revenues	<u>217,801,230</u>	<u>208,921,454</u>	<u>141,644,360</u>	<u>131,683,539</u>	<u>359,445,590</u>	<u>341,386,579</u>
<b>Expenses:</b>						
Downtown	5,064,225	5,031,993	-	-	5,064,225	5,031,993
Youth, education and human services	2,070,638	2,208,479	-	-	2,070,638	2,208,479
Community development	20,037,194	20,163,040	-	-	20,037,194	20,163,040
Economic development	7,162,137	6,411,508	-	-	7,162,137	6,411,508
Leadership and quality of life	46,407,089	45,891,870	-	-	46,407,089	45,891,870
Corporate responsibility	16,907,149	15,950,738	-	-	16,907,149	15,950,738
Public safety and justice	94,599,294	92,954,582	-	-	94,599,294	92,954,582
Other	2,547,338	507,896	-	-	2,547,338	507,896
Interest and fiscal charges	3,072,035	3,944,038	-	-	3,072,035	3,944,038
Dayton International Airport	-	-	40,802,335	39,961,191	40,802,335	39,961,191
Water	-	-	44,674,367	47,152,642	44,674,367	47,152,642
Sewer	-	-	28,319,647	28,903,051	28,319,647	28,903,051
Other enterprise funds:						
Golf	-	-	2,536,878	2,472,685	2,536,878	2,472,685
Storm water	-	-	<u>4,933,239</u>	<u>3,983,545</u>	<u>4,933,239</u>	<u>3,983,545</u>
Total expenses	<u>197,867,099</u>	<u>193,064,144</u>	<u>121,266,466</u>	<u>122,473,114</u>	<u>319,133,565</u>	<u>315,537,258</u>
Change in net assets	<u>19,934,131</u>	<u>15,857,310</u>	<u>20,377,894</u>	<u>9,210,425</u>	<u>40,312,025</u>	<u>25,067,735</u>
Special item:						
Gain from sale of assets	<u>-</u>	<u>781,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>781,586</u>
Change in net assets after special item	19,934,131	16,638,896	20,377,894	9,210,425	40,312,025	25,849,321
Net assets at beginning of year (restated)	<u>318,481,511</u>	<u>301,842,615</u>	<u>438,217,399</u>	<u>429,006,974</u>	<u>756,698,910</u>	<u>730,849,589</u>
Net assets at end of year	<u>\$ 338,415,642</u>	<u>\$ 318,481,511</u>	<u>\$ 458,595,293</u>	<u>\$ 438,217,399</u>	<u>\$ 797,010,935</u>	<u>\$ 756,698,910</u>

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**Governmental Activities**

Governmental activities net assets increased \$19,934,131 in 2005. This increase is a result of slightly increasing revenues, specifically the income tax revenue and investment income. The expenditures of the governmental activities remained relatively stable with an increase of less than three percent.

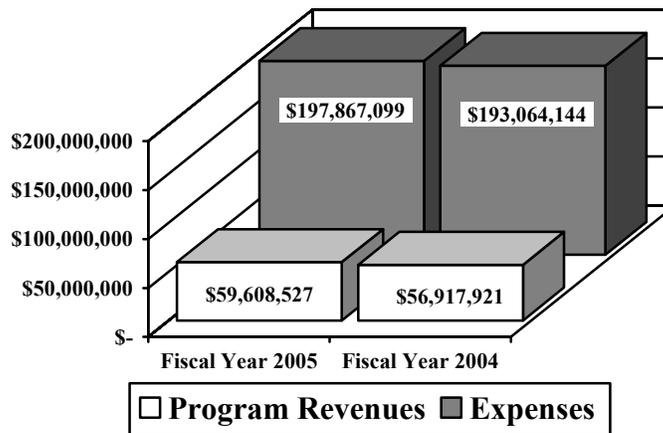
Public safety and justice, which primarily supports the operations of the police and fire departments accounted for \$94,599,294 of the total expenses of the City. These expenses were partially funded by \$16,737,568 in direct charges to users of the services. Leadership and quality of life expenses totaled \$46,407,089. Leadership and quality of life expenses were partially funded by \$5,693,276 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$17,571,173 in operating grants and contributions and \$12,149,725 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total capital grants and contributions, \$8,132,773, subsidized leadership and quality of life programs and \$1,106,391 subsidized economic development programs.

General revenues totaled \$158,192,703, and amounted to 72.63% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$132,888,576. 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 \$18,276,100.

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.

**Governmental Activities – Program Revenues vs. Total Expenses**



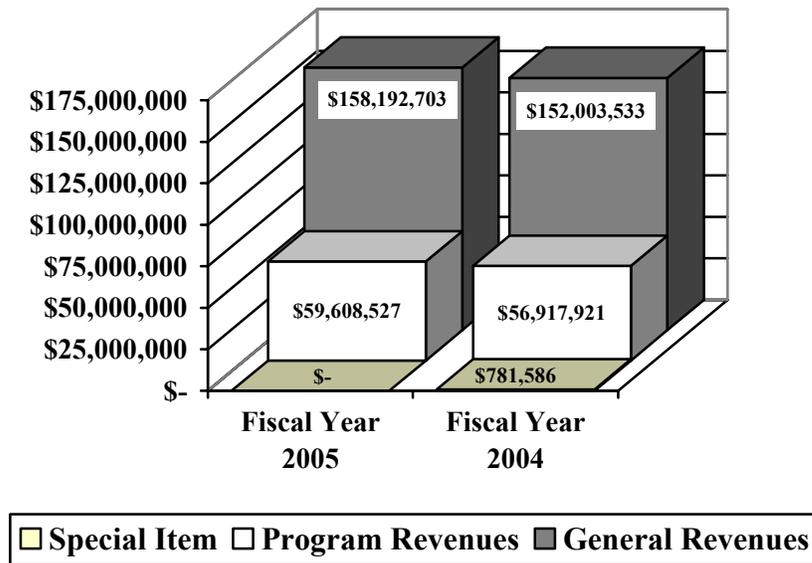
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**Governmental Activities**

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Program Expenses:				
Downtown	\$ 5,064,225	\$ 4,546,713	\$ 5,031,993	\$ 4,526,784
Youth, education and human services	2,070,638	185,002	2,208,479	371,537
Community development and neighborhoods	20,037,194	8,229,229	20,163,040	11,083,753
Economic development	7,162,137	3,534,514	6,411,508	2,569,952
Leadership and quality of life	46,407,089	25,762,640	45,891,870	23,341,683
Corporate responsibility	16,907,149	14,434,978	15,950,738	13,535,781
Public safety and justice	94,599,294	76,523,240	92,954,582	76,828,405
Other	2,547,338	1,970,221	507,896	456,800
Interest and fiscal charges	3,072,035	3,072,035	3,944,038	3,431,528
<b>Total Expenses</b>	<b>\$ 197,867,099</b>	<b>\$ 138,258,572</b>	<b>\$ 193,064,144</b>	<b>\$ 136,146,223</b>

The dependence upon general revenues for governmental activities is apparent, with 69.87% of expenses supported through taxes and other general revenues.

**Governmental Activities – General and Program Revenues**



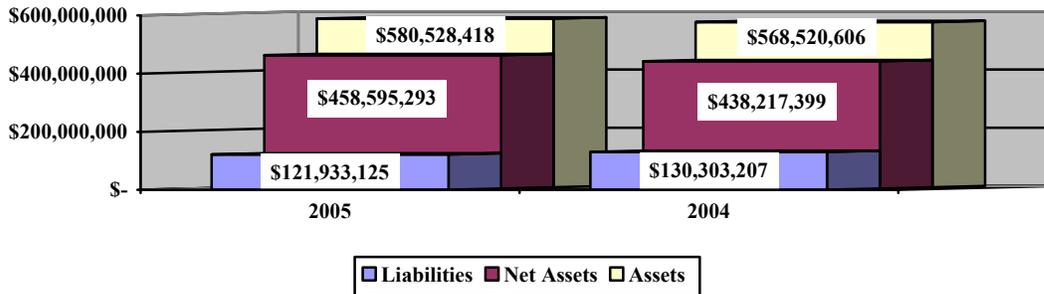
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**Business-Type Activities**

Business-type activities include the airport, water, sewer, storm water and golf enterprise funds. These programs had program revenues of \$140,106,799, general revenues of \$1,537,561 and expenses of \$121,266,466 for 2005. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

**Net Assets in Business - Type Activities**



**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 42) reported a combined fund balance of \$91,426,994 which is \$8,695,648 below last year's total of \$100,122,642 (as restated). The December 31, 2004 fund balances have been restated as described in Note 3 to the basic financial statements. The debt service fund balance includes \$7,840,000 reserved for loans. The capital improvement fund balance includes \$6,500,924 reserved for advances to the component unit. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2005 for all major and nonmajor governmental funds.

	Fund Balances 12/31/05	Restated Fund Balances 12/31/04	Increase (Decrease)
Major Funds:			
General	\$ 44,552,338	\$ 41,835,271	\$ 2,717,067
Debt service	13,298,438	15,333,393	(2,034,955)
Capital improvement	16,850,003	24,124,850	(7,274,847)
Other Nonmajor Governmental Funds	<u>16,726,215</u>	<u>18,829,128</u>	<u>(2,102,913)</u>
Total	<u>\$ 91,426,994</u>	<u>\$ 100,122,642</u>	<u>\$ (8,695,648)</u>

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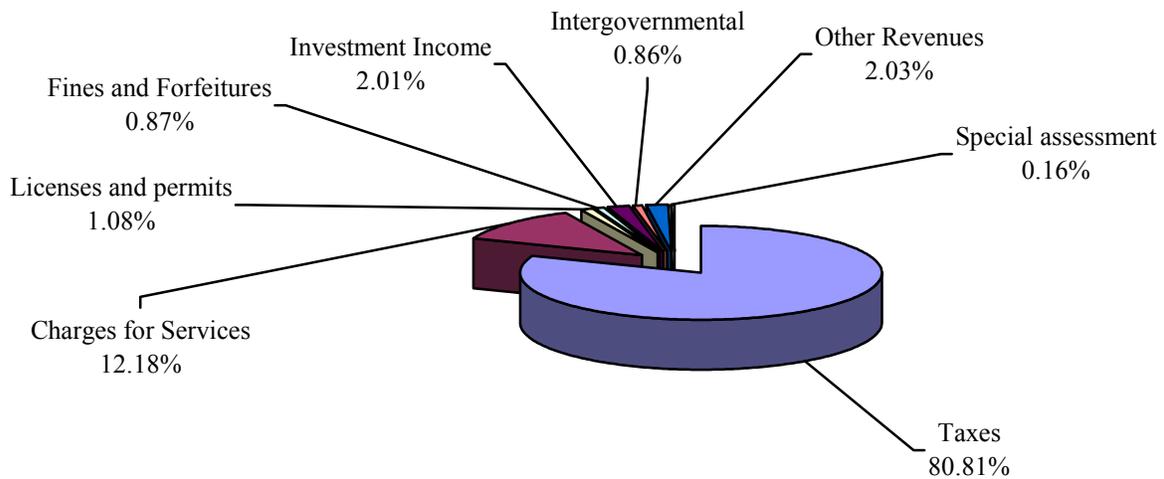
**General Fund**

The City's general fund balance increased \$2,717,067, primarily due to an increase in revenues from 2004 in the amount of \$9,097,230 and a smaller increase in expenditures from 2004 in the amount of \$1,910,970. The table that follows assists in illustrating the revenues of the general fund.

	2005 <u>Amount</u>	2004 <u>Amount</u>	Percentage <u>Change</u>
Revenues			
Taxes	\$ 138,681,575	\$ 134,946,711	2.77 %
Charges for services	20,904,806	18,261,799	14.47 %
Licenses and permits	1,853,856	1,750,643	5.90 %
Fines and forfeitures	1,498,577	1,535,094	(2.38) %
Investment income	3,451,891	2,286,681	50.96 %
Special assessments	267,364	339,721	(21.30) %
Intergovernmental	1,478,930	1,579,154	(6.35) %
Other	3,491,724	1,831,690	90.63 %
Total	<u>\$ 171,628,723</u>	<u>\$ 162,531,493</u>	5.60 %

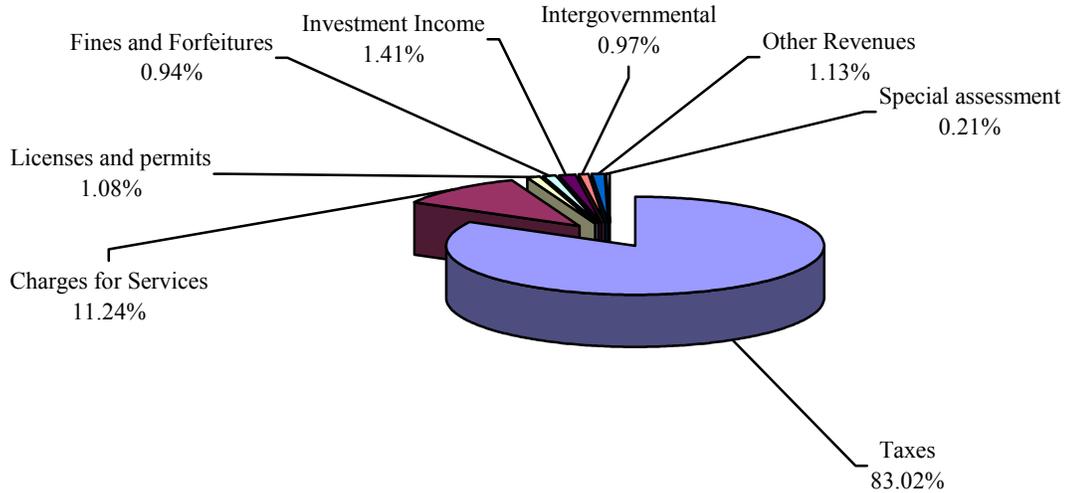
Charges for services revenue increased \$2,643,007 or 14.47% from the prior year. This increase is attributed to an increase in the number of charges issued by the City of Dayton in 2005. The increase in other revenue is due to an increase in the miscellaneous items collected by the City. Investment income increased 50.96% due to an increase in interest rates of the City investments. All other revenue remained comparable to 2004.

**Revenues – Fiscal Year 2005**



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**Revenues – Fiscal Year 2004**



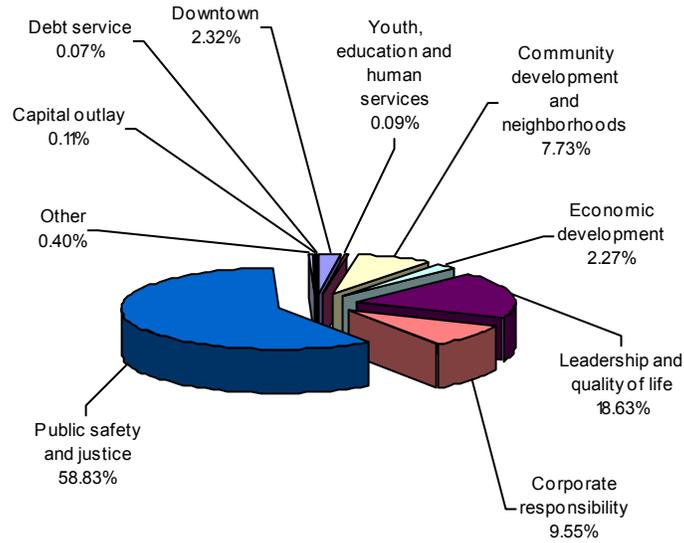
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
Downtown	\$ 3,533,181	\$ 3,606,582	(2.04) %
Youth, education and human services	140,363	214,881	(34.68) %
Community development and neighborhoods	11,776,917	11,248,295	4.70 %
Economic development	3,463,212	2,739,633	26.41 %
Leadership and quality of life	28,382,456	28,193,800	0.67 %
Corporate responsibility	14,545,724	13,944,134	4.31 %
Public safety and justice	89,655,447	90,124,997	(0.52) %
Other expenses	610,189	366,142	66.65 %
Capital outlay	164,947	-	100.00 %
Debt service	111,675	34,677	222.04 %
Total	<u>\$ 152,384,111</u>	<u>\$ 150,473,141</u>	1.27 %

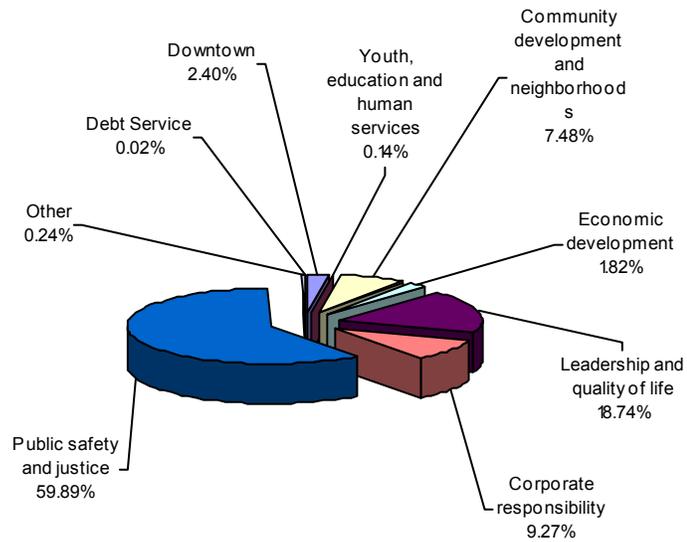
The most significant increase was in the areas of economic development, other expenses, capital outlay and debt service. While these increases are significant as a percentage the individual amounts are not significant compared to the whole. Capital outlay and debt service expenditures increased due to the City entering into capital leases for computer equipment during 2005. The amount reported for 2005 is representative of what is expected in the future. All other expenditures remained comparable to 2004.

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**Expenditures - Fiscal Year 2005**



**Expenditures - Fiscal Year 2004**



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***Debt Service***

The City's debt service fund balance decreased \$2,034,955 due to debt service expenditures greater than the revenues of the fund. The allocation of property tax revenue was changed during 2005, resulting in an increase in property tax revenue in the debt service fund. The following tables illustrate the revenues and expenses of the debt service fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 8,652,633	\$ 324,391	2,567.35 %
Intergovernmental	982,072	974,855	0.74 %
Special assessments	280,411	246,528	13.74 %
Other	<u>150,000</u>	<u>150,000</u>	- %
Total	<u>\$10,065,116</u>	<u>\$ 1,695,774</u>	493.54 %

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
Downtown	\$ 560,000	\$ 560,000	- %
Leadership and quality of life	-	6,922	(100.00) %
Corporate responsibility	194,744	345,442	(43.62) %
Other	217,210	123,982	75.19 %
Principal retirement	8,164,972	8,192,386	(0.33) %
Interest and fiscal charges	<u>3,063,145</u>	<u>4,048,914</u>	(24.35) %
Total	<u>\$12,200,071</u>	<u>\$13,277,646</u>	(8.12) %

***Capital Improvements***

The City's capital improvements fund balance decreased \$7,274,847 due to a large amount of capital outlay.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 1,173,267	\$ 9,067,071	0.00 %
Charges for services	18,566	352,486	(94.73) %
Licenses and permits	49,207	66,579	(26.09) %
Intergovernmental	1,471,995	8,108,424	(81.85) %
Special assessments	12,876	383,497	(96.64) %
Investment income	105	-	100.00 %
Other	<u>-</u>	<u>560,484</u>	(100.00) %
Total	<u>\$ 2,726,016</u>	<u>\$18,538,541</u>	(85.30) %

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	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Change in</u> <u>Dollars</u>
<b><u>Expenditures</u></b>			
Capital outlay	\$ 17,683,802	\$17,055,356	\$ 628,446
Community development	-	312	(312)
Economic development	-	53	(53)
Interest and fiscal charges	<u>3,161</u>	<u>85,388</u>	<u>(82,227)</u>
 Total	 <u>\$ 17,686,963</u>	 <u>\$17,141,109</u>	 <u>\$ 545,854</u>

**Budgeting Highlights – General Fund**

The City's budgeting process is prescribed by the Ohio Revised Code (ORC) and the City of Dayton Charter. Essentially the budget is a representation of the City's various adopted appropriations. The annual expenditure budget is limited by the amount of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, given that the City's plans or priorities can change during the course of a year, they cannot be totally reflected in the original budget. For instance, if budgeted revenues are adjusted due to actual activity then the appropriations will be adjusted accordingly. In addition, if funding priorities change during the fiscal year, resources may be diverted from one activity to fund another, necessitating a corresponding change in budget.

Budgetary information is presented for the general fund on page 46. With respect to changes to the general fund, the final budget reflects revenues that were \$1.1 million higher than the original budget. The variance from actual revenues was \$2.9 million for the original budget or 1.7% and \$1.8 million or 1.1% for the final budget. Four revenue categories realized variances in excess of 10%. The first was fines and forfeitures with actual revenues registering 11.9% under the original budget and conversely 21.0% over the final budget. Higher than average write-offs for delinquent burglar alarm fines and a decrease in traffic citations were the primary causes of the original budget variance. On the other hand, parking ticket revenue rebounded in the final quarter when a technology fix allowed for the issuance of second notices. As a result, actual collections beat the revised estimate by a sizable amount.

There was no planned revenue from intergovernmental sources for 2005. However, during the course of the year a new program was implemented to keep downtown clean and safe. The regional transit authority agreed to contribute \$350,000 to the new program. The last installment, which initially was expected in December of 2005, was not received until January, thus creating the 27.1% variance from final budget. Investment income also realized a 12.4% variance with regard to the final budget as a result of the timing of interest income. Driving the 21.4% variance from original budget for the category of other revenue, is the timing of payments received on behalf of the Dayton landfill.

On the expenditure side, actual expenditures were \$3.6 million or 2.2% under the original budget while the final budget was \$3.1 million or 2.0% higher than actual expenditures. Economic development programs came in under the original and final budget by 10.1% and 11.2%, respectively. These variances were due largely to employee attrition and vacant positions. The expenditure category of corporate responsibility also experienced significant savings. When compared to the budget, several areas experienced reductions including personnel, supplies, postage and computer maintenance.

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Finally, the "other expenditure" category realized a sizable 81% favorable variance to the original budget. The primary factor is capital equipment. The original appropriation included the entire capital equipment budget for all program areas. Later when the specific allocations were approved, the budget was transferred to the respective program areas. In addition, the original budget included contingency funds that were transferred to the various program areas as such allocations were approved, the largest being for outside legal counsel.

Actual operating transfers were greater than original budget due to the favorable revenue and expenditure variances, which allowed for the transfer of cash to fund much needed capital improvement projects.

***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 activities 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.

The City's business-type funds (as presented on the Statement of Net Assets on pages 48-51) reported a combined net assets of \$459,047,969, which is \$21,891,205 above last year's total of \$437,156,764 (as restated). The December 31, 2004 net assets have been restated as described in Note 3 to the basic financial statements. The schedule below indicates the net assets and the total change in net assets as of December 31, 2005 for all major and nonmajor business-type funds.

	<u>Net Assets</u> <u>12/31/05</u>	<u>Restated</u> <u>Net Assets</u> <u>12/31/04</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
Dayton International Airport	\$ 184,960,905	\$ 165,204,359	\$19,756,546
Water	148,802,733	148,710,818	91,915
Sewer	107,123,414	107,376,341	(252,927)
Other Business-type funds	<u>18,160,917</u>	<u>15,865,246</u>	<u>2,295,671</u>
Total	<u>\$ 459,047,969</u>	<u>\$ 437,156,764</u>	<u>\$21,891,205</u>

**CITY OF DAYTON, OHIO**

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***Dayton International Airport***

The City's Dayton International Airport net assets increased \$19,756,546 due mainly to capital contributions made to the fund. The following tables illustrate the revenues and expenses of the Dayton International Airport fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 34,576,247	\$ 38,438,018	(10.05) %
Other	<u>5,598,658</u>	<u>4,505,755</u>	24.26 %
Total	<u>\$ 40,174,905</u>	<u>\$ 42,943,773</u>	(6.45) %

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Expenses</u></b>			
Personal services	\$ 11,180,510	\$ 10,917,123	2.41 %
Benefit payments	3,637,986	3,550,513	2.46 %
Contractual services	9,325,979	8,510,166	9.59 %
Materials and supplies	1,314,692	1,528,328	(13.98) %
Utilities	1,986,376	1,823,061	8.96 %
Depreciation	7,290,655	7,283,775	0.09 %
Other	<u>2,246,230</u>	<u>2,808,091</u>	(20.01) %
Total	<u>\$ 36,982,428</u>	<u>\$ 36,421,057</u>	1.54 %

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Interest revenue	\$ 1,062,110	\$ 1,032,922	2.83 %
Interest expense and fiscal charges	(3,424,942)	(3,611,752)	(5.17) %
Capital contributions	<u>18,926,901</u>	<u>14,794,084</u>	27.94 %
Total	<u>\$ 16,564,069</u>	<u>\$ 12,215,254</u>	35.60 %

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***Water***

The City's water fund net assets increased \$91,915 due to operating revenues greater than the operating expenses in the fund. Charges for services increased by 11.14% due to an increase in billings classified as accounts receivable. The other revenues increased due to revenue from two projects (Talmadge road and Mulberry road) and administrative overhead revenue of \$700,000. The contractual services operating expenses decreased by 36.66% due to the completion of agreements with Montgomery County and CitiWide. The increase in utilities expenses was due to Vectren increasing energy rates for natural gas. The following tables illustrate the revenues and expenses of the water fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 38,716,222	\$ 34,836,303	11.14 %
Other	<u>4,862,282</u>	<u>2,873,123</u>	69.23 %
Total	<u>\$ 43,578,504</u>	<u>\$ 37,709,426</u>	15.56 %

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Expenses</u></b>			
Personal services	\$ 15,147,978	\$ 15,725,799	(3.67) %
Benefit payments	5,200,070	5,273,935	(1.40) %
Contractual services	4,999,906	7,894,063	(36.66) %
Materials and supplies	3,553,161	3,776,845	(5.92) %
Utilities	6,068,930	5,948,471	2.03 %
Depreciation	5,776,167	5,585,217	3.42 %
Other	<u>2,447,349</u>	<u>2,096,381</u>	16.74 %
Total	<u>\$ 43,193,561</u>	<u>\$ 46,300,711</u>	(6.71) %

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Interest revenue	\$ 475,451	\$ -	100.00 %
Interest expense and fiscal charges	<u>(768,479)</u>	<u>(985,409)</u>	(22.01) %
Total	<u>\$ (293,028)</u>	<u>\$ (985,409)</u>	(70.26) %

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*Sewer*

The City's sewer fund net assets decreased \$252,927 due to expenses outpacing revenues during 2005. The decrease in other expenses, while a large percentage, is not a significant dollar amount. The decrease in interest expense and fiscal charges is due to the sewer fund continuing to pay down the principal balances on OWDA and OPWC loans. The following tables illustrate the revenues and expenses of the sewer fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 27,796,918	\$ 28,143,643	(1.23) %
Total	<u>\$ 27,796,918</u>	<u>\$ 28,143,643</u>	(1.23) %

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Expenses</u></b>			
Personal services	\$ 5,881,652	\$ 5,821,206	1.04 %
Benefit payments	1,996,338	1,955,186	2.10 %
Contractual services	7,625,209	8,104,255	(5.91) %
Materials and supplies	1,496,059	1,448,869	3.26 %
Utilities	2,196,026	2,078,552	5.65 %
Depreciation	7,029,698	6,956,746	1.05 %
Other	<u>636,268</u>	<u>866,395</u>	(26.56) %
Total	<u>\$ 26,861,250</u>	<u>\$ 27,231,209</u>	(1.36) %

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Interest expense and fiscal charges	\$ (1,188,595)	\$ (1,725,355)	(31.11) %
Total	<u>\$ (1,188,595)</u>	<u>\$ (1,725,355)</u>	(31.11) %

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2005, the City had \$738,150,585 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, equipment, vehicles, infrastructure and construction in progress (CIP). Of this total, \$298,542,014 was reported in governmental activities and \$439,608,571 was reported in business-type activities. See Note 10 in the basic financial statements for additional capital asset disclosure. The following table shows fiscal 2005 balances compared to 2004:

**CITY OF DAYTON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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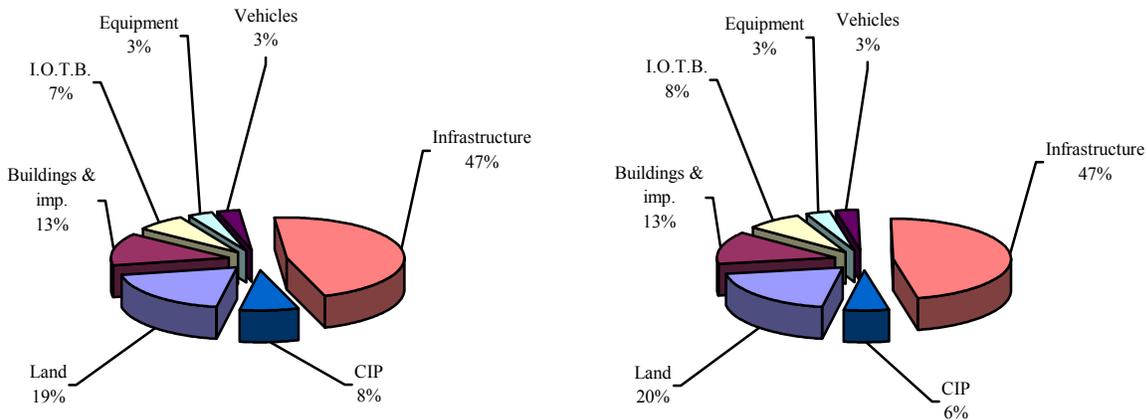
**Capital Assets at December 31  
(Net of Depreciation)**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>	Business-Type Activities <u>2005</u>	Business-Type Activities <u>2004</u>	Total <u>2005</u>	Total <u>2004</u>
Land	\$ 57,375,085	\$ 56,366,622	\$ 41,112,012	\$ 37,785,039	\$ 98,487,097	\$ 94,151,661
Buildings and improvements	38,935,841	37,476,314	91,457,461	88,304,489	130,393,302	125,780,803
Improvements other than buildings	20,974,458	22,376,504	245,401,710	243,679,130	266,376,168	266,055,634
Equipment	9,212,970	9,797,365	3,788,206	3,756,216	13,001,176	13,553,581
Vehicles	9,879,682	8,136,640	13,918,108	12,659,963	23,797,790	20,796,603
Infrastructure	138,279,018	134,372,592	-	-	138,279,018	134,372,592
Construction in progress	<u>23,884,960</u>	<u>17,898,246</u>	<u>43,931,074</u>	<u>39,341,251</u>	<u>67,816,034</u>	<u>57,239,497</u>
Total	<u>\$ 298,542,014</u>	<u>\$ 286,424,283</u>	<u>\$ 439,608,571</u>	<u>\$ 425,526,088</u>	<u>\$ 738,150,585</u>	<u>\$ 711,950,371</u>

The following graphs show the breakdown of governmental capital assets by category for 2005 and 2004.

**Capital Assets - Governmental Activities 2005**

**Capital Assets - Governmental Activities 2004**

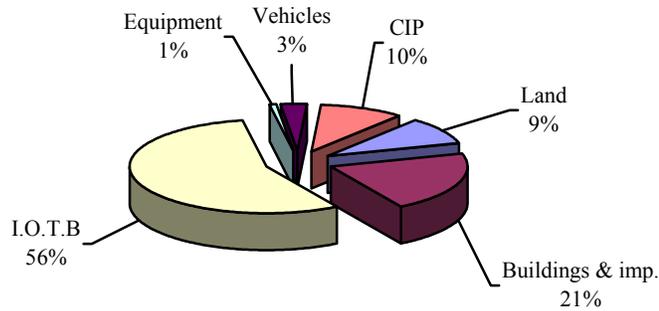


The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, right-of-way, street lighting, and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 47% of the City's total governmental capital assets.

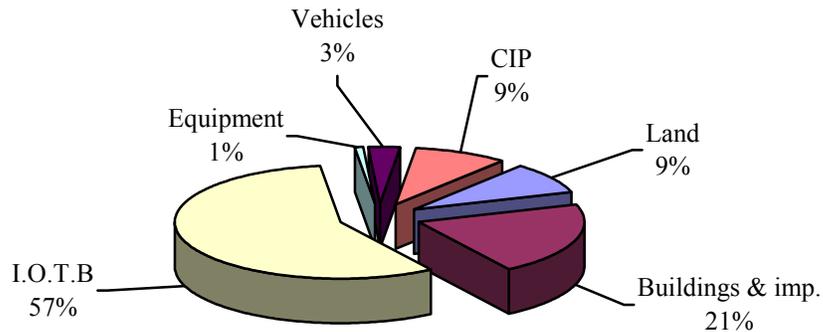
**CITY OF DAYTON, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**  
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The following graphs show the breakdown of business-type capital assets by category for 2005 and 2004.

**Capital Assets - Business-Type Activities 2005**



**Capital Assets - Business-Type Activities 2004**



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 56% of the City's total business-type capital assets.

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2005 and 2004:

	Governmental Activities 2005	Governmental Activities 2004
General obligation bonds	\$ 54,962,646	\$ 62,429,997
Revenue bonds	10,955,000	11,385,000
Special assessment bonds	977,100	1,244,721
Total bonds	<u>66,894,746</u>	<u>75,059,718</u>
Capital lease obligations	<u>3,255,561</u>	<u>3,730,742</u>
Total long-term obligations	<u>\$ 70,150,307</u>	<u>\$ 78,790,460</u>

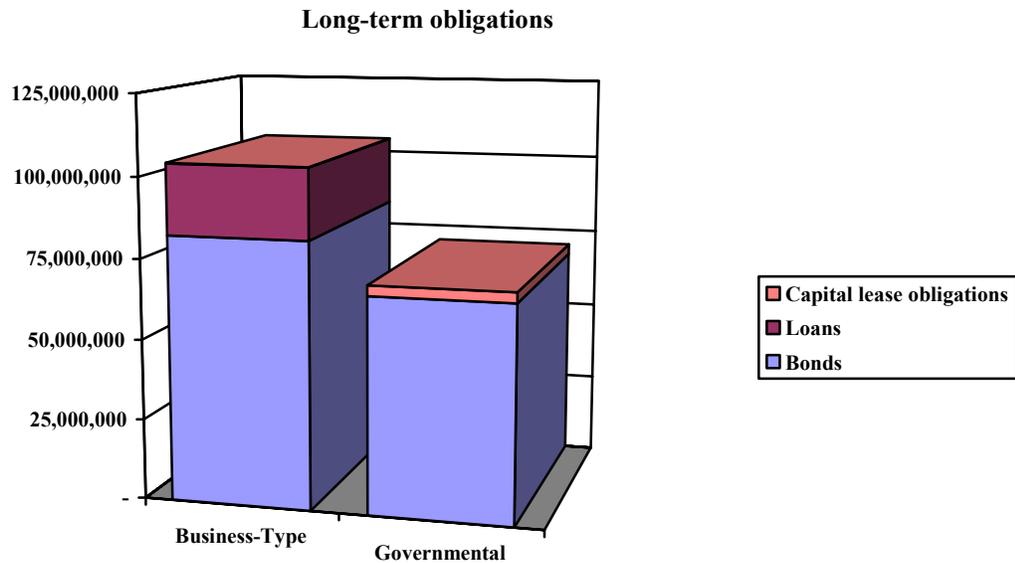
**CITY OF DAYTON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
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	<u>Business-type Activities 2005</u>	<u>Business-type Activities 2004</u>
General obligation bonds	\$ 2,292,354	\$ 2,640,003
Revenue bonds	<u>80,210,000</u>	<u>81,455,000</u>
Total bonds	<u>82,502,354</u>	<u>84,095,003</u>
OWDA loans	21,005,877	24,529,685
OPWC loans	<u>750,000</u>	<u>800,000</u>
Total loans	<u>21,755,877</u>	<u>25,329,685</u>
Capital lease obligations	<u>132,516</u>	<u>-</u>
Total long-term obligations	<u>\$ 104,390,747</u>	<u>\$ 109,424,688</u>

See Notes 11, 12 and 13 in the basic financial statements for additional disclosures and detail regarding the City's debt activity.

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



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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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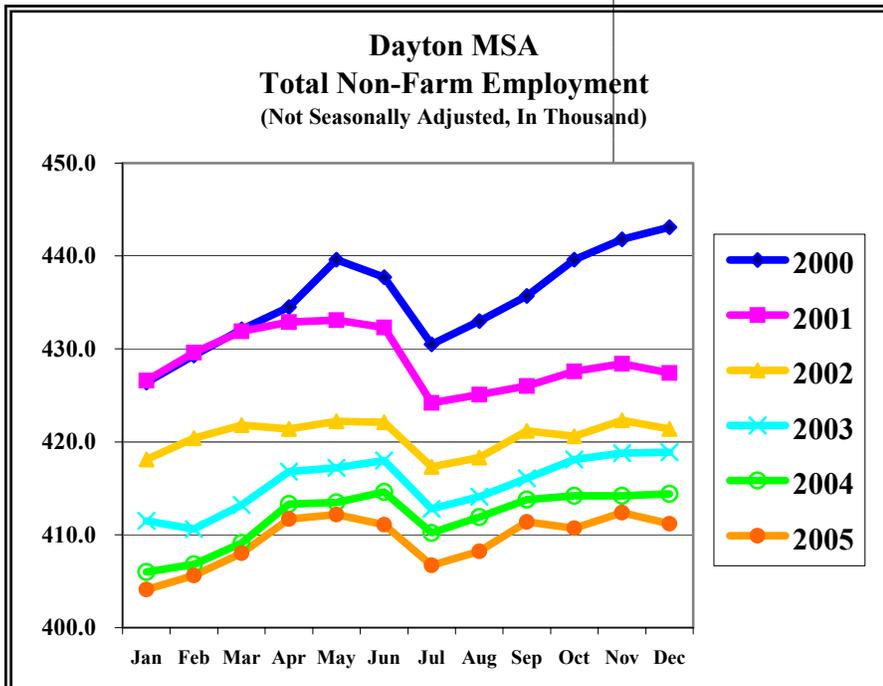
**Economic Factors and the 2006 Budget**

**National Economy**

Many Americans will remember 2005 as a very difficult year, and certainly in many respects it was. The three major hurricanes that struck the gulf coast were nothing short of cataclysmic in terms of the loss of human life and the toll of human suffering. Yet despite these natural disasters, skyrocketing energy costs, continued monetary tightening and record setting twin deficits (trade and budget) the national economy remained resilient. To be sure, the economy did slow in the fourth quarter of 2005, attributable to the aftermath of the hurricanes, the attendant rise in energy prices and the expiration of generous vehicle sales incentives. Nevertheless the broadest measure of economic activity, gross domestic product, registered 3.5% growth for the 2005 calendar year. Employment gains, though not as robust as the typical expansion, have averaged nearly 165,000 per month since August of 2003, driving the unemployment rate down to just 4.9% in December. Yet, growth has not been uniform across the country. The industrial Midwest has lagged behind the rest of the U.S.

**Regional Economy**

Given that Ohio, and the Dayton region specifically, have not enjoyed the robust growth realized at the national level, we have also been insulated from some of the adverse side effects of above trend growth. Unlike San Francisco, Miami, Baltimore and Chicago, the Dayton region has not experienced double digit appreciation in housing prices and hence is not as vulnerable to falling asset prices. Low mortgage rates have effectively reduced the cost of homeownership and, thereby, have allowed consumers to buy more at any given price. This translates into an increase in housing demand resulting in higher prices, everything else being equal. But everything else is not equal. The Dayton economy has lagged behind with respect to job and wage growth and, consequently, has not realized the increased demand that other metro areas have enjoyed.

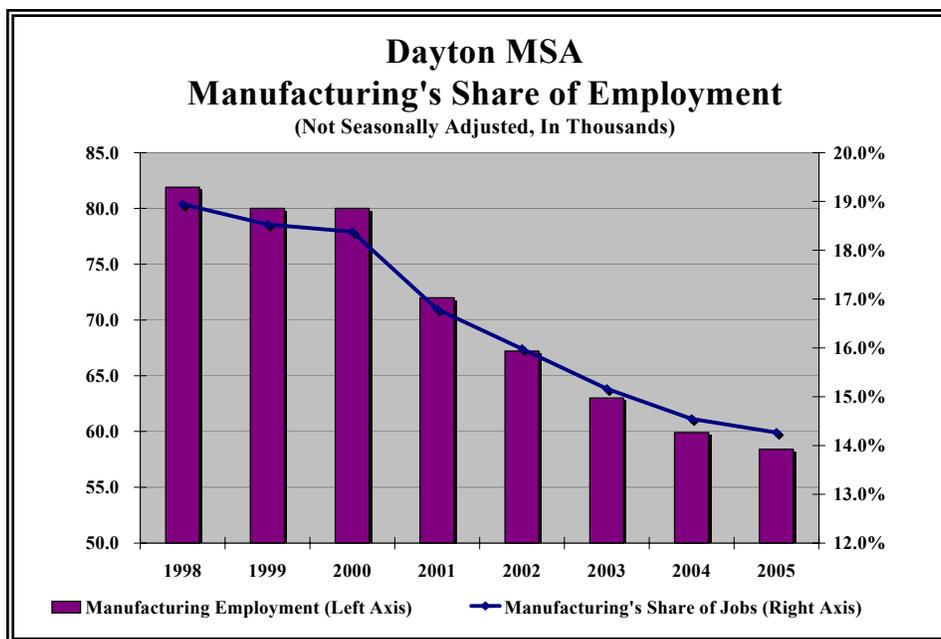


The Dayton metropolitan area continues to sink to new lows with respect to job counts. Non-farm employment in January of 2006 registered 403,400, its lowest level since 1994, thereby effectively erasing 12 years of employment growth. At the same time, the national economy has added back nearly 4.7 million jobs from August of 2003 (cycle trough) to January of 2006. That is 2.0 million more than the previous cycle peak of 132.6 million.

CITY OF DAYTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005  
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So what's the cause of these trends? In a word, it's manufacturing. The Dayton region has experienced a long-run structural decline in manufacturing beginning in 1970—since then the region has lost tens of thousands of manufacturing jobs. As the adjacent graph shows, manufacturing employment in the Dayton MSA reached a cycle peak in 1998 when the number employed in manufacturing averaged 81,900 workers; by 2005 that average had dropped to just 58,400, a nearly 29% decline. Moreover, the percentage of the workforce employed in the manufacturing sector fell from almost 19% to just over 14.3%.



But at 14.3%, the Dayton region is still 3.6 percentage points higher than the U.S. concentration of 10.7% employed in manufacturing. What remains at risk is thousands of additional jobs associated with the local auto industry, that is to say Delphi Corp. and General Motors.

After nearly one hundred years of operation in the Dayton region, Delphi, the largest auto parts manufacturer in the world with sales of \$28.6 billion in 2004, filed for bankruptcy protection under Chapter 11 of the federal bankruptcy law. Delphi had been struggling with solvency for the last few years, but after losing a reported \$4.8 billion in 2004 and \$1.5 billion during the first nine-months of 2005, the company filed for bankruptcy in an effort to restructure its flagging finances. At risk are 5,700 workers at six Dayton-area plants, three of which are located in the City of Dayton. Total employment at the Dayton plants is estimated at 2,500.

General Motors (GM), the former parent company of Delphi, has had its own financial woes and early in 2006 announced its restructuring plan. As part of the plan, GM will offer early buy-out packages and lump sum payments to retire. They will also offer some Delphi workers the ability to backflow into vacant GM jobs with the option to then retire from GM.

Meanwhile, Delphi has announced that it will ask the bankruptcy court to void its current labor contracts and implement a new lower wage scale. Moreover, Delphi has released a list of its core operations that will remain once it emerges from bankruptcy. Conspicuously absent was all but one of the Dayton area plants, namely the facility in Vandalia. The resolution of this very fluid situation is not yet certain. But what is becoming more apparent is that the possibility exists that the unions may respond to current events with a strike. If a strike is avoided a significant number of local Delphi employees may be opting for earlier than anticipated retirement and still others may be packing their bags to relocate for replacement GM jobs. The financial impact of such actions will be in the millions.

But manufacturing is not the only local story. MeadWestvaco announced in February of 2006 that they are moving their headquarters to Richmond Virginia and with it 500 local jobs. Of the 500, 350 employees are located in the downtown Mead Tower; the remaining 150 are employed in Miami Township. Prior to Mead's merger with Stamford-based Westvaco, it was one of two Fortune 500 businesses in Dayton (the other is NCR) and was one of Dayton's top employers. With the loss of these very high paying corporate jobs, the Dayton Income Tax base will take a significant hit.

## **CITY OF DAYTON, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005 UNAUDITED**

The region is also bracing for the loss of 1,400 jobs at UPS, 1,100 third shift workers at GM's Moraine assembly plant and 425 shuttered employees at the Defense Finance Accounting Service (DFAS) unit in Kettering. As with MeadWestvaco, the closure of the UPS hub at the Dayton International Airport stems from consolidation of operations in another city, which in the case of the UPS hub, is Louisville.

Notwithstanding the DFAS loss, Wright Patterson Air Force Base fared quite well with the recent Base Realignment and Closure (BRAC) Commission conducted in 2005. The region will retain about 2,750 jobs that were on a potential hit list and will gain another 2,000. Specifically, the Air Force Institute of Technology (AFIT) with its 500 jobs and 1,000 students will stay at Wright-Pat avoiding a proposed plan to either privatize or merge the institute. The Development and Fielding Systems group, that many feared would be moved to Hanscom Air Force Base near Boston based on a Pentagon recommendation, will remain with its 2,250 high-tech jobs (both government and private). Finally, various other votes by the commission will make Wright-Pat a major center for aerospace medical training and research with an estimated 2,000 jobs gained.

#### **Transitions and Opportunities**

The changes at Wright Patterson are further evidence of a regional economy that is in transition. Gone are the days when Dayton was known as an industrial powerhouse. The Dayton region that is beginning to take shape embodies the key characteristics of the economy of the 21<sup>st</sup> century, namely a focus on information technology, globalization and dynamic competition. Recognizing this transition and the opportunities it affords, City leaders have dedicated funding for projects that create the knowledge-based jobs of the new economy. One example is the Tech Town concept. The vision of Tech Town is to transform what once was an abandoned brownfield into a high-tech business district with unique housing and a variety of leisure options. The district will serve as a setting where business, academia and government can work together strategically to build the region's economic infrastructure.

The City's vision is not limited just to Tech Town. The health services sector is an important and growing component of the Dayton economy. Companies such as the Community Blood and Tissue Center, which provides human tissue for over 2,000 hospital and physician clients across the nation, has expanded its operations in the heart of downtown with a \$7 million investment in their headquarters. The Blood and Tissue Center has not only made a sizable real estate investment, they have also increased their employment base from 273 in 2000 to over 400 currently. CareSource, a full spectrum provider of services for public-sector health care programs, is another success story. Since 2001, it has expanded from 95 to 450 employees with plans for an additional 600 new jobs by 2010. With such robust growth, CareSource is developing preliminary plans for a new headquarters in the downtown.

The Dayton City Commission also has conceptually approved plans that will consolidate recreation services, which will improve service efficiency and free up funds for a new state-of-the-art recreation complex. They have allocated resources for strategies that support economic development and the retention of jobs in the downtown. And recognizing that the future of Dayton is predicated on the success of its residents, they have earmarked resources for projects that link institutional anchors with the neighborhoods where residents work and live.

#### **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](http://www.ci.dayton.oh.us).

BASIC  
FINANCIAL STATEMENTS

**CITY OF DAYTON, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 77,119,711	\$ 91,836,565	\$ 168,956,276	\$ 1,532,618
Investments . . . . .	87,784	-	87,784	853,858
Receivables (net of allowances for uncollectibles):				
Property and other local taxes . . . . .	23,698,668	-	23,698,668	-
Municipal income taxes . . . . .	12,436,699	-	12,436,699	-
Accounts . . . . .	4,140,955	24,335,727	28,476,682	155,715
Contracts . . . . .	-	-	-	197,043
Special assessments . . . . .	1,816,692	649,778	2,466,470	-
Accrued interest . . . . .	892,403	421,316	1,313,719	1,902,191
Loans . . . . .	7,840,000	-	7,840,000	20,597,145
Other . . . . .	-	-	-	145,357
Internal balances . . . . .	737,348	(737,348)	-	-
Due from other governments . . . . .	24,030,282	3,399,626	27,429,908	-
Prepayments . . . . .	180,122	214,426	394,548	168,118
Materials and supplies inventory . . . . .	531,238	1,481,344	2,012,582	-
Inventory held for resale . . . . .	787,314	-	787,314	-
Other assets . . . . .	-	-	-	10,704
Deferred charges . . . . .	-	3,313,655	3,313,655	-
Advances to component unit . . . . .	11,946,329	2,444,742	14,391,071	-
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	-	66,702	66,702	-
Cash with fiscal and escrow agents . . . . .	434,232	13,448,314	13,882,546	-
Cash and cash equivalents in segregated accounts . . . . .	-	-	-	1,664,953
Equity investments . . . . .	-	-	-	2,111,909
Deferred bond costs . . . . .	-	-	-	328,636
Judgements receivable . . . . .	-	45,000	45,000	-
Capital assets:				
Land and construction in progress . . . . .	81,260,045	85,043,086	166,303,131	-
Depreciable capital assets, net . . . . .	217,281,969	354,565,485	571,847,454	26,620,193
Total capital assets . . . . .	298,542,014	439,608,571	738,150,585	26,620,193
Total assets . . . . .	465,221,791	580,528,418	1,045,750,209	56,288,440

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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DAYTON, OHIO**

STATEMENT OF NET ASSETS (CONTINUED)  
DECEMBER 31, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 4,057,519	\$ 5,098,909	\$ 9,156,428	\$ 243,042
Contracts payable . . . . .	725,529	1,046,088	1,771,617	-
Accrued wages and benefits . . . . .	3,793,186	1,277,806	5,070,992	-
Retainage payable . . . . .	-	565,368	565,368	-
Grants payable . . . . .	-	-	-	264,191
Due to other governments . . . . .	5,602,039	757,422	6,359,461	-
Deferred revenue . . . . .	20,040,410	-	20,040,410	-
Accrued interest payable . . . . .	261,004	665,045	926,049	92,965
Accrued liabilities and other payables . . . . .	-	-	-	1,669,806
Advances from primary government . . . . .	-	-	-	14,391,071
Notes payable . . . . .	-	6,675,000	6,675,000	-
Payable from restricted assets:				
Utility deposits . . . . .	-	66,702	66,702	-
Accrued interest payable . . . . .	-	275,505	275,505	-
Long-term liabilities:				
Due within one year . . . . .	11,198,403	14,146,480	25,344,883	3,597,646
Due in more than one year . . . . .	81,128,059	91,358,800	172,486,859	19,817,463
<b>Total liabilities . . . . .</b>	<b>126,806,149</b>	<b>121,933,125</b>	<b>248,739,274</b>	<b>40,076,184</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt . . . . .	228,383,145	328,655,724	557,038,869	7,546,555
Restricted for:				
Capital projects . . . . .	26,769,199	-	26,769,199	-
Debt service . . . . .	16,795,759	-	16,795,759	-
Housing and urban development . . . . .	5,069,189	-	5,069,189	-
Special projects . . . . .	8,209,930	-	8,209,930	-
Tax increment finance income . . . . .	-	-	-	201,094
Bond proceeds restricted for construction . . . . .	-	-	-	1,463,859
Program income from revolving loans . . . . .	-	-	-	153,362
Other purposes . . . . .	8,559,003	-	8,559,003	-
Unrestricted . . . . .	44,629,417	129,939,569	174,568,986	6,847,386
<b>Total net assets . . . . .</b>	<b>\$ 338,415,642</b>	<b>\$ 458,595,293</b>	<b>\$ 797,010,935</b>	<b>\$ 16,212,256</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DAYTON, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

		<b>Program Revenues</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Downtown . . . . .	\$ 5,064,225	\$ 517,512	\$ -	\$ -
Youth, education and human services . . . . .	2,070,638	20,593	1,865,043	-
Community development and neighborhoods . . . . .	20,037,194	1,942,351	6,955,053	2,910,561
Economic development . . . . .	7,162,137	2,092,562	428,670	1,106,391
Leadership and quality of life . . . . .	46,407,089	5,693,276	6,818,400	8,132,773
Corporate responsibility . . . . .	16,907,149	2,310,305	161,866	-
Public safety and justice . . . . .	94,599,294	16,737,568	1,338,486	-
Other . . . . .	2,547,338	573,462	3,655	-
Interest and fiscal charges . . . . .	3,072,035	-	-	-
Total governmental activities . . . . .	<u>197,867,099</u>	<u>29,887,629</u>	<u>17,571,173</u>	<u>12,149,725</u>
<b>Business-type Activities:</b>				
Dayton International Airport . . . . .	40,802,335	40,174,905	-	18,926,901
Water . . . . .	44,674,367	43,578,504	-	-
Sewer . . . . .	28,319,647	27,796,918	-	-
Other enterprise funds:				
Golf . . . . .	2,536,878	2,931,243	-	-
Storm Water . . . . .	4,933,239	6,698,328	-	-
Total business-type activities . . . . .	<u>121,266,466</u>	<u>121,179,898</u>	<u>-</u>	<u>18,926,901</u>
Total primary government . . . . .	<u>\$ 319,133,565</u>	<u>\$ 151,067,527</u>	<u>\$ 17,571,173</u>	<u>\$ 31,076,626</u>
<b>Component Unit:</b>				
CityWide Development Corporation . . . . .	<u>\$ 5,914,333</u>	<u>\$ 4,746,810</u>	<u>\$ -</u>	<u>\$ 134,765</u>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	. . . . .
Debt service . . . . .	. . . . .
Special purposes . . . . .	. . . . .
Capital projects . . . . .	. . . . .
Income taxes levied for:	
General purposes . . . . .	. . . . .
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	
Interest rate swap mark-to-market adjustment . . . . .	
Miscellaneous . . . . .	
Total general revenues . . . . .	
Change in net assets . . . . .	
<b>Net assets, January 1 (restated) . . . . .</b>	
<b>Net assets, December 31 . . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (4,546,713)	\$ -	\$ (4,546,713)	\$ -
(185,002)	-	(185,002)	-
(8,229,229)	-	(8,229,229)	-
(3,534,514)	-	(3,534,514)	-
(25,762,640)	-	(25,762,640)	-
(14,434,978)	-	(14,434,978)	-
(76,523,240)	-	(76,523,240)	-
(1,970,221)	-	(1,970,221)	-
(3,072,035)	-	(3,072,035)	-
<u>(138,258,572)</u>	<u>-</u>	<u>(138,258,572)</u>	<u>-</u>
-	18,299,471	18,299,471	-
-	(1,095,863)	(1,095,863)	-
-	(522,729)	(522,729)	-
-	394,365	394,365	-
<u>-</u>	<u>1,765,089</u>	<u>1,765,089</u>	<u>-</u>
-	18,840,333	18,840,333	-
<u>(138,258,572)</u>	<u>18,840,333</u>	<u>(119,418,239)</u>	<u>-</u>
-	-	-	<u>(1,032,758)</u>
10,112,947	-	10,112,947	-
8,807,000	-	8,807,000	-
625,887	-	625,887	-
1,173,267	-	1,173,267	-
112,169,475	-	112,169,475	-
18,276,100	-	18,276,100	-
3,383,886	1,537,561	4,921,447	96,924
-	-	-	356,550
<u>3,644,141</u>	<u>-</u>	<u>3,644,141</u>	<u>112,000</u>
158,192,703	1,537,561	159,730,264	565,474
19,934,131	20,377,894	40,312,025	(467,284)
<u>318,481,511</u>	<u>438,217,399</u>	<u>756,698,910</u>	<u>16,679,540</u>
<u>\$ 338,415,642</u>	<u>\$ 458,595,293</u>	<u>\$ 797,010,935</u>	<u>\$ 16,212,256</u>

**CITY OF DAYTON, OHIO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 30,497,169	\$ 5,028,242	\$ 10,964,666	\$ 13,697,916	\$ 60,187,993
Investments . . . . .	-	-	-	87,784	87,784
Receivables (net of allowance for uncollectibles):					
Property and other local taxes . . . . .	11,867,796	11,711,368	-	119,504	23,698,668
Municipal income taxes . . . . .	12,436,699	-	-	-	12,436,699
Accounts . . . . .	3,964,481	-	8,955	127,972	4,101,408
Special assessments . . . . .	-	1,376,442	-	440,250	1,816,692
Accrued interest . . . . .	887,640	-	386	4,377	892,403
Loans . . . . .	-	7,840,000	-	-	7,840,000
Interfund loans . . . . .	5,311,798	-	-	-	5,311,798
Prepayments . . . . .	500,880	-	9,520	1,084	511,484
Due from other funds . . . . .	33,031	-	2,250	140,793	176,074
Due from other governments . . . . .	8,524,189	429,716	6,679,453	8,396,924	24,030,282
Advances to component unit . . . . .	-	-	6,500,924	5,445,405	11,946,329
Restricted assets:					
Cash and cash equivalents with fiscal agents . . . . .	-	434,232	-	-	434,232
<b>Total assets . . . . .</b>	<b><u>\$ 74,023,683</u></b>	<b><u>\$ 26,820,000</u></b>	<b><u>\$ 24,166,154</u></b>	<b><u>\$ 28,462,009</u></b>	<b><u>\$ 153,471,846</u></b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 3,003,086	\$ 978	\$ 391,125	\$ 436,403	\$ 3,831,592
Contracts payable . . . . .	225,506	-	262,802	237,221	725,529
Accrued wages and benefits . . . . .	3,294,347	3,058	13,542	338,752	3,649,699
Compensated absences payable . . . . .	35,375	-	-	-	35,375
Due to other funds . . . . .	546,190	-	542	159,839	706,571
Due to other governments . . . . .	3,350,779	-	-	46,368	3,397,147
Interfund payable . . . . .	-	-	-	5,311,798	5,311,798
Claims payable . . . . .	4,901	-	-	-	4,901
Deferred revenue . . . . .	19,011,161	13,517,526	6,648,140	5,205,413	44,382,240
<b>Total liabilities . . . . .</b>	<b><u>29,471,345</u></b>	<b><u>13,521,562</u></b>	<b><u>7,316,151</u></b>	<b><u>11,735,794</u></b>	<b><u>62,044,852</u></b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	3,984,718	22,889	8,325,840	15,318,611	27,652,058
Reserved for prepayments . . . . .	500,880	-	9,520	1,084	511,484
Reserved for claimants . . . . .	360,866	-	-	-	360,866
Reserved for advances to component unit . . . . .	-	-	6,500,924	5,445,405	11,946,329
Reserved for debt service . . . . .	-	5,435,549	-	-	5,435,549
Reserved for contributions to permanent fund . . . . .	-	-	-	102,228	102,228
Reserved for loans . . . . .	-	7,840,000	-	-	7,840,000
Unreserved, designated for, reported in:					
General fund . . . . .	3,573,236	-	-	-	3,573,236
Unreserved, undesignated, reported in:					
General fund . . . . .	36,132,638	-	-	-	36,132,638
Special revenue funds . . . . .	-	-	-	184,630	184,630
Permanent fund . . . . .	-	-	-	58,896	58,896
Capital projects funds . . . . .	-	-	2,013,719	(4,384,639)	(2,370,920)
<b>Total fund balances . . . . .</b>	<b><u>44,552,338</u></b>	<b><u>13,298,438</u></b>	<b><u>16,850,003</u></b>	<b><u>16,726,215</u></b>	<b><u>91,426,994</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 74,023,683</u></b>	<b><u>\$ 26,820,000</u></b>	<b><u>\$ 24,166,154</u></b>	<b><u>\$ 28,462,009</u></b>	<b><u>\$ 153,471,846</u></b>

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, 2005

**Total governmental fund balances** \$ 91,426,994

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

Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds. 297,286,463

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

Property taxes	\$	3,621,334	
Income tax		872,681	
Special assessments		1,816,692	
State shared taxes		5,277,092	
Charges for services		1,314,085	
Accrued interest		549,652	
Intergovernmental revenues		10,890,294	
 Total			 24,341,830

Unamortized premiums on bond issuance is not recognized in the funds. (220,742)

Unamortized bond issuance costs are not recognized in the funds. 180,122

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. The net assets of the internal service funds, including internal balances of \$452,676, are: 6,663,571

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		261,004	
Special assessment bonds		977,100	
General obligation bonds		54,962,646	
Revenue bonds		10,955,000	
Compensated absences		10,975,816	
Capital lease payable		3,131,030	
 Total			 <u>(81,262,596)</u>

**Net assets of governmental activities** \$ 338,415,642

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, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Municipal income taxes . . . . .	\$ 112,824,119	\$ -	\$ -	\$ -	\$ 112,824,119
Property and other taxes . . . . .	9,947,671	8,652,633	1,173,267	614,979	20,388,550
State shared taxes . . . . .	15,909,785	-	-	5,088,525	20,998,310
Charges for services . . . . .	20,904,806	-	18,566	1,975,368	22,898,740
Licenses and permits . . . . .	1,853,856	-	49,207	-	1,903,063
Fines and forfeitures . . . . .	1,498,577	-	-	445,609	1,944,186
Intergovernmental . . . . .	1,478,930	982,072	1,471,995	13,396,081	17,329,078
Special assessments . . . . .	267,364	280,411	12,876	91,712	652,363
Investment income . . . . .	3,451,891	-	105	31,522	3,483,518
Other . . . . .	3,491,724	150,000	-	2,912,786	6,554,510
Total revenues . . . . .	<u>171,628,723</u>	<u>10,065,116</u>	<u>2,726,016</u>	<u>24,556,582</u>	<u>208,976,437</u>
<b>Expenditures:</b>					
Current:					
Downtown . . . . .	3,533,181	560,000	-	-	4,093,181
Youth, education and human services . . . . .	140,363	-	-	1,919,994	2,060,357
Community development and neighborhoods . . . . .	11,776,917	-	-	7,453,647	19,230,564
Economic development . . . . .	3,463,212	-	-	3,586,285	7,049,497
Leadership and quality of life . . . . .	28,382,456	-	-	12,040,992	40,423,448
Corporate responsibility . . . . .	14,545,724	194,744	-	683,203	15,423,671
Public safety and justice . . . . .	89,655,447	-	-	2,767,033	92,422,480
Other . . . . .	610,189	217,210	-	1,717,213	2,544,612
Capital outlay . . . . .	164,947	-	17,683,802	4,970,070	22,818,819
Debt service:					
Principal retirement . . . . .	108,580	8,164,972	-	501,000	8,774,552
Interest and fiscal charges . . . . .	3,095	3,063,145	3,161	27,929	3,097,330
Total expenditures . . . . .	<u>152,384,111</u>	<u>12,200,071</u>	<u>17,686,963</u>	<u>35,667,366</u>	<u>217,938,511</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	19,244,612	(2,134,955)	(14,960,947)	(11,110,784)	(8,962,074)
<b>Other financing sources (uses):</b>					
Sale of capital assets . . . . .	-	100,000	1,600	-	101,600
Capital lease transactions . . . . .	205,326	-	-	-	205,326
Transfers in . . . . .	-	-	7,684,500	9,007,871	16,692,371
Transfers out . . . . .	(16,732,871)	-	-	-	(16,732,871)
Total other financing sources (uses) . . . . .	<u>(16,527,545)</u>	<u>100,000</u>	<u>7,686,100</u>	<u>9,007,871</u>	<u>266,426</u>
Net change in fund balances . . . . .	2,717,067	(2,034,955)	(7,274,847)	(2,102,913)	(8,695,648)
<b>Fund balances at beginning of year (restated) . . . . .</b>	<u>41,835,271</u>	<u>15,333,393</u>	<u>24,124,850</u>	<u>18,829,128</u>	<u>100,122,642</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 44,552,338</u>	<u>\$ 13,298,438</u>	<u>\$ 16,850,003</u>	<u>\$ 16,726,215</u>	<u>\$ 91,426,994</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, 2005

**Net change in fund balances - total governmental funds** \$ (8,695,648)

*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 (\$21,930,329) exceeded depreciation expense (\$9,730,448) in the current period.	12,199,881
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations) is to decrease net assets.	(3,338)
Premiums on debt issuances are recongnized as revenues in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.	15,862
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.	(12,942)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	8,824,793
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(205,326)
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.	8,774,552
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	35,448
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.	(726,359)
Internal service funds used by management to charge the costs of fleet management, fire fleet management, stores and reproduction, worker's compensation, and plumbing to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds including internal balances of \$1,513,311, is allocated among the governmental activities.	(272,792)

**Change in net assets of governmental activities** \$ 19,934,131

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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 110,264,600	\$ 111,804,000	\$ 113,236,307	\$ 1,432,307
Property and other local taxes . . . . .	10,563,200	11,122,400	10,982,022	(140,378)
State shared taxes . . . . .	15,967,600	15,850,000	15,909,785	59,785
Charges for services . . . . .	19,521,400	19,162,500	20,057,330	894,830
Licenses and permits. . . . .	1,867,500	1,782,200	1,853,857	71,657
Fines and forfeitures. . . . .	1,649,800	1,201,800	1,453,724	251,924
Intergovernmental . . . . .	-	360,000	262,500	(97,500)
Special assessments . . . . .	260,000	260,000	267,364	7,364
Investment income . . . . .	4,353,900	4,508,600	3,947,981	(560,619)
Other . . . . .	2,805,800	2,286,900	2,204,401	(82,499)
Total revenues. . . . .	<u>167,253,800</u>	<u>168,338,400</u>	<u>170,175,271</u>	<u>1,836,871</u>
<b>Expenditures:</b>				
Current:				
Downtown . . . . .	3,779,500	3,701,100	3,666,684	34,416
Youth, education and human services. . . . .	124,400	132,500	133,224	(724)
Community development and neighborhoods. . . . .	11,458,900	12,138,000	12,072,089	65,911
Economic development . . . . .	3,829,900	3,877,800	3,444,329	433,471
Leadership and quality of life . . . . .	28,105,100	27,954,500	28,001,121	(46,621)
Corporate responsibility. . . . .	16,585,200	16,274,300	14,769,112	1,505,188
Public safety and justice . . . . .	90,945,500	93,649,300	92,916,106	733,194
Other . . . . .	<u>4,602,500</u>	<u>1,269,200</u>	<u>874,284</u>	<u>394,916</u>
Total expenditures. . . . .	<u>159,431,000</u>	<u>158,996,700</u>	<u>155,876,949</u>	<u>3,119,751</u>
Excess of revenues over expenditures. . . . .	<u>7,822,800</u>	<u>9,341,700</u>	<u>14,298,322</u>	<u>4,956,622</u>
<b>Other financing uses:</b>				
Transfers in . . . . .	-	267,605	267,605	-
Transfers out . . . . .	<u>(8,067,700)</u>	<u>(22,241,100)</u>	<u>(16,732,371)</u>	<u>5,508,729</u>
Total other financing uses . . . . .	<u>(8,067,700)</u>	<u>(21,973,495)</u>	<u>(16,464,766)</u>	<u>5,508,729</u>
Net change in fund balance. . . . .	(244,900)	(12,631,795)	(2,166,444)	10,465,351
<b>Fund balance at beginning of year (restated). . . . .</b>	18,815,391	18,815,391	18,815,391	-
<b>Prior year encumbrances appropriated. . . . .</b>	1,528,500	1,528,500	1,528,500	-
<b>Fund balance at end of year. . . . .</b>	<u>\$ 20,098,991</u>	<u>\$ 7,712,096</u>	<u>\$ 18,177,447</u>	<u>\$ 10,465,351</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, 2005

	<b>Business-type Activities -</b>		
	<b>Dayton International Airport</b>	<b>Water</b>	<b>Sewer</b>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . . . .	\$ 45,935,818	\$ 17,993,687	\$ 25,439,882
Receivables (net of allowance for uncollectibles):			
Special assessments . . . . .	-	-	440,281
Accounts . . . . .	7,668,206	8,621,891	5,462,398
Accrued interest . . . . .	358,759	62,557	-
Due from other funds . . . . .	-	4,647,895	16,560
Due from other governments . . . . .	3,399,626	-	-
Prepayments . . . . .	90,592	123,834	-
Materials and supplies inventory . . . . .	31,327	1,450,017	-
Inventory held for resale . . . . .	-	-	-
Advances to component unit . . . . .	-	2,444,742	-
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	-	66,702	-
Cash with fiscal and escrow agents . . . . .	5,483,319	7,964,995	-
Total current assets	<u>62,967,647</u>	<u>43,376,320</u>	<u>31,359,121</u>
Noncurrent assets:			
Judgment receivable . . . . .	-	45,000	-
Unamortized bond issuance costs . . . . .	3,170,445	108,024	-
Capital assets:			
Land and construction in progress . . . . .	53,741,977	16,837,227	13,452,493
Depreciable capital assets, net . . . . .	144,399,696	103,949,548	90,953,269
Total capital assets . . . . .	<u>198,141,673</u>	<u>120,786,775</u>	<u>104,405,762</u>
Total noncurrent assets	<u>201,312,118</u>	<u>120,939,799</u>	<u>104,405,762</u>
Total assets . . . . .	<u>264,279,765</u>	<u>164,316,119</u>	<u>135,764,883</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>
<b>Other Enterprise</b>	<b>Total</b>	
\$ 2,467,178	\$ 91,836,565	\$ 16,931,718
209,497	649,778	-
2,583,232	24,335,727	39,547
-	421,316	-
954	4,665,409	828,238
-	3,399,626	-
-	214,426	19,754
-	1,481,344	-
-	-	787,314
-	2,444,742	-
-	66,702	-
-	13,448,314	-
<u>5,260,861</u>	<u>142,963,949</u>	<u>18,606,571</u>
-	45,000	-
35,186	3,313,655	-
1,011,389	85,043,086	75,000
<u>15,262,972</u>	<u>354,565,485</u>	<u>1,180,551</u>
<u>16,274,361</u>	<u>439,608,571</u>	<u>1,255,551</u>
<u>16,309,547</u>	<u>442,967,226</u>	<u>1,255,551</u>
<u>21,570,408</u>	<u>585,931,175</u>	<u>19,862,122</u>

- - Continued

**CITY OF DAYTON, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS (CONTINUED)  
 DECEMBER 31, 2005

	<b>Business-type Activities</b>		
	<b>Dayton International Airport</b>	<b>Water</b>	<b>Sewer</b>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	1,757,574	1,879,141	1,337,952
Contracts payable . . . . .	257,161	362,709	426,218
Accrued wages and benefits . . . . .	406,061	587,610	206,653
Compensated absences - current. . . . .	291,970	414,072	207,154
Retainage payable . . . . .	547,044	18,324	-
Accrued interest payable. . . . .	76,808	-	581,131
Due to other funds . . . . .	304,599	180,678	3,745,921
Due to other governments . . . . .	595,920	156,118	4,894
Claims payable - current. . . . .	-	-	-
General obligation notes payable. . . . .	6,675,000	-	-
General obligation bonds payable - current. . . . .	-	-	-
OWPC loan payable - current. . . . .	-	-	50,000
OWDA loan payable - current. . . . .	-	-	3,366,119
Capital lease payable - current. . . . .	-	64,886	-
Payable from restricted assets:			
Utility deposits . . . . .	-	66,702	-
Accrued interest payable . . . . .	237,999	37,506	-
Revenue bonds - current. . . . .	3,630,000	5,850,000	-
Total current liabilities. . . . .	<u>14,780,136</u>	<u>9,617,746</u>	<u>9,926,042</u>
Noncurrent liabilities:			
Compensated absences. . . . .	529,479	750,910	375,669
Claims payable . . . . .	-	-	-
General obligation bonds payable . . . . .	-	-	-
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding). . . . .	64,009,245	5,077,100	-
OPWC loan payable . . . . .	-	-	700,000
OWDA loan payable . . . . .	-	-	17,639,758
Capital lease obligation . . . . .	-	67,630	-
Total noncurrent liabilities. . . . .	<u>64,538,724</u>	<u>5,895,640</u>	<u>18,715,427</u>
Total liabilities . . . . .	<u>79,318,860</u>	<u>15,513,386</u>	<u>28,641,469</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	122,296,673	109,727,159	82,649,885
Unrestricted. . . . .	62,664,232	39,075,574	24,473,529
Total net assets . . . . .	<u>\$ 184,960,905</u>	<u>\$ 148,802,733</u>	<u>\$ 107,123,414</u>

Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.

Net assets of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Enterprise Funds</b>		<b>Governmental</b>
<b>Other</b>		<b>Activities -</b>
<b>Enterprise</b>	<b>Total</b>	<b>Internal</b>
		<b>Service Funds</b>
124,242	5,098,909	225,927
-	1,046,088	-
77,482	1,277,806	143,487
67,153	980,349	101,706
-	565,368	-
7,106	665,045	-
718,883	4,950,081	13,069
490	757,422	2,204,892
-	-	596,421
-	6,675,000	-
205,126	205,126	-
-	50,000	-
-	3,366,119	-
-	64,886	76,813
-	66,702	-
-	275,505	-
-	9,480,000	-
<u>1,200,482</u>	<u>35,524,406</u>	<u>3,362,315</u>
121,781	1,777,839	184,468
-	-	10,056,726
2,087,228	2,087,228	-
-	69,086,345	-
-	700,000	-
-	17,639,758	-
-	67,630	47,718
<u>2,209,009</u>	<u>91,358,800</u>	<u>10,288,912</u>
<u>3,409,491</u>	<u>126,883,206</u>	<u>13,651,227</u>
13,982,007	328,655,724	1,131,020
4,178,910	130,392,245	5,079,875
<u>\$ 18,160,917</u>	<u>459,047,969</u>	<u>\$ 6,210,895</u>
	(452,676)	
	<u>\$ 458,595,293</u>	

**CITY OF DAYTON, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Business-type Activities -</b>		
	<b>Dayton International Airport</b>	<b>Water</b>	<b>Sewer</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 34,576,247	\$ 38,716,222	\$ 27,796,918
Other . . . . .	5,598,658	4,862,282	-
Total operating revenues . . . . .	<u>40,174,905</u>	<u>43,578,504</u>	<u>27,796,918</u>
<b>Operating expenses:</b>			
Personal services . . . . .	11,180,510	15,147,978	5,881,652
Benefit payments . . . . .	3,637,986	5,200,070	1,996,338
Contractual services . . . . .	9,325,979	4,999,906	7,625,209
Materials and supplies . . . . .	1,314,692	3,553,161	1,496,059
Utilities . . . . .	1,986,376	6,068,930	2,196,026
Cost of sales . . . . .	-	-	-
Depreciation . . . . .	7,290,655	5,776,167	7,029,698
Claims expense . . . . .	-	-	-
Other . . . . .	2,246,230	2,447,349	636,268
Total operating expenses . . . . .	<u>36,982,428</u>	<u>43,193,561</u>	<u>26,861,250</u>
Operating income (loss) . . . . .	<u>3,192,477</u>	<u>384,943</u>	<u>935,668</u>
<b>Nonoperating revenues (expenses):</b>			
Interest revenue . . . . .	1,062,110	475,451	-
Interest expense and fiscal charges . . . . .	(3,424,942)	(768,479)	(1,188,595)
Total nonoperating revenues (expenses) . . . . .	<u>(2,362,832)</u>	<u>(293,028)</u>	<u>(1,188,595)</u>
Income (loss) before capital contributions and transfers . . . . .	829,645	91,915	(252,927)
Capital contributions . . . . .	18,926,901	-	-
Transfers in . . . . .	-	-	-
Changes in net assets . . . . .	19,756,546	91,915	(252,927)
<b>Net assets, January 1 (restated) . . . . .</b>	<u>165,204,359</u>	<u>148,710,818</u>	<u>107,376,341</u>
<b>Net assets, December 31 . . . . .</b>	<u>\$ 184,960,905</u>	<u>\$ 148,802,733</u>	<u>\$ 107,123,414</u>

Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.  
Changes in net assets of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>
<b>Other Enterprise</b>	<b>Total</b>	
\$ 9,442,352	\$ 110,531,739	\$ 12,703,941
187,219	10,648,159	827,746
<u>9,629,571</u>	<u>121,179,898</u>	<u>13,531,687</u>
2,722,755	34,932,895	3,888,943
857,924	11,692,318	1,360,095
2,175,082	24,126,176	988,899
580,700	6,944,612	676,708
196,261	10,447,593	21,666
-	-	3,959,112
519,821	20,616,341	153,703
-	-	4,103,731
<u>140,127</u>	<u>5,469,974</u>	<u>192,360</u>
<u>7,192,670</u>	<u>114,229,909</u>	<u>15,345,217</u>
<u>2,436,901</u>	<u>6,949,989</u>	<u>(1,813,530)</u>
-	1,537,561	-
<u>(141,230)</u>	<u>(5,523,246)</u>	<u>(13,073)</u>
<u>(141,230)</u>	<u>(3,985,685)</u>	<u>(13,073)</u>
2,295,671	2,964,304	(1,826,603)
-	18,926,901	-
<u>-</u>	<u>-</u>	<u>40,500</u>
2,295,671	21,891,205	(1,786,103)
<u>15,865,246</u>		<u>7,996,998</u>
<u>\$ 18,160,917</u>		<u>\$ 6,210,895</u>
	<u>(1,513,311)</u>	
	<u>\$ 20,377,894</u>	

**CITY OF DAYTON, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Business-type Activities -</b>		
	<b>Dayton International Airport</b>	<b>Water</b>	<b>Sewer</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers . . . . .	\$ 33,100,542	\$ 36,015,764	\$ 28,070,968
Cash received from other operating revenues . . . . .	5,355,662	4,373,206	360,160
Cash payments for personal services . . . . .	(11,237,890)	(15,163,174)	(5,822,955)
Cash payments for fringe benefits . . . . .	(3,647,584)	(5,185,053)	(1,986,883)
Cash payments for contract services. . . . .	(9,154,974)	(4,389,253)	(6,435,201)
Cash payments for materials and supplies. . . . .	(1,354,818)	(4,189,412)	(1,434,983)
Cash payments for cost of goods sold. . . . .	-	-	-
Cash payments for utilities . . . . .	(2,161,667)	(6,477,908)	(2,180,882)
Cash payments for claims . . . . .	-	-	-
Cash payments for other operating expenses . . . . .	(1,937,594)	(2,366,765)	(677,575)
Net cash provided by operating activities. . . . .	<u>8,961,677</u>	<u>2,617,405</u>	<u>9,892,649</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from advance to component unit . . . . .	-	356,716	-
Transfers in. . . . .	-	-	-
Net cash provided by noncapital financing activities. . . . .	<u>-</u>	<u>356,716</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	(19,800,899)	(4,581,924)	(8,726,433)
Capital contributions . . . . .	15,439,356	-	-
Bond issuance costs . . . . .	(768,183)	-	-
Proceeds from bonds . . . . .	20,711,796	-	-
Payment to refunded bond escrow agent . . . . .	(11,424,286)	-	-
Proceeds from notes . . . . .	6,675,000	-	-
Principal paid on notes . . . . .	(9,350,000)	-	-
Interest paid on notes. . . . .	(272,063)	-	-
Principal paid on bonds. . . . .	(7,215,000)	(5,620,000)	-
Interest paid on bonds . . . . .	(3,008,959)	(677,110)	-
Principal paid on loans . . . . .	-	-	(3,583,808)
Interest paid on loans. . . . .	-	-	(1,333,562)
Principal paid on capital leases . . . . .	-	(70,491)	-
Interest paid on capital leases. . . . .	-	-	-
Net cash used in capital and related financing activities. . . . .	<u>(9,013,238)</u>	<u>(10,949,525)</u>	<u>(13,643,803)</u>
<b>Cash flows from investing activities:</b>			
Interest received . . . . .	804,588	574,638	-
Net cash provided by investing activities . . . . .	<u>804,588</u>	<u>574,638</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents . . . . .	753,027	(7,400,766)	(3,751,154)
<b>Cash and cash equivalents at beginning of year (restated). . . . .</b>	<u>50,666,110</u>	<u>33,426,150</u>	<u>29,191,036</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u>\$ 51,419,137</u>	<u>\$ 26,025,384</u>	<u>\$ 25,439,882</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>
<b>Other Enterprise</b>	<b>Total</b>	
\$ 8,179,907	\$ 105,367,181	\$ 13,344,039
202,652	10,291,680	82,636
(2,726,758)	(34,950,777)	(3,903,257)
(858,066)	(11,677,586)	(1,358,866)
(2,066,128)	(22,045,556)	(983,176)
(573,131)	(7,552,344)	(727,985)
-	-	(3,950,127)
(202,564)	(11,023,021)	(16,926)
-	-	(2,017,792)
(144,590)	(5,126,524)	(172,165)
<u>1,811,322</u>	<u>23,283,053</u>	<u>296,381</u>
-	356,716	-
-	-	40,500
-	<u>356,716</u>	<u>40,500</u>
(392,052)	(33,501,308)	(74,891)
-	15,439,356	-
-	(768,183)	-
-	20,711,796	-
-	(11,424,286)	-
-	6,675,000	-
-	(9,350,000)	-
-	(272,063)	-
(347,649)	(13,182,649)	-
(138,398)	(3,824,467)	-
-	(3,583,808)	-
-	(1,333,562)	-
-	(70,491)	(70,927)
-	-	(13,073)
<u>(878,099)</u>	<u>(34,484,665)</u>	<u>(158,891)</u>
-	1,379,226	-
-	<u>1,379,226</u>	-
933,223	(9,465,670)	177,990
<u>1,533,955</u>	<u>114,817,251</u>	<u>16,753,728</u>
<u>\$ 2,467,178</u>	<u>\$ 105,351,581</u>	<u>\$ 16,931,718</u>

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**CITY OF DAYTON, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Business-type Activities -</b>		
	<b>Dayton International Airport</b>	<b>Water</b>	<b>Sewer</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss) . . . . .	\$ 3,192,477	\$ 384,943	\$ 935,668
Adjustments:			
Depreciation . . . . .	7,290,655	5,776,167	7,029,698
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable . . . . .	(1,718,701)	(2,769,774)	33,744
(Increase) decrease in due from other funds . . . . .	-	(667,676)	39,574
Increase in prepaid assets . . . . .	(14,804)	(73,105)	-
(Increase) decrease in special assessments receivable . . . . .	-	-	461,911
Decrease in due from other governments . . . . .	-	236,982	98,981
Decrease in judgments receivable . . . . .	-	45,000	-
Increase in materials and supplies inventory . . . . .	(10,756)	(249,936)	-
Increase in inventory held for resale . . . . .	-	-	-
Increase (decrease) in accounts payable . . . . .	717,746	(143,732)	1,032,838
Decrease in contracts payable . . . . .	(987,180)	(47,294)	(128,676)
Increase (decrease) in retainage payable . . . . .	257,467	761	(41,783)
Decrease in accrued wages and benefits . . . . .	(110,817)	(25,212)	(3,003)
Increase (decrease) in due to other funds . . . . .	222,905	83,704	361,878
Increase (decrease) in due to other governments . . . . .	78,846	17,228	664
Increase in utility deposits . . . . .	-	24,316	-
Increase (decrease) in compensated absences payable . . . . .	43,839	25,033	71,155
Decrease in claims payable . . . . .	-	-	-
Net cash provided by operating activities . . . . .	<u>\$ 8,961,677</u>	<u>\$ 2,617,405</u>	<u>\$ 9,892,649</u>

**Non-cash transactions:**

During 2005, the Dayton International Airport received \$2,189,924 in capital grants, which was recognized as a receivable in 2004. A receivable in the amount of \$3,399,626 has been recorded for capital grants in 2005.

At December 31, 2004, the Water, Sewer, Dayton International Airport, and Storm Water (reported as an other enterprise fund) enterprise funds purchased \$237,244, \$44,279, \$2,554,927 and \$15,434, respectively, in capital assets on account. At December 31, 2005, the Water, Sewer, and Dayton International Airport enterprise funds purchased \$368,467, \$362,019, and \$599,234, respectively, in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Enterprise Funds</b>		<b>Governmental Activities - Internal Service Funds</b>
<b>Other Enterprise</b>	<b>Total</b>	
\$ 2,436,901	\$ 6,949,989	\$ (1,813,530)
519,821	20,616,341	153,703
(1,090,699)	(5,545,430)	(603)
(314)	(628,416)	(123,958)
-	(87,909)	(16,339)
(209,497)	252,414	-
55,320	391,283	-
-	45,000	-
-	(260,692)	-
-	-	(15,675)
80,740	1,687,592	29,097
(17,472)	(1,180,622)	-
-	216,445	-
(1,505)	(140,537)	(9,420)
40,670	709,157	10,825
(3)	96,735	2,204,899
-	24,316	-
(2,640)	137,387	(3,665)
-	-	(118,953)
<u>\$ 1,811,322</u>	<u>\$ 23,283,053</u>	<u>\$ 296,381</u>

**CITY OF DAYTON, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 5,892,957
Cash and cash equivalents with fiscal agent . . . . .	635,805
Investments with fiscal agent . . . . .	942,514
Due from other governments. . . . .	<u>790,429</u>
Total assets . . . . .	<u>\$ 8,261,705</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 21,973
Due to other governments . . . . .	1,948,562
Due to others. . . . .	283,785
Withholdings and deposits . . . . .	<u>6,007,385</u>
Total liabilities . . . . .	<u>\$ 8,261,705</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DAYTON, OHIO**

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## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

#### **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 City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. 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, 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 unit has been reflected in the accompanying BFS as follows:

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**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 21.

*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 \$76,442 for the operation of the Commission during 2005. Financial information can be obtained from Nora Lake, Executive Director, at 40 West Fourth Street, Dayton, Ohio 45402.

*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 2005. Financial information can be obtained from Mike Hoverland, Director, at 444 W. Third Street, Suite 13-204, Dayton, Ohio 45402.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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

Miami Township-Dayton Joint Economic Development District - In an effort to promote regional growth and economic development, the City has entered into a contract with Miami Township to create a Joint Economic Development District (JEDD). The City entered into a separate contract with Miami Township in July 2005. In accordance with state law the Districts Board of Trustees levied a 2% income tax effective January 1, 2006. The proceeds of that tax are allocated, in accordance with the contract, primarily to the Township. In consideration for its receipt of a share of the District's income taxes, the City will receive 50% of the property tax revenue from parcels located within the District. The Township will utilize these JEDD revenues, in part, to construct infrastructure and improvement near the Dayton-Wright Brothers Airport.

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 2005. 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. The City did not contribute to the operation of the Council during 2005. Financial information can be obtained from Sue Daily, Executive Director, at 451 West Third Street, P.O. Box 972, Dayton, Ohio 4522-3100.

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.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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

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 2005, the City contributed \$20,441 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 \$33,236 for the operation of the Agency during 2005. Financial information can be obtained from Edwin Kovar, Executive Director at 4200 Lake Center Drive, Trotwood, Ohio 45426.

#### **B. Basis of Presentation**

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 activities 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.

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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

***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.

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.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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

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 which are used to account for items such as building permit surcharge, prisoner's personal accounts, performance bonds, and as well as other situations where the City's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, and other governments.

#### 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 reconciliations 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.

Agency funds do not report a measurement focus as they do not report operations.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

**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.

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, 2005, but which were levied to finance year 2006 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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

*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.

**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 modified accrual basis with exceptions. 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.

*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 2005.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

#### 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. The HUD nonmajor special revenue fund had expended amounts greater than its share of pooled cash and cash equivalents. This fund had a negative cash balance at year-end that was eliminated by a short-term loan from the general fund. This loan is classified as an "interfund receivable" and "interfund payable" on the fund financial statements.

During 2005, 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 the State Treasury Asset Reserve of Ohio (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, 2005. Non-participating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but 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, 2005.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

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

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 is 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 2005 was \$3,451,891 in the general fund, which includes \$2,663,871 assigned from other City funds. The nonmajor governmental funds, capital improvement major fund, and enterprise funds also received interest in the amount of \$31,522, \$105, and \$1,537,561, 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.

#### **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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

**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 capital 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>	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>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 - 25 years	3 - 25 years
Infrastructure	20 - 50 years	20 - 50 years

**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. Prepayments**

Payments made to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

**M. 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.

**N. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations payable from governmental funds 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.

**O. 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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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.

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 from the face amount of the new debt.

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

**P. 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.

**Q. 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, prepayments, 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.

**R. Fund Designations**

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designations reflect the City's intentions and are subject to change. Designations are reported as part of unreserved fund balance. The City Commission has designated the following amounts within the general fund:

<u>Project</u>	<u>Amount Designated</u>
Termination benefits	\$ 1,390,469
Unclaimed money	365,767
Future payroll expenses	<u>1,817,000</u>
Total General Fund	<u>\$ 3,573,236</u>

**CITY OF DAYTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

**S. 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.

**T. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital 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.

**U. 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 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.

**V. 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 the airport, water, sewer, storm water and golf enterprise funds and charges for services to other departments for goods and services provided by the internal service funds for fleet management, fire fleet management, stores and reproduction services, a Workers' Compensation program and plumbing shop services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**W. 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. During 2005, the City had no special or extraordinary items. The City's prior period adjustment, detailed in Note 3.B., represents extraordinary items which occurred in prior years.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the City has implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures” and GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”.

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not have an effect on the financial statements of the City, however additional note disclosure can be found in Note 4.

**B. Prior Period Adjustment**

**Budgetary Statement - General Fund** - The beginning fund balance as reported on Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General fund has been restated from \$22,793,563 to \$18,815,391 to properly reflect the balance of the fund at December 31, 2004.

**Governmental Activities - Restatement of Fund Balance - and Net Assets** - The fund balance and net assets of the general fund, and other nonmajor governmental funds have been restated at December 31, 2004 to properly report the over funding of the worker’s compensation internal service fund by restating the beginning fund balance at December 31, 2004. The City received an actuarial analysis, which concluded with a 95% level of confidence, that the Workers’ Compensation fund was significantly overfunded. This adjustment is made in accordance with Ohio Revised Code Section 5705.13. In addition, the City has received approval from the Ohio Auditor of State’s office and received a legal opinion. A prior period adjustment will also be made to remove the blended component unit that no longer qualifies as a component unit of the City.

The adjustments had the following effect on fund balance of the governmental activities as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvement</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balance as previously reported	\$36,407,607	\$15,333,393	\$ 24,124,850	\$ 18,306,715	\$ 94,172,565
Adjustment to properly report worker's compensaiton fund	5,427,664	-	-	548,459	5,976,123
Adjustment to remove blended component unit	-	-	-	(26,046)	(26,046)
Restated fund balance as of January 1, 2005	<u>\$41,835,271</u>	<u>\$15,333,393</u>	<u>\$ 24,124,850</u>	<u>\$ 18,829,128</u>	<u>\$100,122,642</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The adjustments had the following effect on net assets of the governmental activities as previously reported:

	Governmental Activities
Net assets as previously reported	\$ 320,531,434
Adjustment to properly state worker's compensation fund	(2,023,877)
Adjustment to remove blended component unit	(26,046)
Restated net assets of January 1, 2004	\$ 318,481,511

**Business-Type Activities - Restatement of Net Assets** - The net assets of the Sewer, Water, Dayton International Airport, nonmajor enterprise funds and internal service funds have been restated at December 31, 2004 to properly account for the overfunding of the Worker's Compensation Internal Service Fund. A prior period adjustment will be made to properly state the net assets of the business-type at December 31, 2004.

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

	Dayton International Airport	Water	Sewer	Nonmajor Enterprise Funds	Internal Service Fund
Net assets as previously reported	\$ 164,587,949	\$ 147,826,309	\$ 107,027,879	\$ 15,690,750	\$ 15,996,998
Adjustment to properly state workers' compensation fund	616,410	884,509	348,462	174,496	(8,000,000)
Restated net assets as of January 1, 2005	\$ 165,204,359	\$ 148,710,818	\$ 107,376,341	\$ 15,865,246	\$ 7,996,998

**C. Deficit Fund Balance**

Fund balances at December 31, 2005 included the following individual fund deficits:

<u>Nonmajor Fund</u>	
Issue II	\$3,401,362

This fund did not comply with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficit in this fund.

**D. Compliance**

Contrary to Ohio Revised Code Section 5705.10, the City had a negative cash balance in the HUD special revenue fund and the Issue II special revenue fund of \$1,909,352 and \$3,402,446, respectively. For GAAP purposes, these amounts have been reported as fund liabilities in the respective funds.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

#### NOTE 4 - DEPOSITS AND INVESTMENTS

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 not required for use within the current five year period of designation of depositories as defined by the City's investment policy. 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 in 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 the 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 treasurer 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds and other obligations guaranteed by the United States;
2. Discount notes of the Federal National Mortgage Association;

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

3. Bonds of the State of Ohio; and
4. Bonds of any municipal corporation, village, county, township, or other political subdivision of Ohio, as to which there is no default of principal, interest or coupons;

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.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At December 31, 2005, the carrying amount of all City deposits was \$6,134,286. As of December 31, 2005, \$12,583,554 of the City's bank balance of \$13,015,614 was exposed to custodial risk as discussed below, while \$432,060 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**B. Investments**

As of December 31, 2005, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
UST	\$ 69,468,109	\$ 10,090,200	\$ 10,152,000	\$ 9,875,807	\$ 18,011,394	\$ 21,338,708
FHLMC	41,436,194	-	17,763,120	23,601,121	-	71,953
FHLB	8,960,954	8,887,500	-	-	-	73,454
FNMA	39,537,600	19,803,200	19,734,400	-	-	-
City Owned Debt	4,887,100	-	-	-	-	4,887,100
Commercial Paper	195,390	-	-	-	49,246	146,144
Stock	87,784	87,784	-	-	-	-
U.S. Government Money Market	14,338,714	14,338,714	-	-	-	-
STAR Ohio	5,363,106	5,363,106	-	-	-	-
	<u>\$ 184,274,951</u>	<u>\$ 58,570,504</u>	<u>\$ 47,649,520</u>	<u>\$ 33,476,928</u>	<u>\$ 18,060,640</u>	<u>\$ 26,517,359</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The weighted average maturity of investments is 1.09 years.

*Interest Rate Risk:* The Ohio Revised Code general limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The City's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to a repurchase agreement must exceed the principal value of securities subject to a repurchase agreement by 2%.

*Credit Risk:* STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City's other investments except for the repurchase agreement as discussed above and STAR Ohio, were rated AAA and Aaa by Standard & Poor's.

*Concentration of Credit Risk:* The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
UST	\$ 69,468,109	37.69
FHLMC	41,436,194	22.49
FHLB	8,960,954	4.86
FNMA	39,537,600	21.46
City Owned Debt	4,887,100	2.65
Commercial Paper	195,390	0.11
Stock	87,784	0.05
US Government Money Market	14,338,714	7.78
STAR Ohio	<u>5,363,106</u>	<u>2.91</u>
	<u>\$ 184,274,951</u>	<u>100.00</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 6,134,286
Investments	169,449,891
Investments - Cash with fiscal agent	14,825,060
Cash on hand	<u>55,347</u>
 Total	 <u>\$ 190,464,584</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 77,641,727
Business type activities	105,351,581
Agency funds	<u>7,471,276</u>
 Total	 <u>\$ 190,464,584</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Due from/to other funds consisted of the following at December 31, 2005, as reported on the fund statements:

	<u>General</u>	<u>Capital Improvements</u>	<u>Nonmajor Special Revenue</u>	<u>Dayton International Airport</u>	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
General	\$ -	\$ 13	\$ 12,918	\$ 4,148	\$ 12,093	\$ 2,653	\$ 479	\$ 727	\$ 33,031
Internal Service	482,386	529	143,905	451	112,105	54,503	23,167	11,192	828,238
Water	-	-	1,532	300,000	-	3,667,614	678,677	72	4,647,895
Sewer	-	-	-	-	-	-	16,560	-	16,560
Nonmajor Special Revenue	63,164	-	219	-	56,480	20,930	-	-	140,793
Capital Improvements	-	-	1,265	-	-	-	-	985	2,250
Nonmajor Enterprise	<u>640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221</u>	<u>-</u>	<u>93</u>	<u>954</u>
Total	<u>\$ 546,190</u>	<u>\$ 542</u>	<u>\$ 159,839</u>	<u>\$ 304,599</u>	<u>\$ 180,678</u>	<u>\$ 3,745,921</u>	<u>\$ 718,883</u>	<u>\$ 13,069</u>	<u>\$ 5,669,721</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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Interfund balances, related to items other than charges for goods and services rendered, at December 31, 2005, consist of the following individual fund loan receivable and payable as reported on the fund statements:

	Nonmajor Special Revenue
<u>Interfund Payable to</u>	<u>                    </u>
General	<u>\$ 5,311,798</u>

The interfund loan payable in the nonmajor special revenue to the general fund is to cover negative cash balances at year-end.

- C.** Advances to component unit and advances from primary government consisted of the following at December 31, 2005, as reported on the fund statements:

	<u>Advance From</u>			
	Capital Improvement	Nonmajor Special Revenue	Water	Total
<u>Advance To</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Component Unit	<u>\$ 6,500,924</u>	<u>\$ 5,445,405</u>	<u>\$ 2,444,742</u>	<u>\$ 14,391,071</u>

- D.** Interfund transfers for the year ended December 31, 2005, consisted of the following, as reported on the fund statements:

	Capital Improvement	Nonmajor Special Revenue	Internal Service Funds	Total
<u>Transfer From</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
General	<u>\$ 7,684,500</u>	<u>\$ 9,007,871</u>	<u>\$ 40,500</u>	<u>\$ 16,732,871</u>
Total	<u>\$ 7,684,500</u>	<u>\$ 9,007,871</u>	<u>\$ 40,500</u>	<u>\$ 16,732,871</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.

**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 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) is for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2005.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 6 - PROPERTY TAXES - (Continued)**

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2003. Collections are made in 2005. Tangible personal property assessments are 25% of true value.

The full tax rate for all City operations for the year ended December 31, 2005, was \$10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

	<u>Amount</u>	<u>Percent</u>
Real property	\$1,629,682,550	79.27
Public utility real property	101,590,570	4.94
Tangible personal property	<u>324,633,707</u>	<u>15.79</u>
Total assessed value	<u>\$2,055,906,827</u>	<u>100.00</u>

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 represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005. 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 2005 operations. The receivable is therefore offset by a credit to deferred revenue.

**NOTE 7 - INCOME TAX**

On March 27, 1984, the City Commission levied a municipal income tax of 1.75% on substantially all income earned within the City. In addition, during 2000, the City renewed their additional .50% 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% 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 2005, as reported in the governmental fund financial statements on the modified accrual basis of accounting, was \$112,824,119.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2005, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest, loans, internal balances 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, 2005, as well as intended to finance fiscal 2005 operations.

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

**Governmental Activities:**

Income taxes	\$ 12,436,699
Real and other taxes	23,698,668
Accounts	4,140,955
Special assessments	1,816,692
Accrued interest	892,403
Loans	7,840,000
Due from other governments	24,030,282

**Business-Type Activities:**

Accounts	24,335,727
Special assessment	649,778
Accrued interest	421,316
Due from other governments	3,399,626

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, grants 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. (the "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, 2005, the amount owed to the City was \$7,840,000.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2005, was as follows:

	<u>Balance</u> <u>12/31/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/05</u>
<b>Governmental Activities</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 56,366,622	\$ 1,008,463	\$ -	\$ 57,375,085
Construction in progress	<u>17,898,246</u>	<u>14,157,781</u>	<u>(8,171,067)</u>	<u>23,884,960</u>
Total capital assets, not being depreciated	<u>74,264,868</u>	<u>15,166,244</u>	<u>(8,171,067)</u>	<u>81,260,045</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	92,410,507	3,623,449	-	96,033,956
Improvements other than buildings	51,691,700	99,683	-	51,791,383
Equipment	20,466,010	665,926	(1,222)	21,130,714
Vehicles	42,554,795	2,949,392	(3,152,236)	42,351,951
Infrastructure	<u>174,104,945</u>	<u>7,671,593</u>	<u>-</u>	<u>181,776,538</u>
Total capital assets, being depreciated	<u>381,227,957</u>	<u>15,010,043</u>	<u>(3,153,458)</u>	<u>393,084,542</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(54,934,193)	(2,163,922)	-	(57,098,115)
Improvements other than buildings	(29,315,196)	(1,501,729)	-	(30,816,925)
Equipment	(10,668,645)	(1,250,321)	1,222	(11,917,744)
Vehicles	(34,418,155)	(1,203,012)	3,148,898	(32,472,269)
Infrastructure	<u>(39,732,353)</u>	<u>(3,765,167)</u>	<u>-</u>	<u>(43,497,520)</u>
Total accumulated depreciation	<u>(169,068,542)</u>	<u>(9,884,151)</u>	<u>3,150,120</u>	<u>(175,802,573)</u>
Total capital assets being depreciated, net	<u>212,159,415</u>	<u>5,125,892</u>	<u>(3,338)</u>	<u>217,281,969</u>
Governmental activities capital assets, net	<u>\$ 286,424,283</u>	<u>\$ 20,292,136</u>	<u>\$ (8,174,405)</u>	<u>\$ 298,542,014</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 10 - CAPITAL ASSETS - (Continued)**

	Balance			Balance
<b><u>Business-Type Activities:</u></b>	<u>12/31/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/05</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 37,785,039	\$ 3,326,973	\$ -	\$ 41,112,012
Construction in progress	39,341,251	23,853,860	(19,264,037)	43,931,074
Total capital assets, not being depreciated	<u>77,126,290</u>	<u>27,180,833</u>	<u>(19,264,037)</u>	<u>85,043,086</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	147,896,174	6,181,412	-	154,077,586
Improvements other than buildings	494,642,603	17,345,374	-	511,987,977
Equipment	10,043,333	633,393	(2,427)	10,674,299
Vehicles	34,579,454	2,621,849	(581,497)	36,619,806
Total capital assets, being depreciated:	<u>687,161,564</u>	<u>26,782,028</u>	<u>(583,924)</u>	<u>713,359,668</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(59,591,685)	(3,028,440)	-	(62,620,125)
Improvements other than buildings	(250,963,473)	(15,622,794)	-	(266,586,267)
Equipment	(6,287,117)	(601,403)	2,427	(6,886,093)
Vehicles	(21,919,491)	(1,363,704)	581,497	(22,701,698)
Total accumulated depreciation	<u>(338,761,766)</u>	<u>(20,616,341)</u>	<u>583,924</u>	<u>(358,794,183)</u>
Total capital assets, being depreciated net	<u>348,399,798</u>	<u>6,165,687</u>	<u>-</u>	<u>354,565,485</u>
Business-type activities capital assets, net	<u>\$ 425,526,088</u>	<u>\$ 33,346,520</u>	<u>\$ (19,264,037)</u>	<u>\$ 439,608,571</u>

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

<b><u>Governmental Activities:</u></b>	
Downtown	\$ 918,398
Youth, education and human services	2,075
Community development and neighborhoods	193,258
Economic development	85,226
Leadership and quality of life	5,683,782
Corporate responsibility	1,270,111
Public safety and justice	<u>1,731,301</u>
Total depreciation expense - governmental activities	<u>\$ 9,884,151</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 10 - CAPITAL ASSETS - (Continued)**

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

	<u>Project Authorization</u>	<u>Expended at 12/31/05</u>	<u>Committed</u>
Facility Improvement	\$ 2,173,675	\$ (586,543)	\$ 1,587,132
CBD Signal Restorations	1,473,675	(1,395,458)	78,217
Germantown Street Resurfacing	3,863,294	(3,086,025)	777,269
Zion Church Stabilization	1,163,768	(619,598)	544,170
One Stop Shop	1,767,200	(1,501,309)	265,891
Recreation and Parks	1,628,453	(923,638)	704,815
Reibold Block Transportation	2,585,071	(1,057,335)	1,527,736
McCall Drive	314,359	(298,383)	15,976
Stuart Patterson Rec.	90,000	(69,564)	20,436
Brown Warren Shared Parking Lot	60,000	-	60,000
Development - Demolition	1,500,950	(337,893)	1,163,057
Washington Street Bridge	7,700,000	(349,739)	7,350,261
Findlay Street Bridge	4,563,375	(3,983,930)	579,445
GHR Foundry	2,752,363	(1,803,182)	949,181
Permissive License Tax	2,168,609	(1,891,805)	276,804
Patterson Blvd.	2,222,175	(1,906,152)	316,023
Public Facility Improvements	885,200	(624,753)	260,447
Signal Upgrade, Phase 5	1,298,266	(1,175,160)	123,106
Underground Storage	402,533	(143,336)	259,197
Philadelphia Dr. Widening	1,585,326	(1,350,374)	234,952
Dayton Technology Campus	6,681,000	(99,508)	6,581,492
Hope VI Gateway	143,850	(84,555)	59,295
Neva Drive Culvert	234,712	(147,393)	87,319
Bridge Painting	298,260	(87,769)	210,491
Convention Center Restoration	1,022,690	-	1,022,690
Princeton Park Center Roof	660,600	(361,558)	299,042
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 49,239,404</u>	<u>\$ (23,884,960)</u>	<u>\$ 25,354,444</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 10 - CAPITAL ASSETS - (Continued)**

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

<u>Dayton International Airport</u>	<u>Project Authorization</u>	<u>Expended at 12/31/05</u>	<u>Committed</u>
Emergency Back-up Generator	\$ 2,121,355	\$ (1,234,002)	\$ 887,353
Parking Garage Concept Design	7,450,718	(5,255,284)	2,195,434
Parking Lot Rehabilitation	30,000	(19,972)	10,028
Aviation 9/11 Security Enhancement	3,636,000	(1,646,157)	1,989,843
Security Grant	3,448,541	(1,875,181)	1,573,360
EIS Phase I	2,958,903	(737,583)	2,221,320
Terminal Road/Parking Lot Improvement	7,308,467	(2,977,130)	4,331,337
Snow Removal Building	1,438,842	(1,239,341)	199,501
Parking lot expansion	4,269,000	(873,243)	3,395,757
Perimeter Rd. Phase I	1,569,038	(1,236,224)	332,814
DWBA Runway Rehab	68,718	(57,080)	11,638
Cargo Road Rebuild	850,000	(317,995)	532,005
Terminal Gate Enhancements	8,000,000	(659,077)	7,340,923
Terminal Road Access Rehab	5,876,112	(4,163,491)	1,712,621
Cargo Road Parking Lot	1,899,016	-	1,899,016
South Perimeter Road	1,141,675	(57,473)	1,084,202
D/A Airport Parking Structure	617,592	(480,036)	137,556
Architectural Work, misc.	186,500	(144,020)	42,480
<b>Total</b>	<u>\$ 52,870,477</u>	<u>\$(22,973,289)</u>	<u>\$ 29,897,188</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 10 - CAPITAL ASSETS - (Continued)**

<u>Water</u>	<u>Project Authorization</u>	<u>Expended at 12/31/05</u>	<u>Committed</u>
Ottawa Yard Complex I	\$ 2,500,000	\$ (1,283,779)	\$ 1,216,221
Trotwood Water Main	5,791,500	(12,406)	5,779,094
Warehouse Roof Replacement	88,986	(23,738)	65,248
Wellsfield Development	1,368,186	(1,368,186)	-
Water Treatment Plant Improvement	2,570,439	(817,208)	1,753,231
Replacement of Equipment	1,127,000	(629,501)	497,499
Water Administration Building			
Security System	83,634	(63,928)	19,706
Mulberry Water Main Installation	1,354,400	(532,694)	821,706
Water Dist. Mains/Clayton	1,369,170	(1,247,869)	121,301
Water Meter	217,280	(125,869)	91,411
Ottawa SCADA Treatment System Imp.	500,000	(100,931)	399,069
Clayton Water Distribution	2,100,000	(1,813,682)	286,318
Ottawa Treatment Plant	674,499	(331,198)	343,301
Arcadia Blvd. Water Main Improvement	600,000	(400,043)	199,957
Findlay St. Water Main Improvement	100,000	(25,268)	74,732
Paving Improvements	175,000	(121,690)	53,310
Washwater Lagoon	848,602	(18,770)	829,832
Culvert and Bridge Replacements	<u>390,000</u>	<u>(325,006)</u>	<u>64,994</u>
 Total	 <u>\$ 21,858,696</u>	 <u>\$ (9,241,766)</u>	 <u>\$ 12,616,930</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 10 - CAPITAL ASSETS - (Continued)**

<u>Sewer</u>	<u>Project Authorization</u>	<u>Expended at 12/31/05</u>	<u>Committed</u>
AWT Improvement Phase III	\$ 10,095,000	\$ (4,351,941)	\$ 5,743,059
Philadelphia Sewer Replacement	2,650,000	(2,336,172)	313,828
MacGregor Pike Sewer Replacement	110,000	(42,750)	67,250
Cone Court Sewer Replacement	60,000	(255)	59,745
Sanitary Sewer Repair	3,251,375	(1,274,953)	1,976,422
Roof Replacement - WWTP	156,199	(127,385)	28,814
Sanitary Force Main Rehabilitation	2,000,000	(595,204)	1,404,796
Kiser Street Sanitary Sewer	80,000	(67,713)	12,287
Oak & Cross St. Sanitary Sewer	138,500	(121,002)	17,498
Dwight Ave. Sanitary Sewer	40,000	(29,396)	10,604
Kensington Drive Sanitary Sewer	65,000	(53,070)	11,930
AWT Facilities Improvement	736,974	(13,733)	723,241
Sanitary Master Plan	2,043,400	(699,705)	1,343,695
Web-based O&M Manual	500,000	(117,301)	382,699
Sanitary Flow Monitoring	850,000	(550,890)	299,110
Wagoner Ford Sewer Cleaning	500,000	(356,051)	143,949
Basement Flooding Abatement	500,000	(14,168)	485,832
Roof Replacement	594,000	(475,254)	118,746
Dewatering Pad Replacements	<u>125,000</u>	<u>(72,614)</u>	<u>52,386</u>
Total	<u>\$ 24,495,448</u>	<u>\$ (11,299,557)</u>	<u>\$ 13,195,891</u>
<u>Storm Water</u>			
Storm Pump Station Improvement	\$ 150,000	\$ (123,494)	\$ 26,506
Storm Sewer Master Plan	170,306	-	170,306
Blanche St. Storm Sewer Replacement	<u>324,152</u>	<u>(292,968)</u>	<u>31,184</u>
Total	<u>\$ 644,458</u>	<u>\$ (416,462)</u>	<u>\$ 227,996</u>

**NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE**

In the current year, the City entered into a capitalized lease for computer equipment. In a prior year, the City entered into capitalized leases for copiers, land, 100 golf carts, and a golf course mower.

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 capital assets acquired by capital lease and the related liability and interest expense have been reported in the Water enterprise fund and Stores and Reproduction internal service fund. Principal payments in 2005 totaled \$108,580 for the general fund, \$501,000 for nonmajor governmental funds, \$70,491 for the Water enterprise fund and \$70,927 for the Stores and Reproduction internal service fund.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

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

The following is an analysis of assets leased under capital leases as of December 31, 2005:

	<u>Governmental</u>		<u>Internal Service</u>	<u>Enterprise</u>
	<u>Activities</u>			
	<u>General</u>	<u>Nonmajor</u>		
	<u>Fund</u>	<u>Governmental</u>	<u>Stores and</u>	<u>Water Fund</u>
		<u>Funds</u>	<u>Reproduction Fund</u>	
Equipment	\$ 317,416	\$ -	\$ 343,990	\$ 203,007
Land	<u>-</u>	<u>4,500,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 317,416</u>	<u>\$ 4,500,000</u>	<u>\$ 343,990</u>	<u>\$ 203,007</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, 2005:

Year Ending December 31	<u>Governmental</u>		<u>Internal Service</u>	<u>Enterprise</u>
	<u>Activities</u>			
	<u>General</u>	<u>Nonmajor</u>		
	<u>Fund</u>	<u>Governmental</u>	<u>Stores and</u>	<u>Water</u>
		<u>Funds</u>	<u>Reproduction Fund</u>	<u>Fund</u>
2006	\$ 71,296	\$ 501,000	\$ 84,000	\$ 70,491
2007	71,296	501,000	49,000	70,491
2008	-	501,000	-	-
2009	<u>-</u>	<u>1,494,000</u>	<u>-</u>	<u>-</u>
Total	142,592	2,997,000	133,000	140,982
Less: amount representing interest	<u>(8,562)</u>	<u>-</u>	<u>(8,469)</u>	<u>(8,466)</u>
Present value of minimum lease payments	<u>\$ 134,030</u>	<u>\$ 2,997,000</u>	<u>\$ 124,531</u>	<u>\$ 132,516</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 12 - OPERATING LEASE - LESSEE AND LESSOR DISCLOSURE**

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 lease payments as of December 31, 2005, are as follows:

<u>Year Ending December 31</u>	<u>Minimum Lease Payments</u>
2006	\$ 1,960,990
2007	1,878,014
2008	1,795,038
2009	1,712,062
2010	1,665,665
2011 - 2042	<u>18,337,690</u>
Totals	<u>\$ 27,349,459</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 lease payments as of December 31, 2005, are as follows:

<u>Year Ending December 31</u>	<u>Minimum Lease Payments</u>
2006	\$ 10,000
2007	10,000
2008	10,000
2009	10,000
2010	10,000
2011 - 2015	50,000
2016 - 2019	<u>40,000</u>
Totals	<u>\$ 140,000</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 13 - LONG-TERM OBLIGATIONS**

A. The City's governmental activities long-term obligations at year-end and a schedule of current year activity are as follows:

<i>Governmental Activities:</i>	Issue	Maturity	Interest	Original	Balance	Increase	Decrease	Balance	Amounts
	Date	Date	Rate (%)	Issue Amount	12/31/04			12/31/05	Due in One Year
<b>General Obligation Bonds:</b>									
Western Avenue Improvement	06/01/86	12/01/06	7.625	\$ 9,000,000	\$ 900,000	\$ -	\$ (450,000)	\$ 450,000	\$ 450,000
Wegerzyn Center Improvement	06/01/86	12/01/06	7.625	1,000,000	100,000	-	(50,000)	50,000	50,000
Exhibition Center Improvement	06/01/86	12/01/06	7.625	6,200,000	620,000	-	(310,000)	310,000	310,000
Road Improvements	06/01/89	12/01/09	7.000	5,200,000	1,300,000	-	(260,000)	1,040,000	260,000
Human Rehabilitation Center	06/01/89	12/01/09	7.000	2,425,000	625,000	-	(125,000)	500,000	125,000
Police District Facilities	06/01/89	12/01/09	7.000	1,815,000	465,000	-	(90,000)	375,000	90,000
Capital Facilities	10/01/93	11/01/13	4.5 to 4.75	7,465,000	3,235,000	-	(355,000)	2,880,000	360,000
Taxable Housing Improvements	10/01/93	11/01/13	5.35 to 6.5	3,035,000	1,385,000	-	(150,000)	1,235,000	150,000
Capital Facilities	10/01/94	11/01/14	4.5 to 8.0	3,280,000	1,530,000	-	(150,000)	1,380,000	150,000
Capital Facilities	05/01/98	12/01/18	4.6 to 5.0	15,630,000	10,880,000	-	(820,000)	10,060,000	825,000
Capital Facilities	12/01/98	12/01/20	3.1 to 5.125	22,200,000	12,850,000	-	(1,865,000)	10,985,000	530,000
Capital Facilities	02/01/01	12/01/14	3.75 to 4.65	24,911,861	17,179,997	-	(2,262,351)	14,917,646	1,334,874
Capital Facilities	06/16/04	12/01/19	3.0 to 5.25	11,360,000	11,360,000	-	(580,000)	10,780,000	600,000
Total general obligation bonds					62,429,997	-	(7,467,351)	54,962,646	5,234,874
<b>Revenue Bonds:</b>									
Baseball Revenue Bonds	03/01/99	12/01/19	5.69 to 6.85	12,190,000	10,385,000	-	(430,000)	9,955,000	455,000
Economic Development Revenue Bonds	12/11/02	11/01/12	5.5	1,000,000	1,000,000	-	-	1,000,000	-
Total revenue bonds					11,385,000	-	(430,000)	10,955,000	455,000

**CITY OF DAYTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 12/31/04	Increase	Decrease	Balance 12/31/05	Amounts Due in One Year
<b>Special Assessment Bonds:</b>									
Sidewalk Construction	11/01/95	11/01/05	6.000	\$ 30,459	\$ 3,000	\$ -	\$ (3,000)	\$ -	\$ -
Sidewalk Construction	11/01/96	11/01/06	6.000	29,566	6,000	-	(3,000)	3,000	3,000
Ornamental Lighting	11/01/97	11/01/07	6.000	71,270	21,300	-	(7,100)	14,200	7,100
Sidewalk Construction	11/01/97	11/01/07	6.000	10,141	3,000	-	(1,000)	2,000	1,000
Sidewalk Construction	11/01/98	11/01/08	6.000	9,098	3,600	-	(900)	2,700	900
Sidewalk Construction	11/01/00	11/01/05	6.000	112,082	22,400	-	(22,400)	-	-
Sidewalk Construction	11/01/00	11/01/10	6.000	127,575	76,800	-	(12,800)	64,000	12,800
Sidewalk Construction	12/01/01	12/01/06	6.000	23,528	9,400	-	(4,700)	4,700	4,700
Sidewalk Construction	12/01/01	12/01/11	6.000	11,089	7,700	-	(1,100)	6,600	1,100
Sidewalk Construction	11/01/02	11/01/05	6.000	54,198	18,000	-	(18,000)	-	-
Sidewalk Construction	11/01/02	11/01/07	6.000	174,863	105,000	-	(35,000)	70,000	35,000
Sidewalk Construction	11/01/02	11/01/12	6.000	251,050	200,800	-	(25,100)	175,700	25,100
Ornamental Lighting	11/01/02	11/01/12	6.000	88,276	70,400	-	(8,800)	61,600	8,800
Sidewalk Construction	12/01/03	12/01/06	6.000	54,813	36,000	-	(18,000)	18,000	18,000
Sidewalk Construction	12/01/03	12/01/08	6.000	172,725	140,000	-	(35,000)	105,000	35,000
Sidewalk Construction	12/01/03	12/01/13	6.000	167,947	150,300	-	(16,700)	133,600	16,700
Sidewalk Construction	12/01/04	12/01/07	6.000	26,559	26,559	-	(8,959)	17,600	8,800
Sidewalk Construction	12/01/04	12/01/09	6.000	112,047	112,047	-	(22,447)	89,600	22,400
Sidewalk Construction	12/01/04	12/01/14	6.000	232,415	232,415	-	(23,615)	208,800	23,200
Total special assessment bonds					<u>1,244,721</u>	<u>-</u>	<u>(267,621)</u>	<u>977,100</u>	<u>223,600</u>
<b>Other long-term obligations</b>									
Claims and judgements					10,880,760	60,129	(282,841)	10,658,048	596,421
Compensated absences					10,663,666	4,559,325	(3,925,626)	11,297,365	4,045,068
Capital lease obligations					<u>3,730,742</u>	<u>205,326</u>	<u>(680,507)</u>	<u>3,255,561</u>	<u>643,440</u>
Total other long-term obligations					<u>25,275,168</u>	<u>4,824,780</u>	<u>(4,888,974)</u>	<u>25,210,974</u>	<u>5,284,929</u>
Total governmental activities					<u>\$ 100,334,886</u>	<u>\$ 4,824,780</u>	<u>\$ (13,053,946)</u>	<u>92,105,720</u>	<u>\$ 11,198,403</u>
Add: unamortized bond premium								<u>220,742</u>	
Total on statement of net assets								<u>\$ 92,326,462</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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

The claims payable liability will be paid from the Worker's Compensation Internal Service fund.

As of December 31, 2005, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$202,305,766 and unvoted legal debt margin was \$99,510,424.

The following is a schedule of future principal and interest payments to retire the long-term obligations outstanding at December 31, 2005 for the governmental activities:

Year	General Obligation Bonds			Revenue Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 5,234,874	\$ 2,584,656	\$ 7,819,530	\$ 455,000	\$ 726,092	\$ 1,181,092	\$ 223,600	\$ 58,626	\$ 282,226
2007	4,537,548	2,325,102	6,862,650	528,183	697,746	1,225,929	197,900	45,210	243,110
2008	4,643,890	2,120,943	6,764,833	601,367	663,725	1,265,092	146,000	33,336	179,336
2009	4,957,280	1,910,756	6,868,036	631,367	626,376	1,257,743	110,100	24,576	134,676
2010	4,288,244	1,685,046	5,973,290	666,367	586,855	1,253,222	87,700	17,970	105,670
2011 - 2015	20,735,810	5,218,623	25,954,433	4,247,716	2,141,752	6,389,468	211,800	26,100	237,900
2016 - 2020	10,565,000	1,369,044	11,934,044	3,825,000	676,780	4,501,780	-	-	-
Totals	<u>\$ 54,962,646</u>	<u>\$ 17,214,170</u>	<u>\$ 72,176,816</u>	<u>\$ 10,955,000</u>	<u>\$ 6,119,326</u>	<u>\$ 17,074,326</u>	<u>\$ 977,100</u>	<u>\$ 205,818</u>	<u>\$ 1,182,918</u>

**B. Changes during 2005 in the City's long-term business-type obligations were as follows:**

<i>Business Type Activities:</i>	Issue Date	Maturity Date	Interest Rate (%)	Original	Balance 12/31/04	Increase	Decrease	Balance 12/31/05	Amounts
				Issue Amount					Due in One Year
<b>General Obligation Bonds:</b>									
Golf renovations	02/01/01	12/14/14	3.30 to 4.65	\$ 3,828,139	\$ 2,640,003	\$ -	\$ (347,649)	\$ 2,292,354	\$ 205,126
Total general obligation bonds					2,640,003	-	(347,649)	2,292,354	205,126
<b>Revenue Bonds:</b>									
Dayton International Airport	10/01/95	12/15/15	3.85 to 5.5	30,510,000	20,340,000	-	(13,895,000)	6,445,000	1,500,000
Refunding Waterworks	03/01/99	12/01/07	3.50 to 4.15	46,690,000	16,660,000	-	(5,620,000)	11,040,000	5,850,000
Dayton International Airport	10/31/03	12/01/32	2.00 to 5.00	6,085,000	5,990,000	-	(120,000)	5,870,000	125,000
Dayton International Airport	10/31/03	12/01/11	2.00 to 3.75	9,330,000	8,620,000	-	(1,030,000)	7,590,000	1,055,000
Dayton International Airport	10/31/03	12/01/32	2.00 to 5.35	30,190,000	29,845,000	-	(445,000)	29,400,000	595,000
Dayton International Airport	11/29/05	12/01/20	3.00 to 4.35	6,000,000	-	6,000,000	-	6,000,000	310,000
Dayton International Airport	11/29/05	12/01/15	3.00 to 5.00	13,865,000	-	13,865,000	-	13,865,000	45,000
Total revenue bonds					81,455,000	19,865,000	(21,110,000)	80,210,000	9,480,000

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

	Issue Date	Maturity Date	Interest Rate (%)	Original Issue Amount	Balance 12/31/04	Increase	Decrease	Balance 12/31/05	Amounts Due in One Year
<b>Other long-term obligations</b>									
Ohio Water Development Authority Loan	12/20/88	07/01/23	3.80 to 8.3	\$ 73,198,476	\$ 24,539,685	\$ -	\$ (3,533,808)	\$ 21,005,877	\$ 3,366,119
Ohio Public Works Commission Loan	07/01/97	01/01/20	0.00	1,000,000	800,000	-	(50,000)	750,000	50,000
Compensated absences payable					2,620,801	2,188,999	(2,051,612)	2,758,188	980,349
Capital lease obligations					-	203,007	(70,491)	132,516	64,886
Total other long-term obligations					<u>27,960,486</u>	<u>2,392,006</u>	<u>(5,705,911)</u>	<u>24,646,581</u>	<u>4,461,354</u>
Total business-type activities					<u>\$ 112,055,489</u>	<u>\$ 22,257,006</u>	<u>\$ (27,163,560)</u>	<u>107,148,935</u>	<u>\$ 14,146,480</u>
Less: unamortized deferred charge on refunding								(1,926,717)	
Add: unamortized bond premiums								<u>283,062</u>	
Total on statement of net assets								<u>\$ 105,505,280</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.

On September 29, 2005, the City issued \$19,865,000 in revenue bonds (Series 2005 Bonds). A portion of the proceeds of the 2005 bonds will be used to pay costs of Airport improvements including the acquisition, construction, furnishing and equipping of passenger boarding bridges, escalators, and stairwells in Concourse and providing all necessary and related improvements. A portion of the proceeds were used to currently refund the Series 1995 bonds (principal \$12,485,000) and variable interest rates. This refunded debt is considered defeased (in substance) and accordingly, has been removed from the statement of net assets. The re-acquisition price exceeded the net carrying amount of the old debt by \$592,455. This amount is being netted against new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The advance refunding was undertaken to reduce total debt service payments over the next thirty years by \$462,021 and resulted in an economic gain of \$459,543. The unamortized bond premium for the Series 2005 bonds was \$846,796.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

#### NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

On October 31, 2003, the City issued revenue bonds (Series 2003 Bonds). A portion of the proceeds of the 2003 bonds were issued to retire \$8,000,000 in general obligation bond anticipation notes that the City issued to pay costs of Airport improvements and to prepay the City's obligations for the lease-purchase agreement entered into to finance the terminal environment restoration project. Portions of the bonds were used to improve the Airport by the acquisition, construction, furnishing and equipping of parking, roadway, airfield and terminal improvements and providing all necessary and related improvements. A portion of the proceeds was used to advance refund the Series 1992 bonds (principal \$8,235,000) and variable interest rates. The issuance proceeds were deposited into a special escrow trust fund, which consists of cash and direct or guaranteed non-callable government obligations. The principal of this escrow trust, when due, will be sufficient to pay on the redemption date the principal of, redemption premium and interest on the Series 1992 bonds. This refunded debt is considered defeased (in substance) and accordingly, has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$76,720. This amount is being netted against new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The advance refunding was undertaken to reduce total debt service payments over the next thirty years by \$295,676 and resulted in an economic gain of \$284,481. The unamortized bond discount for the Series 2003 bonds was \$364,244.

The 1995 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 \$169,350. 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. At December 31, 2005, the City had outstanding borrowings of \$21,005,877 through OWDA. The future annual debt service principal and interest requirements for OWDA loans include only those loans that are finalized and all monies related to the projects are disbursed. As of December 31, 2005, the future annual debt service principal and interest payments for one OWDA loan was unavailable because monies related to the project are still being disbursed and the loan is not finalized.

In 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.

Compensated absences will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the Water enterprise fund.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**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, 2005 for the business-type activities:

Year	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 205,126	\$ 97,753	\$ 302,879	\$ 9,480,000	\$ 3,654,493	\$ 13,134,493
2007	212,452	89,855	302,307	8,940,000	3,278,080	12,218,080
2008	221,110	81,463	302,573	3,905,000	2,913,279	6,818,279
2009	277,720	72,509	350,229	4,055,000	2,761,112	6,816,112
2010	241,756	60,983	302,739	4,225,000	2,593,078	6,818,078
2011 - 2015	1,134,190	113,329	1,247,519	20,275,000	10,410,366	30,685,366
2016 - 2020	-	-	-	8,080,000	6,814,518	14,894,518
2021 - 2025	-	-	-	7,305,000	4,872,583	12,177,583
2026 - 2030	-	-	-	9,435,000	2,749,582	12,184,582
2031 - 2032	-	-	-	4,510,000	362,618	4,872,618
<b>Totals</b>	<b>\$ 2,292,354</b>	<b>\$ 515,892</b>	<b>\$ 2,808,246</b>	<b>\$ 80,210,000</b>	<b>\$ 40,409,709</b>	<b>\$ 120,619,709</b>

Year	OWDA Loans			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 2,961,033	\$ 799,715	\$ 3,760,748	\$ 50,000	\$ -	\$ 50,000
2007	2,820,665	571,144	3,391,809	50,000	-	50,000
2008	2,827,494	357,954	3,185,448	50,000	-	50,000
2009	185,124	144,491	329,615	50,000	-	50,000
2010	192,509	137,106	329,615	50,000	-	50,000
2011 - 2015	1,084,045	564,032	1,648,077	250,000	-	250,000
2016 - 2020	1,318,211	329,865	1,648,076	250,000	-	250,000
2021 - 2023	923,938	64,907	988,845			
<b>Totals</b>	<b>\$ 12,313,019</b>	<b>\$ 2,969,214</b>	<b>\$ 15,282,233</b>	<b>\$ 750,000</b>	<b>\$ -</b>	<b>\$ 750,000</b>

**NOTE 14 - NOTES PAYABLE**

A. A summary of the governmental-activities notes payable transactions for the year ended December 31, 2005, follows:

	Issue	Maturity	Interest	Balance				Balance
	Date	Date	Rate (%)	12/31/04	Increase	Decrease	12/31/05	
<b>Governmental Activities:</b>								
<b>Special Assessment Notes:</b>								
Sidewalk Construction	12/01/04	12/01/05	6.00	\$ 242	\$ -	\$ (242)	\$ -	
Grafton Hill Lighting	12/01/04	12/01/05	6.00	2,699	-	(2,699)	-	
Central Business Lighting	12/01/04	12/01/05	6.00	49,747	-	(49,747)	-	
Total special assessment notes				52,688	-	(52,688)	-	
Total governmental activities				\$ 52,688	\$ -	\$ (52,688)	\$ -	

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 14 - NOTES PAYABLE - (Continued)**

- B.** A summary of the business-type activities notes payable transactions for the year ended December 31, 2005, follows:

<i>Business-type Activities:</i>	Issue <u>Date</u>	Maturity <u>Date</u>	Interest <u>Rate (%)</u>	Balance <u>12/31/04</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>12/31/05</u>
<b>General Obligation Notes:</b>							
Airport Notes Series B	07/07/04	07/07/05	3.00	\$ 8,000,000	\$ -	\$ (8,000,000)	\$ -
Airport Notes Series C	08/24/04	08/24/05	2.38	1,350,000	-	(1,350,000)	-
Airport Notes Series 2005	07/06/05	07/06/06	3.25	-	6,675,000	-	6,675,000
Total G.O. notes				<u>\$ 9,350,000</u>	<u>\$ 6,675,000</u>	<u>\$ (9,350,000)</u>	<u>\$ 6,675,000</u>

**NOTE 15 - 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 2005, 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	50,000,000
Property	649,757,282
Vehicles	60,337,917
General Liability (North West Railway)	5,000,000
Commercial Liability (Convention Center)	1,000,000
Tenant Liability (convention Center)	1,000,000
Errors and Omissions (Ambulance Attendants)	500,000
Garagekeepers/Operators Liability	1,000,000
Comprehensive/Catastrophic Fleet	20,000,000
Air Show Liability	50,000,000
Inland Marine	335,700

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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 15 - RISK MANAGEMENT - (Continued)**

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 \$10,653,147 reported at December 31, 2005, 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. Of the \$10,772,100 claims liability, \$174,181 of the liability is due within one year and is reported as a current liability in the statement of net assets for the proprietary funds. The remaining portion is a noncurrent liability of \$10,597,919. 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 2004 and 2005 were:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2005	\$ 10,772,100	\$ 1,898,839	\$ (2,017,792)	\$ 10,653,147
2004	8,997,015	5,936,467	(4,161,382)	10,772,100

**NOTE 16 - 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.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

#### **NOTE 16 - OTHER EMPLOYEE BENEFITS - (Continued)**

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 Anthem Blue Cross/Blue Shield Health Maintenance insurance plans. Dental insurance is provided to employees through MetLife and Ohio AFSCME Care. Group Life and Accidental Death and Dismemberment insurance is provided to employees through Aetna 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.

#### **NOTE 17 - DEFINED BENEFIT PENSION PLANS**

##### **A. Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

#### **NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to established and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2005 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$7,935,280, \$7,916,399, and \$7,201,948, respectively; 100% has been contributed for 2005, 2004 and 2003. The City and plan members did not make any contributions to the member-directed plan for 2005.

#### **B. Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. 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 the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 11.75% for police officers and 16.25% for firefighters. Contributions are authorized by State statute. The City's contributions to the fund for the police and firefighters were \$6,661,923 and \$8,864,735, and \$6,729,504 for the years ended December 31, 2005, 2004, and 2003. The full amount has been contributed for 2004 and 2003. 72.52% has been contributed for 2005 with the remainder being reported as a liability.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

#### NOTE 18 - POSTRETIREMENT BENEFIT PLANS

##### A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit 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 the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 1.00% and 6.00% annually for the next eight years and 4.00% annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109 as of December 31, 2005. The number of active participants for both plans used in the December 31, 2004 actuarial valuation was 355,287. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$3,323,678. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader 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.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

#### NOTE 18 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

#### **B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor 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 the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005. 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. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2005 that were used to fund postemployment benefits was \$2,010,997 for police and \$1,723,119 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004 (the latest information available), was 13,812 for police and 10,528 for firefighters.

#### NOTE 19 - 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 modified accrual basis with exceptions. 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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 19 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year ended December 31, 2005, on the GAAP basis to the budget basis are as follows:

	<u>General</u>
Budget basis	\$ (2,166,444)
Net adjustment for revenues	1,453,452
Net adjustment for expenditures	(2,529,224)
Net adjustment for other sources/uses	(62,779)
Adjustment for encumbrances	<u>6,022,062</u>
GAAP basis	<u>\$ 2,717,067</u>

**NOTE 20 - CONDUIT DEBT OBLIGATIONS**

The City has the following conduit debt obligations at December 31, 2005:

	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
Emery Revenue Refunding - 1998	\$ 46,000,000	\$ 46,000,000
Emery Revenue Refunding - 1996	17,000,000	17,000,000
Emery Revenue Refunding - 1996	13,000,000	13,000,000
Emery Revenue Refunding - 1996	16,000,000	16,000,000
Emery Revenue Refunding - 1996	16,000,000	16,000,000
Ohio Special Facilities Revenue - 1999	7,015,000	6,395,000
Economic Development Revenue Bond - 2002	1,000,000	1,000,000

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.

**NOTE 21 - 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".

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT - (Continued)**

**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 \$1,500,530 and the related bank balance was \$1,689,569. Of the bank balance \$656,818 was covered by federal depository insurance, and \$843,712 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>
Money markets	\$ -	\$ 1,523,640
Commercial paper	1,020,822	1,020,822
Total Investments	\$ 1,020,822	\$ 2,544,462

A reconciliation to the Statement of Net Assets follows:

Cash and equivalents	\$ 1,532,618
Investments	853,858
Restricted cash	1,664,953
Total per statement of net assets	\$ 4,051,429
Deposits	1,500,530
Investments	2,550,899
Total per GASB Statement No. 3	\$ 4,051,429

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT - (Continued)**

**C. Notes Payable Advance from Primary Government**

Notes payable/advance from primary government at December 31, 2005, consisted of the following:

<u>Note</u>	<u>Payable to</u>	<u>Amount</u>
Noninterest-bearing Note for Landing Project	City of Dayton	\$ 5,433,600
Noninterest-bearing Note for Wellfield Project	City of Dayton	2,444,742
Note for Renovation of Western Manor	City of Dayton and the Dayton Montgomery County Housing Authority	86,459
Note for redevelopment of Hawthorn School Building	City of Dayton	695,565
Note for Webster Street Project	City of Dayton	200,000
Note for renovation of 119 North Main Street	City of Dayton	105,705
Note for development of West 3rd Street	City of Dayton	4,425,000
Other advance R&R TAC Building	City of Dayton	<u>1,000,000</u>
Total advance from primary government		<u>14,391,071</u>
Note for redevelopment of Hawthorne School Building Development Corporation, Inc.	McPherson Town Neighborhood	250,000
Note for Housing Loans	Third-Party Insurance Company	503,584
Other Notes Payable	Not disclosed	<u>146,779</u>
Total Notes Payable		<u>900,363</u>
Total Advance from primary government/notes payable		<u>\$15,291,434</u>

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

**D. Bonds Payable**

In fiscal year 2003, Citywide issued \$13,600,000 in Floating Rate Option notes. The proceeds of these bonds were used for the redevelopment of the Reynolds and Reynolds Technical Assistance Center. During 2003, the City also issued \$1,000,000 in Economic Development Revenue bonds with an interest rate of 5 percent.

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, 2005

**NOTE 21 - DISCRETELY PRESENTED COMPONENT UNIT - (Continued)**

Principal maturities due under these agreements are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2006	\$ 685,000
2007	763,183
2008	851,367
2009	896,367
2010	961,367
Thereafter	<u>12,872,716</u>
Total	<u>\$ 17,030,000</u>

**E. Loans Payable**

Citywide has a real estate loan with a financial institution, with stated interest of 8.75% and an effective rate of approximately 3% less through Montgomery County linked program. This agreement contains a subjective acceleration clause. The loan is collateralized by property and income from property. The balance of the loan at December 31, 2005 is \$103,566. Citywide has a real estate loan with an individual with stated interest of 11.445% payable in monthly installments of \$8,107. This loan is collateralized by property and matures on September 1, 2006. The balance of the loan at December 31, 2005 is \$850,000.

During 2005, Citywide has a real estate loan with a financial institution, with a variable interest rate equal to the prime rate and matures on May 1, 2006. This loan is collateralized by property. The balance of the loan at December 31, 2005 is \$1,193,637.

During 2005, Citywide borrowed \$100,000 for a construction loan with another company. This loan has a stated interest of 2.0%, payable upon maturity of the loan on May 25, 2010.

The debt service requirements to maturity are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2006	\$ 2,076,801
2007	35,127
2008	35,275
2009	-
2010	<u>100,000</u>
Total	<u>\$ 2,247,203</u>

**CITY OF DAYTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 22 - 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, 2005, to December 31, 2005, 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.

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.

## CITY OF DAYTON, OHIO

### COMBINING STATEMENTS - NONMAJOR GOVERNMENTAL FUNDS

#### **Nonmajor Special Revenue Funds (Continued)**

##### ***Other Special Revenue***

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

#### **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 statements 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**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 110,264,600	\$ 111,804,000	\$ 113,236,307	\$ 1,432,307
Property and other local taxes . . . . .	10,563,200	11,122,400	10,982,022	(140,378)
State shared taxes . . . . .	15,967,600	15,850,000	15,909,785	59,785
Charges for services . . . . .	19,521,400	19,162,500	20,057,330	894,830
Licenses and permits . . . . .	1,867,500	1,782,200	1,853,857	71,657
Fines and forfeitures . . . . .	1,649,800	1,201,800	1,453,724	251,924
Intergovernmental . . . . .	-	360,000	262,500	(97,500)
Special assessments . . . . .	260,000	260,000	267,364	7,364
Investment income . . . . .	4,353,900	4,508,600	3,947,981	(560,619)
Other . . . . .	2,805,800	2,286,900	2,204,401	(82,499)
<b>Total revenues.</b> . . . .	<b>167,253,800</b>	<b>168,338,400</b>	<b>170,175,271</b>	<b>1,836,871</b>
<b>Expenditures:</b>				
<b>General operating:</b>				
Clerk of commission . . . . .	1,086,300	1,066,300	1,000,739	65,561
Civil service board . . . . .	1,154,100	1,025,700	964,322	61,378
Human relations council . . . . .	858,400	857,900	821,138	36,762
City manager's office . . . . .	911,500	911,100	850,857	60,243
Department of public affairs . . . . .	778,600	838,200	768,792	69,408
Cable TV operations . . . . .	364,600	364,600	352,917	11,683
Department of planning & community development . . . . .	2,292,700	2,302,000	2,196,941	105,059
Department of building services . . . . .	2,418,200	2,446,700	2,315,621	131,079
Clerk of courts . . . . .	3,318,400	3,366,400	3,321,428	44,972
Municipal court . . . . .	3,724,300	3,720,500	3,519,951	200,549
Office of economic development . . . . .	1,384,800	1,505,500	1,432,088	73,412
Department of management and budget . . . . .	935,400	757,700	746,996	10,704
Department of water . . . . .	76,900	76,900	75,623	1,277
Department of law . . . . .	1,738,500	1,917,900	1,872,891	45,009
Department of finance . . . . .	4,062,800	3,448,000	3,360,014	87,986
Department of human resources . . . . .	1,117,500	1,106,800	1,094,180	12,620
Department of information and technology services . . . . .	7,635,700	7,849,400	7,538,530	310,870
Department of police . . . . .	47,620,800	48,272,800	47,505,172	767,628
Department of fire . . . . .	35,287,500	37,084,100	36,847,549	236,551
Department of public works . . . . .	26,352,500	27,058,100	27,040,987	17,113
Department of parks, recreation and culture . . . . .	6,535,900	6,399,500	6,355,572	43,928
Non-departmental . . . . .	4,564,500	1,275,500	812,147	463,353
Convention center operating . . . . .	3,756,100	3,670,600	3,534,368	136,232
Special assessments . . . . .	267,200	267,200	254,343	12,857
Special projects . . . . .	1,187,800	1,407,300	1,293,783	113,517
<b>Total expenditures.</b> . . . .	<b>159,431,000</b>	<b>158,996,700</b>	<b>155,876,949</b>	<b>3,119,751</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	7,822,800	9,341,700	14,298,322	4,956,622
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	267,605	267,605	-
Transfers out . . . . .	(8,067,700)	(22,241,100)	(16,732,371)	5,508,729
<b>Total other financing sources (uses).</b> . . . . .	<b>(8,067,700)</b>	<b>(21,973,495)</b>	<b>(16,464,766)</b>	<b>5,508,729</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses . . . . .	(244,900)	(12,631,795)	(2,166,444)	10,465,351
<b>Fund balance at beginning of year (restated).</b> . . . .	<b>18,815,391</b>	<b>18,815,391</b>	<b>18,815,391</b>	<b>-</b>
<b>Prior year encumbrances appropriated.</b> . . . . .	<b>1,528,500</b>	<b>1,528,500</b>	<b>1,528,500</b>	<b>-</b>
<b>Fund balance at end of year.</b> . . . .	<b>\$ 20,098,991</b>	<b>\$ 7,712,096</b>	<b>\$ 18,177,447</b>	<b>\$ 10,465,351</b>

**CITY OF DAYTON, OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2005**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Funds</b>	<b>Nonmajor Permanent Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 13,384,740	\$ 239,836	\$ 73,340	\$ 13,697,916
Investments . . . . .	-	-	87,784	87,784
Receivables (net of allowances of uncollectibles):				
Property and other local taxes . . . . .	119,504	-	-	119,504
Accounts . . . . .	127,972	-	-	127,972
Special assessments . . . . .	440,250	-	-	440,250
Accrued interest . . . . .	4,377	-	-	4,377
Due from other funds . . . . .	140,793	-	-	140,793
Due from other governments . . . . .	5,062,546	3,334,378	-	8,396,924
Prepayments . . . . .	-	1,084	-	1,084
Advances to component unit . . . . .	5,445,405	-	-	5,445,405
Total assets . . . . .	<u>\$ 24,725,587</u>	<u>\$ 3,575,298</u>	<u>\$ 161,124</u>	<u>\$ 28,462,009</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 436,403	\$ -	\$ -	\$ 436,403
Contracts payable . . . . .	159,659	77,562	-	237,221
Accrued wages and benefits . . . . .	338,752	-	-	338,752
Due to other funds . . . . .	159,839	-	-	159,839
Due to other governments . . . . .	46,368	-	-	46,368
Interfund payable . . . . .	1,909,352	3,402,446	-	5,311,798
Deferred revenue . . . . .	2,421,989	2,783,424	-	5,205,413
Total liabilities . . . . .	<u>5,472,362</u>	<u>6,263,432</u>	<u>-</u>	<u>11,735,794</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	13,623,190	1,695,421	-	15,318,611
Reserved for prepayments . . . . .	-	1,084	-	1,084
Reserved for advances to component unit . . . . .	5,445,405	-	-	5,445,405
Reserved for contributions to permanent fund . . . . .	-	-	102,228	102,228
Unreserved, undesignated (deficit), reported in:				
Special revenue funds . . . . .	184,630	-	-	184,630
Permanent funds . . . . .	-	-	58,896	58,896
Capital projects funds . . . . .	-	(4,384,639)	-	(4,384,639)
Total fund balances . . . . .	<u>19,253,225</u>	<u>(2,688,134)</u>	<u>161,124</u>	<u>16,726,215</u>
Total liabilities and fund balances . . . . .	<u>\$ 24,725,587</u>	<u>\$ 3,575,298</u>	<u>\$ 161,124</u>	<u>\$ 28,462,009</u>

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Funds</b>	<b>Nonmajor Permanent Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>				
Property and other local taxes . . . . .	\$ 614,979	\$ -	\$ -	\$ 614,979
State shared taxes. . . . .	5,088,525	-	-	5,088,525
Charges for services . . . . .	1,965,368	10,000	-	1,975,368
Fines and forfeitures . . . . .	445,609	-	-	445,609
Intergovernmental . . . . .	12,162,553	1,233,528	-	13,396,081
Special assessments . . . . .	91,712	-	-	91,712
Investment income . . . . .	28,484	-	3,038	31,522
Other . . . . .	2,816,941	93,426	2,419	2,912,786
<b>Total revenues.</b> . . . .	<b>23,214,171</b>	<b>1,336,954</b>	<b>5,457</b>	<b>24,556,582</b>
<b>Expenditures:</b>				
Current:				
Youth, education and human services. . . . .	1,919,994	-	-	1,919,994
Community development and neighborhoods. . . . .	7,453,647	-	-	7,453,647
Economic development . . . . .	3,508,723	77,562	-	3,586,285
Leadership and quality of life . . . . .	12,040,992	-	-	12,040,992
Corporate responsibility. . . . .	683,203	-	-	683,203
Public safety and justice. . . . .	2,767,033	-	-	2,767,033
Other. . . . .	1,717,213	-	-	1,717,213
Capital outlay . . . . .	-	4,970,070	-	4,970,070
Debt service:				
Principal retirement . . . . .	501,000	-	-	501,000
Interest and fiscal charges. . . . .	-	27,929	-	27,929
<b>Total expenditures.</b> . . . .	<b>30,591,805</b>	<b>5,075,561</b>	<b>-</b>	<b>35,667,366</b>
Excess (deficiency) of revenues over (under) expenditures. . . . .	(7,377,634)	(3,738,607)	5,457	(11,110,784)
<b>Other financing sources:</b>				
Transfers in . . . . .	9,007,871	-	-	9,007,871
<b>Total other financing sources.</b> . . . .	<b>9,007,871</b>	<b>-</b>	<b>-</b>	<b>9,007,871</b>
Net change in fund balances . . . . .	1,630,237	(3,738,607)	5,457	(2,102,913)
<b>Fund balances at beginning of year (restated).</b>	<b>17,622,988</b>	<b>1,050,473</b>	<b>155,667</b>	<b>18,829,128</b>
<b>Fund balances at end of year.</b> . . . .	<b>\$ 19,253,225</b>	<b>\$ (2,688,134)</b>	<b>\$ 161,124</b>	<b>\$ 16,726,215</b>

**CITY OF DAYTON, OHIO**

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2005

	<u>Street</u>	<u>Highway Maintenance</u>	<u>HUD Programs</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 2,448,242	\$ 356,023	\$ 247,495
Receivables (net of allowances of uncollectibles):			
Property and other local taxes . . . . .	119,504	-	-
Accounts . . . . .	1,773	-	3,813
Special assessments, net. . . . .	-	-	440,250
Accrued interest . . . . .	-	-	-
Due from other governments . . . . .	2,109,350	171,029	1,720,865
Due from other funds . . . . .	-	-	-
Advances to component unit . . . . .	-	-	5,445,405
Total assets. . . . .	<u>\$ 4,678,869</u>	<u>\$ 527,052</u>	<u>\$ 7,857,828</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 121,343	\$ 66,667	\$ 173,887
Contracts payable . . . . .	-	-	78,065
Accrued wages and benefits . . . . .	152,902	-	161,940
Due to other funds . . . . .	121,482	-	25,145
Due to other governments . . . . .	-	-	-
Interfund loan payable . . . . .	-	-	1,909,352
Deferred revenue . . . . .	<u>1,346,244</u>	<u>99,467</u>	<u>440,250</u>
Total liabilities. . . . .	<u>1,741,971</u>	<u>166,134</u>	<u>2,788,639</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	488,512	-	7,744,340
Reserved for advances to component unit . . . . .	-	-	5,445,405
Unreserved, undesignated (deficit), reported in:			
Special revenue funds . . . . .	<u>2,448,386</u>	<u>360,918</u>	<u>(8,120,556)</u>
Total fund balances . . . . .	<u>2,936,898</u>	<u>360,918</u>	<u>5,069,189</u>
Total liabilities and fund balances. . . . .	<u>\$ 4,678,869</u>	<u>\$ 527,052</u>	<u>\$ 7,857,828</u>

<u>Law Enforcement</u>	<u>Miscellaneous Grants</u>	<u>Other Special Revenue</u>	<u>Total</u>
\$ 1,291,620	\$ 946,246	\$ 8,095,114	\$ 13,384,740
-	-	-	119,504
-	-	122,386	127,972
-	-	-	440,250
4,377	-	-	4,377
204,501	856,801	-	5,062,546
-	62,375	78,418	140,793
-	-	-	5,445,405
<u>\$ 1,500,498</u>	<u>\$ 1,865,422</u>	<u>\$ 8,295,918</u>	<u>\$ 24,725,587</u>
\$ 9,420	\$ 42,417	\$ 22,669	\$ 436,403
4,000	65,426	12,168	159,659
1,879	17,522	4,509	338,752
12,091	847	274	159,839
-	-	46,368	46,368
-	-	-	1,909,352
<u>20,362</u>	<u>515,666</u>	<u>-</u>	<u>2,421,989</u>
<u>47,752</u>	<u>641,878</u>	<u>85,988</u>	<u>5,472,362</u>
213,556	3,788,827	1,387,955	13,623,190
-	-	-	5,445,405
<u>1,239,190</u>	<u>(2,565,283)</u>	<u>6,821,975</u>	<u>184,630</u>
<u>1,452,746</u>	<u>1,223,544</u>	<u>8,209,930</u>	<u>19,253,225</u>
<u>\$ 1,500,498</u>	<u>\$ 1,865,422</u>	<u>\$ 8,295,918</u>	<u>\$ 24,725,587</u>

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Street</u>	<u>Highway Maintenance</u>	<u>HUD Programs</u>
<b>Revenues:</b>			
Property and other local taxes . . . . .	\$ 614,979	\$ -	\$ -
State shared taxes . . . . .	4,706,936	381,589	-
Charges for services . . . . .	298,461	-	-
Fines and forfeitures . . . . .	-	-	-
Intergovernmental . . . . .	68,738	-	10,658,350
Special assessments . . . . .	-	-	91,712
Investment income . . . . .	-	-	-
Other . . . . .	461,487	-	59,541
<b>Total revenues . . . . .</b>	<u>6,150,601</u>	<u>381,589</u>	<u>10,809,603</u>
<b>Expenditures:</b>			
Current:			
Youth, education and human services . . . . .	-	-	1,919,994
Community development and neighborhoods . . . . .	153	-	7,126,632
Economic development . . . . .	-	-	215,305
Leadership and quality of life . . . . .	9,228,856	433,333	1,708,446
Corporate responsibility . . . . .	-	-	166,635
Public safety and justice . . . . .	-	-	312
Other . . . . .	18,681	-	-
Debt service:			
Principal retirement . . . . .	-	-	-
<b>Total expenditures . . . . .</b>	<u>9,247,690</u>	<u>433,333</u>	<u>11,137,324</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(3,097,089)</u>	<u>(51,744)</u>	<u>(327,721)</u>
<b>Other financing sources:</b>			
Transfers in . . . . .	<u>3,703,700</u>	<u>-</u>	<u>515,395</u>
<b>Total other financing sources . . . . .</b>	<u>3,703,700</u>	<u>-</u>	<u>515,395</u>
Net change in fund balances . . . . .	606,611	(51,744)	187,674
<b>Fund balances at beginning of year (restated).</b>	<u>2,330,287</u>	<u>412,662</u>	<u>4,881,515</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,936,898</u>	<u>\$ 360,918</u>	<u>\$ 5,069,189</u>

<b>Law Enforcement</b>	<b>Miscellaneous Grants</b>	<b>Other Special Revenue</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ 614,979
-	-	-	5,088,525
4,377	1,592,391	70,139	1,965,368
445,609	-	-	445,609
299,530	1,135,935	-	12,162,553
-	-	-	91,712
18,667	-	9,817	28,484
27,247	514,735	1,753,931	2,816,941
<u>795,430</u>	<u>3,243,061</u>	<u>1,833,887</u>	<u>23,214,171</u>
-	-	-	1,919,994
383	326,479	-	7,453,647
21,410	396,085	2,875,923	3,508,723
593	408,635	261,129	12,040,992
-	-	516,568	683,203
902,189	1,842,130	22,402	2,767,033
-	27,732	1,670,800	1,717,213
-	-	501,000	501,000
<u>924,575</u>	<u>3,001,061</u>	<u>5,847,822</u>	<u>30,591,805</u>
<u>(129,145)</u>	<u>242,000</u>	<u>(4,013,935)</u>	<u>(7,377,634)</u>
<u>153,714</u>	<u>180,762</u>	<u>4,454,300</u>	<u>9,007,871</u>
<u>153,714</u>	<u>180,762</u>	<u>4,454,300</u>	<u>9,007,871</u>
24,569	422,762	440,365	1,630,237
<u>1,428,177</u>	<u>800,782</u>	<u>7,769,565</u>	<u>17,622,988</u>
<u>\$ 1,452,746</u>	<u>\$ 1,223,544</u>	<u>\$ 8,209,930</u>	<u>\$ 19,253,225</u>

**CITY OF DAYTON, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 STREET FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>			<b>Variance with</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<b>Final Budget</b> <b>Positive</b> <b>(Negative)</b>
<b>Revenues:</b>				
Property and other local taxes . . . . .	\$ 658,096	\$ 694,800	\$ 683,717	\$ (11,083)
State shared taxes . . . . .	5,188,100	4,786,600	4,602,411	(184,189)
Charges for services . . . . .	340,000	335,000	384,511	49,511
Other . . . . .	-	150,000	197,957	47,957
<b>Total revenues.</b> . . . .	<u>6,186,196</u>	<u>5,966,400</u>	<u>5,868,596</u>	<u>(97,804)</u>
<b>Expenditures:</b>				
Department of public works . . . . .	9,213,100	9,937,600	9,587,306	350,294
<b>Total expenditures.</b> . . . .	<u>9,213,100</u>	<u>9,937,600</u>	<u>9,587,306</u>	<u>350,294</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(3,026,904)</u>	<u>(3,971,200)</u>	<u>(3,718,710)</u>	<u>252,490</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	2,003,700	3,965,457	3,965,457	-
<b>Total other financing sources.</b> . . . .	<u>2,003,700</u>	<u>3,965,457</u>	<u>3,965,457</u>	<u>-</u>
Net change in fund balance . . . . .	(1,023,204)	(5,743)	246,747	252,490
<b>Fund balance at beginning of year (restated).</b> . . . .	1,225,480	1,225,480	1,225,480	-
<b>Prior year encumbrances appropriated.</b> . . . . .	54,350	54,350	54,350	-
<b>Fund balance at end of year</b> . . . . .	<u>\$ 256,626</u>	<u>\$ 1,274,087</u>	<u>\$ 1,526,577</u>	<u>\$ 252,490</u>

**CITY OF DAYTON, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 HIGHWAY MAINTENANCE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
State shared taxes . . . . .	\$ 400,000	\$ 400,000	\$ 373,116	\$ (26,884)
Total revenues. . . . .	400,000	400,000	373,116	(26,884)
<b>Expenditures:</b>				
Department of public works . . . . .	400,000	400,000	400,000	-
Total expenditures. . . . .	400,000	400,000	400,000	-
Net change in fund balance . . . . .	-	-	(26,884)	(26,884)
<b>Fund balance at beginning of year. . . . .</b>	<u>316,241</u>	<u>316,241</u>	<u>316,241</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 316,241</u>	<u>\$ 316,241</u>	<u>\$ 289,357</u>	<u>\$ (26,884)</u>

**CITY OF DAYTON, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 LAW ENFORCEMENT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Charges for services . . . . .	\$ 2,455	\$ 2,670	\$ 3,260	\$ 590
Fines and forfeitures . . . . .	335,586	364,933	445,609	80,676
Intergovernmental . . . . .	114,620	124,644	152,199	27,555
Investment income . . . . .	15,958	17,354	21,190	3,836
Other . . . . .	20,520	22,314	27,247	4,933
<b>Total revenues.</b> . . . .	<u>489,139</u>	<u>531,915</u>	<u>649,505</u>	<u>117,590</u>
<b>Expenditures:</b>				
Department of police . . . . .	1,446,423	1,446,423	1,082,706	363,717
<b>Total expenditures.</b> . . . .	<u>1,446,423</u>	<u>1,446,423</u>	<u>1,082,706</u>	<u>363,717</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(957,284)</u>	<u>(914,508)</u>	<u>(433,201)</u>	<u>481,307</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	115,761	125,885	153,714	27,829
Transfers out . . . . .	(4,577)	(4,577)	(3,426)	1,151
<b>Total other financing sources (uses)</b> . . . . .	<u>111,184</u>	<u>121,308</u>	<u>150,288</u>	<u>28,980</u>
Net change in fund balance . . . . .	(846,100)	(793,200)	(282,913)	510,287
<b>Fund balance at beginning of year (restated).</b> . . . .	1,201,932	1,201,932	1,201,932	-
<b>Prior year encumbrances appropriated.</b> . . . . .	141,558	141,558	141,558	-
<b>Fund balance at end of year</b> . . . . .	<u>\$ 497,390</u>	<u>\$ 550,290</u>	<u>\$ 1,060,577</u>	<u>\$ 510,287</u>

**CITY OF DAYTON, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 MISCELLANEOUS GRANTS FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Charges for services . . . . .	\$ 2,076,698	\$ 3,390,855	\$ 1,592,391	\$ (1,798,464)
Intergovernmental . . . . .	3,026,287	4,941,356	2,320,527	(2,620,829)
Other . . . . .	716,105	1,169,264	549,102	(620,162)
Total revenues. . . . .	<u>5,819,090</u>	<u>9,501,475</u>	<u>4,462,020</u>	<u>(5,039,455)</u>
<b>Expenditures:</b>				
Other grants . . . . .	<u>3,870,681</u>	<u>7,278,231</u>	<u>6,893,231</u>	<u>385,000</u>
Total expenditures. . . . .	<u>3,870,681</u>	<u>7,278,231</u>	<u>6,893,231</u>	<u>385,000</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,948,409</u>	<u>2,223,244</u>	<u>(2,431,211)</u>	<u>(4,654,455)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	297,610	485,940	228,204	(257,736)
Transfers out . . . . .	<u>(385,019)</u>	<u>(723,969)</u>	<u>(685,673)</u>	<u>38,296</u>
Total other financing sources (uses) . . . . .	<u>(87,409)</u>	<u>(238,029)</u>	<u>(457,469)</u>	<u>(219,440)</u>
Net change in fund balance . . . . .	1,861,000	1,985,215	(2,888,680)	(4,873,895)
<b>Fund balance at beginning of year (restated). . .</b>	(1,475,306)	(1,475,306)	(1,475,306)	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>1,586,013</u>	<u>1,586,013</u>	<u>1,586,013</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,971,707</u>	<u>\$ 2,095,922</u>	<u>\$ (2,777,973)</u>	<u>\$ (4,873,895)</u>

**CITY OF DAYTON, OHIO**

SCHEDULE 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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for services . . . . .	\$ 48,878	\$ 67,977	\$ 70,139	\$ 2,162
Investment income . . . . .	6,841	9,514	9,817	303
Other . . . . .	552,496	768,393	792,827	24,434
Total revenues. . . . .	<u>608,215</u>	<u>845,884</u>	<u>872,783</u>	<u>26,899</u>
<b>Expenditures:</b>				
Various departments. . . . .	4,109,079	9,150,800	5,402,133	3,748,667
Total expenditures. . . . .	<u>4,109,079</u>	<u>9,150,800</u>	<u>5,402,133</u>	<u>3,748,667</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(3,500,864)</u>	<u>(8,304,916)</u>	<u>(4,529,350)</u>	<u>3,775,566</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	3,776,185	5,251,789	5,418,794	167,005
Transfers out . . . . .	<u>(1,376,221)</u>	<u>(1,670,800)</u>	<u>(1,809,294)</u>	<u>(138,494)</u>
Total other financing sources (uses). . . . .	<u>2,399,964</u>	<u>3,580,989</u>	<u>3,609,500</u>	<u>28,511</u>
Net change in fund balance . . . . .	(1,100,900)	(4,723,927)	(919,850)	3,804,077
<b>Fund balance at beginning of year (restated). . .</b>	7,161,569	7,161,569	7,161,569	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>183,243</u>	<u>183,243</u>	<u>183,243</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 6,243,912</u>	<u>\$ 2,620,885</u>	<u>\$ 6,424,962</u>	<u>\$ 3,804,077</u>

**CITY OF DAYTON, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property and other local taxes . . . . .	\$ 12,146,043	\$ 9,771,282	\$ 9,675,629	\$ (95,653)
Special assessments . . . . .	352,006	283,183	280,411	(2,772)
Intergovernmental. . . . .	11,705	9,416	9,324	(92)
Other . . . . .	188,298	151,483	150,000	(1,483)
Total revenues. . . . .	<u>12,698,052</u>	<u>10,215,364</u>	<u>10,115,364</u>	<u>(100,000)</u>
<b>Expenditures:</b>				
Department of finance . . . . .	12,980,900	12,980,900	12,889,921	90,979
Total expenditures. . . . .	<u>12,980,900</u>	<u>12,980,900</u>	<u>12,889,921</u>	<u>90,979</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(282,848)</u>	<u>(2,765,536)</u>	<u>(2,774,557)</u>	<u>(9,021)</u>
<b>Other financing sources:</b>				
Sale of capital assets. . . . .	-	-	100,000	100,000
Total other financing sources. . . . .	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net change in fund balance . . . . .	(282,848)	(2,765,536)	(2,674,557)	90,979
<b>Fund balance at beginning of year (restated). . .</b>	350,071	350,071	350,071	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>37,704</u>	<u>37,704</u>	<u>37,704</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 104,927</u>	<u>\$ (2,377,761)</u>	<u>\$ (2,286,782)</u>	<u>\$ 90,979</u>

**CITY OF DAYTON, OHIO**

COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
DECEMBER 31, 2005

	<b>Economic Development/ Government Equity Improvement</b>	<b>Issue II</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 239,836	\$ -	\$ 239,836
Receivables (net of allowances of uncollectibles):			
Due from other governments . . . . .	550,954	2,783,424	3,334,378
Prepayments. . . . .	<u>-</u>	<u>1,084</u>	<u>1,084</u>
Total assets. . . . .	<u>\$ 790,790</u>	<u>\$ 2,784,508</u>	<u>\$ 3,575,298</u>
<b>Liabilities:</b>			
Contracts payable. . . . .	\$ 77,562	\$ -	\$ 77,562
Interfund loan payable . . . . .	-	3,402,446	3,402,446
Deferred revenue. . . . .	<u>-</u>	<u>2,783,424</u>	<u>2,783,424</u>
Total liabilities. . . . .	<u>77,562</u>	<u>6,185,870</u>	<u>6,263,432</u>
<b>Fund Balances:</b>			
Reserved for encumbrances. . . . .	1,033,764	661,657	1,695,421
Reserved for prepayments . . . . .	-	1,084	1,084
Unreserved, undesignated (deficit), reported in:			
Capital projects funds . . . . .	<u>(320,536)</u>	<u>(4,064,103)</u>	<u>(4,384,639)</u>
Total fund balances . . . . .	<u>713,228</u>	<u>(3,401,362)</u>	<u>(2,688,134)</u>
Total liabilities and fund balances. . . . .	<u>\$ 790,790</u>	<u>\$ 2,784,508</u>	<u>\$ 3,575,298</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, 2005**

	<b>Economic Development/ Government Equity Improvement</b>	<b>Issue II</b>	<b>Total</b>
<b>Revenues:</b>			
Charges for services . . . . .	\$ 10,000	\$ -	\$ 10,000
Intergovernmental . . . . .	1,106,391	127,137	1,233,528
Other . . . . .	93,426	-	93,426
Total revenues . . . . .	<u>1,209,817</u>	<u>127,137</u>	<u>1,336,954</u>
<b>Expenditures:</b>			
Current:			
Economic development and assistance . . . . .	77,562	-	77,562
Capital outlay . . . . .	1,172,302	3,797,768	4,970,070
Debt service:			
Interest and fiscal charges . . . . .	-	27,929	27,929
Total expenditures . . . . .	<u>1,249,864</u>	<u>3,825,697</u>	<u>5,075,561</u>
Net changes in fund balances. . . . .	(40,047)	(3,698,560)	(3,738,607)
<b>Fund balances at beginning of year (restated).</b>	<u>753,275</u>	<u>297,198</u>	<u>1,050,473</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 713,228</u>	<u>\$ (3,401,362)</u>	<u>\$ (2,688,134)</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, 2005

	<b>Storm Water</b>	<b>Golf</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 2,128,047	\$ 339,131	\$ 2,467,178
Receivables (net of allowances of uncollectibles):			
Accounts . . . . .	2,571,167	12,065	2,583,232
Special assessments . . . . .	209,497	-	209,497
Due from other funds . . . . .	314	640	954
Unamortized bond issuance costs . . . . .	-	35,186	35,186
Capital assets:			
Land and construction in progress . . . . .	416,462	594,927	1,011,389
Depreciable capital assets, net . . . . .	10,039,591	5,223,381	15,262,972
Total capital assets . . . . .	<u>10,456,053</u>	<u>5,818,308</u>	<u>16,274,361</u>
Total assets . . . . .	<u>15,365,078</u>	<u>6,205,330</u>	<u>21,570,408</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 96,256	\$ 27,986	\$ 124,242
Accrued wages and benefits . . . . .	49,498	27,984	77,482
Compensated absences payable . . . . .	93,152	95,782	188,934
Accrued interest payable . . . . .	-	7,106	7,106
Due to other funds . . . . .	716,465	2,418	718,883
Due to other governments . . . . .	-	490	490
General obligation bonds payable . . . . .	-	2,292,354	2,292,354
Total liabilities . . . . .	<u>955,371</u>	<u>2,454,120</u>	<u>3,409,491</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	10,456,053	3,525,954	13,982,007
Unrestricted . . . . .	<u>3,953,654</u>	<u>225,256</u>	<u>4,178,910</u>
Total net assets . . . . .	<u>\$ 14,409,707</u>	<u>\$ 3,751,210</u>	<u>\$ 18,160,917</u>

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<b>Storm Water</b>	<b>Golf</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 6,522,511	\$ 2,919,841	\$ 9,442,352
Other . . . . .	175,817	11,402	187,219
Total operating revenues . . . . .	<u>6,698,328</u>	<u>2,931,243</u>	<u>9,629,571</u>
<b>Operating expenses:</b>			
Personal services . . . . .	1,623,723	1,099,032	2,722,755
Benefit payments . . . . .	550,686	307,238	857,924
Contract services . . . . .	1,949,193	225,889	2,175,082
Materials and supplies. . . . .	161,053	419,647	580,700
Utilities . . . . .	69,362	126,899	196,261
Depreciation. . . . .	357,063	162,758	519,821
Other. . . . .	140,127	-	140,127
Total operating expenses . . . . .	<u>4,851,207</u>	<u>2,341,463</u>	<u>7,192,670</u>
Operating income. . . . .	<u>1,847,121</u>	<u>589,780</u>	<u>2,436,901</u>
<b>Nonoperating expenses:</b>			
Interest and fiscal charges . . . . .	-	(141,230)	(141,230)
Total nonoperating expenses. . . . .	<u>-</u>	<u>(141,230)</u>	<u>(141,230)</u>
Change in net assets. . . . .	1,847,121	448,550	2,295,671
<b>Net assets, January 1 (restated) . . . . .</b>	<u>12,562,586</u>	<u>3,302,660</u>	<u>15,865,246</u>
<b>Net assets, December 31 . . . . .</b>	<u>\$ 14,409,707</u>	<u>\$ 3,751,210</u>	<u>\$ 18,160,917</u>

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Storm Water</u>	<u>Golf</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers . . . . .	\$ 5,275,434	\$ 2,904,473	\$ 8,179,907
Cash received from other operating revenues . . . . .	175,503	27,149	202,652
Cash payments for personal services . . . . .	(1,622,842)	(1,103,916)	(2,726,758)
Cash payments for fringe benefits . . . . .	(550,667)	(307,399)	(858,066)
Cash payments for contract services. . . . .	(1,842,546)	(223,582)	(2,066,128)
Cash payments for materials and supplies. . . . .	(169,228)	(403,903)	(573,131)
Cash payments for utilities. . . . .	(66,799)	(135,765)	(202,564)
Cash payments for other operating expenses . . . . .	<u>(144,590)</u>	<u>-</u>	<u>(144,590)</u>
Net cash provided by operating activities. . . . .	<u>1,054,265</u>	<u>757,057</u>	<u>1,811,322</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	(340,152)	(51,900)	(392,052)
Principal paid on bonds . . . . .	-	(347,649)	(347,649)
Interest paid on bonds . . . . .	<u>-</u>	<u>(138,398)</u>	<u>(138,398)</u>
Net cash used in capital and related financing activities. . . . .	<u>(340,152)</u>	<u>(537,947)</u>	<u>(878,099)</u>
Net increase in cash and cash equivalents. . . . .	714,113	219,110	933,223
<b>Cash and cash equivalents at beginning of year (restated) . . . . .</b>	<u>1,413,934</u>	<u>120,021</u>	<u>1,533,955</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u>\$ 2,128,047</u>	<u>\$ 339,131</u>	<u>\$ 2,467,178</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income. . . . .	\$ 1,847,121	\$ 589,780	\$ 2,436,901
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation . . . . .	357,063	162,758	519,821
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable. . . . .	(1,093,540)	2,841	(1,090,699)
Decrease (increase) in due from other funds . . . . .	(314)	-	(314)
Increase in special assessments. . . . .	(209,497)	-	(209,497)
Decrease (increase) in due from other governments . . . . .	55,960	(640)	55,320
Increase in accounts payable . . . . .	73,275	7,465	80,740
Decrease in contracts payable. . . . .	(17,472)	-	(17,472)
Decrease in accrued wages and benefits. . . . .	(706)	(799)	(1,505)
Decrease in due to other funds. . . . .	40,769	(99)	40,670
Decrease in due to other governments. . . . .	-	(3)	(3)
Increase (decrease) in compensated absences payable . . . . .	<u>1,606</u>	<u>(4,246)</u>	<u>(2,640)</u>
Net cash provided by operating activities. . . . .	<u>\$ 1,054,265</u>	<u>\$ 757,057</u>	<u>\$ 1,811,322</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, 2005

	<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>
<b>Assets:</b>						
Equity in pooled cash and cash equivalents. . . . .	\$ 340,536	\$ 101,843	\$ 21,358	\$ 16,344,262	\$ 123,719	\$ 16,931,718
Receivables (net of allowances of uncollectibles):						
Accounts. . . . .	-	39,547	-	-	-	39,547
Prepayments. . . . .	-	19,754	-	-	-	19,754
Due from other funds. . . . .	714,453	89,137	19,549	-	5,099	828,238
Inventory held for resale . . . . .	535,967	240,390	10,957	-	-	787,314
Capital assets:						
Land	-	75,000	-	-	-	75,000
Depreciable capital assets, net	192,141	817,169	99,367	-	71,874	1,180,551
Total capital assets. . . . .	<u>192,141</u>	<u>892,169</u>	<u>99,367</u>	<u>-</u>	<u>71,874</u>	<u>1,255,551</u>
Total assets. . . . .	<u>1,783,097</u>	<u>1,382,840</u>	<u>151,231</u>	<u>16,344,262</u>	<u>200,692</u>	<u>19,862,122</u>
<b>Liabilities:</b>						
Accounts payable. . . . .	\$ 184,266	\$ 19,369	\$ 13,960	\$ 6,400	\$ 1,932	\$ 225,927
Accrued wages and benefits . . . . .	84,246	15,644	7,804	26,016	9,777	143,487
Compensated absences payable . . . . .	204,465	-	13,657	30,491	37,561	286,174
Due to other funds . . . . .	10,810	505	7	-	1,747	13,069
Due to other governments . . . . .	-	-	-	2,204,892	-	2,204,892
Claims payable . . . . .	-	-	-	10,653,147	-	10,653,147
Capital lease obligation . . . . .	-	-	124,531	-	-	124,531
Total liabilities. . . . .	<u>483,787</u>	<u>35,518</u>	<u>159,959</u>	<u>12,920,946</u>	<u>51,017</u>	<u>13,651,227</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt . . . . .	192,141	892,169	(25,164)	-	71,874	1,131,020
Unrestricted . . . . .	<u>1,107,169</u>	<u>455,153</u>	<u>16,436</u>	<u>3,423,316</u>	<u>77,801</u>	<u>5,079,875</u>
Total net assets. . . . .	<u>\$ 1,299,310</u>	<u>\$ 1,347,322</u>	<u>\$ (8,728)</u>	<u>\$ 3,423,316</u>	<u>\$ 149,675</u>	<u>\$ 6,210,895</u>

**CITY OF DAYTON, OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<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>
<b>Operating revenues:</b>						
Charges for services . . . . .	\$ 7,056,770	\$ 1,010,382	\$ 315,523	\$ 3,788,480	\$ 532,786	\$ 12,703,941
Other . . . . .	790,154	32,402	-	-	5,190	827,746
Total operating revenues . . . . .	<u>7,846,924</u>	<u>1,042,784</u>	<u>315,523</u>	<u>3,788,480</u>	<u>537,976</u>	<u>13,531,687</u>
<b>Operating expenses:</b>						
Personal services . . . . .	2,572,037	391,573	144,209	464,851	316,273	3,888,943
Contract services . . . . .	509,732	128,534	-	327,735	22,898	988,899
Materials and supplies . . . . .	303,963	213,805	95	77,325	81,520	676,708
Utilities . . . . .	436	21,230	-	-	-	21,666
Benefit payment . . . . .	906,934	127,342	57,471	172,214	96,134	1,360,095
Depreciation . . . . .	47,762	19,973	76,644	-	9,324	153,703
Claims expense . . . . .	-	-	-	4,103,731	-	4,103,731
Cost of sales . . . . .	3,885,169	-	73,943	-	-	3,959,112
Other . . . . .	24,771	141,978	13,292	11,552	767	192,360
Total operating expenses . . . . .	<u>8,250,804</u>	<u>1,044,435</u>	<u>365,654</u>	<u>5,157,408</u>	<u>526,916</u>	<u>15,345,217</u>
Operating income (loss) . . . . .	<u>(403,880)</u>	<u>(1,651)</u>	<u>(50,131)</u>	<u>(1,368,928)</u>	<u>11,060</u>	<u>(1,813,530)</u>
<b>Nonoperating expenses:</b>						
Interest and fiscal charges . . . . .	-	-	(13,073)	-	-	(13,073)
Total nonoperating expenses . . . . .	<u>-</u>	<u>-</u>	<u>(13,073)</u>	<u>-</u>	<u>-</u>	<u>(13,073)</u>
Income (loss) before transfers . . . . .	(403,880)	(1,651)	(63,204)	(1,368,928)	11,060	(1,826,603)
Transfers in . . . . .	-	500	40,000	-	-	40,500
Change in net assets . . . . .	(403,880)	(1,151)	(23,204)	(1,368,928)	11,060	(1,786,103)
<b>Net assets, January 1 (restated) . . . . .</b>	<u>1,703,190</u>	<u>1,348,473</u>	<u>14,476</u>	<u>4,792,244</u>	<u>138,615</u>	<u>7,996,998</u>
<b>Net assets, December 31 . . . . .</b>	<u>\$ 1,299,310</u>	<u>\$ 1,347,322</u>	<u>\$ (8,728)</u>	<u>\$ 3,423,316</u>	<u>\$ 149,675</u>	<u>\$ 6,210,895</u>

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<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>
<b>Cash flows from operating activities:</b>						
Cash received from quasi-external operating transactions with other funds . . . . .	\$ 7,684,866	\$ 1,003,018	\$ 334,889	\$ 3,788,480	\$ 532,786	\$ 13,344,039
Cash received from other operating revenues . . . . .	82,462	83	-	-	91	82,636
Cash payments for personal services . . . . .	(2,577,895)	(387,475)	(143,374)	(471,927)	(322,586)	(3,903,257)
Cash payments for fringe benefits . . . . .	(907,449)	(125,700)	(56,966)	(172,105)	(96,646)	(1,358,866)
Cash payments for contract services. . . . .	(473,687)	(143,815)	(12,101)	(323,529)	(30,044)	(983,176)
Cash payments for materials and supplies. . . . .	(294,258)	(236,204)	(5,276)	(78,638)	(113,609)	(727,985)
Cash payments for cost of goods sold . . . . .	(3,877,954)	-	(72,173)	-	-	(3,950,127)
Cash payments for utilities. . . . .	(20)	(16,906)	-	-	-	(16,926)
Cash payments for claims . . . . .	-	-	-	(2,017,792)	-	(2,017,792)
Cash payments for other operating expenses . . . . .	-	(142,233)	(13,292)	(16,640)	-	(172,165)
Net cash provided by (used in) operating activities. . . . .	<u>(363,935)</u>	<u>(49,232)</u>	<u>31,707</u>	<u>707,849</u>	<u>(30,008)</u>	<u>296,381</u>
<b>Cash flows from noncapital financing activities:</b>						
Transfers in from other funds. . . . .	-	500	40,000	-	-	40,500
Net cash provided by noncapital financing activities. . . . .	<u>-</u>	<u>500</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,500</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets . . . . .	-	(58,191)	-	-	(16,700)	(74,891)
Principal paid on capital leases . . . . .	-	-	(70,927)	-	-	(70,927)
Interest paid on capital leases. . . . .	-	-	(13,073)	-	-	(13,073)
Net cash provided by (used in) capital and related financing activities . . . . .	<u>-</u>	<u>(58,191)</u>	<u>(84,000)</u>	<u>-</u>	<u>(16,700)</u>	<u>(158,891)</u>
Net increase (decrease) in cash and cash equivalents. . . . .	(363,935)	(106,923)	(12,293)	707,849	(46,708)	177,990
<b>Cash and cash equivalents at beginning of year (restated) . . . . .</b>	<u>704,471</u>	<u>208,766</u>	<u>33,651</u>	<u>15,636,413</u>	<u>170,427</u>	<u>16,753,728</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u>\$ 340,536</u>	<u>\$ 101,843</u>	<u>\$ 21,358</u>	<u>\$ 16,344,262</u>	<u>\$ 123,719</u>	<u>\$ 16,931,718</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>						
Operating income (loss) . . . . .	\$ (403,880)	\$ (1,651)	\$ (50,131)	\$ (1,368,928)	\$ 11,060	\$ (1,813,530)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation . . . . .	47,762	19,973	76,644	-	9,324	153,703
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable. . . . .	6,761	(7,364)	-	-	-	(603)
Increase in due from other funds . . . . .	(86,357)	(32,319)	(183)	-	(5,099)	(123,958)
Increase in prepaid assets . . . . .	-	(16,339)	-	-	-	(16,339)
(Increase) decrease in inventory held for resale. . . . .	7,215	(24,660)	1,770	-	-	(15,675)
Increase (decrease) in accounts payable . . . . .	60,127	7,138	2,260	(2,107)	(38,321)	29,097
Increase (decrease) in accrued wages and benefits . . . . .	(15,212)	5,740	395	1,002	(1,345)	(9,420)
Increase (decrease) in due to other funds . . . . .	10,810	250	-	(88)	(147)	10,825
Increase in due to other governments . . . . .	-	-	7	2,204,892	-	2,204,899
Increase (decrease) in compensated absences payable . . . . .	8,839	-	945	(7,969)	(5,480)	(3,665)
Decrease in claims payable. . . . .	-	-	-	(118,953)	-	(118,953)
Net cash provided by (used in) operating activities. . . . .	<u>\$ (363,935)</u>	<u>\$ (49,232)</u>	<u>\$ 31,707</u>	<u>\$ 707,849</u>	<u>\$ (30,008)</u>	<u>\$ 296,381</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.

Guaranty	Building Permit Surcharge
Performance Bond	CompCare
Deposit of Taxes/Courthouse Square	Payroll Withholding
Dependent Care	Municipal Courts
Fire Proceeds	Executive Severance
Urban Renewal Comp Dep	Special Improvement District

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/05</u>
<b>Guaranty</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 49,649	\$ -	\$ -	\$ 49,649
Total assets. . . . .	<u>\$ 49,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,649</u>
<b>Liabilities:</b>				
Due to other governments . . . . .	\$ 49,649	\$ -	\$ -	\$ 49,649
Total liabilities. . . . .	<u>\$ 49,649</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,649</u>
<b>Performance Bond</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 14,119	\$ -	\$ -	\$ 14,119
Total assets. . . . .	<u>\$ 14,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,119</u>
<b>Liabilities:</b>				
Withholdings and deposits. . . . .	\$ 14,119	\$ -	\$ -	\$ 14,119
Total liabilities. . . . .	<u>\$ 14,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,119</u>
<b>Deposit of Taxes/Courthouse Square</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 137,869	\$ -	\$ -	\$ 137,869
Taxes levied for other governments. . . . .	762,775	790,429	762,775	790,429
Total assets. . . . .	<u>\$ 900,644</u>	<u>\$ 790,429</u>	<u>\$ 762,775</u>	<u>\$ 928,298</u>
<b>Liabilities:</b>				
Due to other governments . . . . .	\$ 900,644	\$ 790,429	\$ 762,775	\$ 928,298
Total liabilities. . . . .	<u>\$ 900,644</u>	<u>\$ 790,429</u>	<u>\$ 762,775</u>	<u>\$ 928,298</u>
<b>Dependent Care</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 12,614	\$ 16,135	\$ 12,614	\$ 16,135
Total assets. . . . .	<u>\$ 12,614</u>	<u>\$ 16,135</u>	<u>\$ 12,614</u>	<u>\$ 16,135</u>
<b>Liabilities:</b>				
Due to other governments . . . . .	\$ 12,614	\$ 16,135	\$ 12,614	\$ 16,135
Total liabilities. . . . .	<u>\$ 12,614</u>	<u>\$ 16,135</u>	<u>\$ 12,614</u>	<u>\$ 16,135</u>

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**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/05</u>
<b>Fire Proceeds</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 449,892	\$ 543,005	\$ 449,892	\$ 543,005
Total assets. . . . .	<u>\$ 449,892</u>	<u>\$ 543,005</u>	<u>\$ 449,892</u>	<u>\$ 543,005</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ -	\$ 21,973	\$ -	\$ 21,973
Due to other governments . . . . .	449,892	521,032	449,892	521,032
Total liabilities. . . . .	<u>\$ 449,892</u>	<u>\$ 543,005</u>	<u>\$ 449,892</u>	<u>\$ 543,005</u>
<b>Urban Renewal Comp Dep</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 53,520	\$ -	\$ -	\$ 53,520
Total assets. . . . .	<u>\$ 53,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,520</u>
<b>Liabilities:</b>				
Withholdings and deposits. . . . .	\$ 53,520	\$ -	\$ -	\$ 53,520
Total liabilities. . . . .	<u>\$ 53,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,520</u>
<b>Building Permit Surcharge</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 5,784	\$ 5,722	\$ 5,784	\$ 5,722
Total assets. . . . .	<u>\$ 5,784</u>	<u>\$ 5,722</u>	<u>\$ 5,784</u>	<u>\$ 5,722</u>
<b>Liabilities:</b>				
Due to other governments . . . . .	\$ 5,784	\$ 5,722	\$ 5,784	\$ 5,722
Total liabilities. . . . .	<u>\$ 5,784</u>	<u>\$ 5,722</u>	<u>\$ 5,784</u>	<u>\$ 5,722</u>
<b>CompCare</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 57,520	\$ -	\$ -	\$ 57,520
Total assets. . . . .	<u>\$ 57,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,520</u>
<b>Liabilities:</b>				
Due to other governments . . . . .	\$ 57,520	\$ -	\$ -	\$ 57,520
Total liabilities. . . . .	<u>\$ 57,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,520</u>

-- Continued

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Balance 12/31/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/05</u>
<b>Payroll Withholding</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 4,406,120	\$ 591,112	\$ -	\$ 4,997,232
Total assets. . . . .	<u>\$ 4,406,120</u>	<u>\$ 591,112</u>	<u>\$ -</u>	<u>\$ 4,997,232</u>
<b>Liabilities:</b>				
Withholdings and deposits. . . . .	\$ 4,406,120	\$ 591,112	\$ -	\$ 4,997,232
Total liabilities. . . . .	<u>\$ 4,406,120</u>	<u>\$ 591,112</u>	<u>\$ -</u>	<u>\$ 4,997,232</u>
<b>Special Improvement District</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ -	\$ 18,186	\$ -	\$ 18,186
Total assets. . . . .	<u>\$ -</u>	<u>\$ 18,186</u>	<u>\$ -</u>	<u>\$ 18,186</u>
<b>Liabilities:</b>				
Due to other governments . . . . .	\$ -	\$ 18,186	\$ -	\$ 18,186
Total liabilities. . . . .	<u>\$ -</u>	<u>\$ 18,186</u>	<u>\$ -</u>	<u>\$ 18,186</u>
<b>Municipal Courts</b>				
<b>Assets:</b>				
Cash and cash equivalents with fiscal agents . . . . .	\$ 503,399	\$ 132,406	\$ -	\$ 635,805
Total assets. . . . .	<u>\$ 503,399</u>	<u>\$ 132,406</u>	<u>\$ -</u>	<u>\$ 635,805</u>
<b>Liabilities:</b>				
Due to other governments . . . . .	\$ 291,338	\$ 60,682	\$ -	\$ 352,020
Due to others. . . . .	212,061	71,724	-	283,785
Total liabilities. . . . .	<u>\$ 503,399</u>	<u>\$ 132,406</u>	<u>\$ -</u>	<u>\$ 635,805</u>
<b>Executive Severance</b>				
<b>Assets:</b>				
Investments with fiscal agents . . . . .	\$ 1,102,170	\$ -	\$ 159,656	\$ 942,514
Total assets. . . . .	<u>\$ 1,102,170</u>	<u>\$ -</u>	<u>\$ 159,656</u>	<u>\$ 942,514</u>
<b>Liabilities:</b>				
Withholdings and deposits. . . . .	\$ 1,102,170	\$ -	\$ 159,656	\$ 942,514
Total liabilities. . . . .	<u>\$ 1,102,170</u>	<u>\$ -</u>	<u>\$ 159,656</u>	<u>\$ 942,514</u>
<b>Total Agency Funds</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 5,187,087	\$ 1,174,160	\$ 468,290	\$ 5,829,537
Cash and cash equivalents with fiscal agents . . . . .	503,399	132,406	-	635,805
Investments with fiscal agents . . . . .	1,102,170	-	159,656	942,514
Taxes levied for other governments. . . . .	762,775	790,429	762,775	790,429
Total assets. . . . .	<u>\$ 7,555,431</u>	<u>\$ 2,096,995</u>	<u>\$ 1,390,721</u>	<u>\$ 8,261,705</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ -	\$ 21,973	\$ -	\$ 21,973
Due to other governments . . . . .	1,767,441	1,412,186	1,231,065	1,948,562
Due to others. . . . .	212,061	71,724	-	283,785
Withholdings and deposits. . . . .	5,575,929	591,112	159,656	6,007,385
Total liabilities. . . . .	<u>\$ 7,555,431</u>	<u>\$ 2,096,995</u>	<u>\$ 1,390,721</u>	<u>\$ 8,261,705</u>

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## 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 GOVERNMENTAL EXPENDITURES BY FUNCTION  
LAST TEN YEARS (1 - 2)

Year (1)	Downtown	Youth, Education and Human Services	Community Development and Neighborhoods	Economic Development	Leadership and Quality of Life
2005	\$ 4,093,181	\$ 2,060,357	\$ 19,230,564	\$ 7,049,497	\$ 40,423,448
2004	4,167,407	2,237,230	20,311,675	6,410,373	41,319,775
2003	3,747,343	2,531,763	20,353,743	6,996,268	37,705,241
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

Year	Policy Development	Economic Development	Neighborhood Development	Land Use	Community Security
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

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

(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

Corporate Responsibility	Public Safety and Justice	Other	Capital Outlay	Debt Service	Total
\$ 15,423,671	\$ 92,422,480	\$ 2,544,612	\$ 22,818,819	\$ 11,871,882	\$ 217,938,511
14,870,289	92,673,272	506,890	23,346,465	13,391,294	219,234,670
16,035,551	90,354,455	918,216	29,742,434	10,780,926	219,165,940
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

**CITY OF DAYTON, OHIO**

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

Year	Taxes	Intergovernmental	Special Assessments	Charges for Services
2005	\$ 154,210,979	\$ 17,329,078	\$ 652,363	\$ 22,898,740
2004	149,926,379	25,333,452	1,034,415	20,295,875
2003	147,286,520	28,609,999	1,033,045	22,262,759
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

(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>
\$ 1,903,063	\$ 1,944,186	\$ 3,483,518	\$ 6,554,510	\$ 208,976,437
1,817,222	1,832,710	2,288,903	4,767,369	207,296,325
2,120,143	2,083,662	3,623,500	5,756,600	212,776,228
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

**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>
2005	\$ 20,559,068	\$ 19,464,064	94.7%	\$ 2,004,760	\$ 21,468,824	104.4%	\$ 3,621,335	17.6%
2004	21,129,504	19,921,141	94.3%	1,441,368	21,362,509	101.1%	4,921,388	23.3%
2003	21,142,675	19,212,789	90.9%	1,265,481	20,478,270	96.9%	4,956,875	23.4%
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%

(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>
2005	\$ 1,629,682,550	\$ 101,590,570	\$ 324,633,707	\$ 2,055,906,827	\$ 6,125,085,429	33.57%
2004	1,618,667,120	106,951,010	318,067,610	2,043,685,740	6,171,703,279	33.11%
2003	1,605,463,590	106,740,710	402,063,173	2,114,267,473	6,269,282,241	33.72%
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%

(1) This is calculated by dividing the assessed value by the assessment percentage. The percentages for 2003 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	Capital Improvement Fund	Total	Debt Service Fund	General	Total
2005	\$ 1.17	\$ -	\$ 0.33	\$ -	\$ 1.50	\$ 3.50	\$ 5.00	\$ 8.50
2004	1.17	-	0.33	-	1.50	3.50	5.00	8.50
2003	0.15	-	1.35	1.70	3.20	3.50	5.00	8.50
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

(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 Grand Total</u>		<u>Dayton City School District</u>		<u>Montgomery County</u>		<u>Montgomery County Public Library</u>
10.00	\$	70.85	\$	18.24	\$	1.25
10.00		70.85		18.24		0.26
11.70		70.85		18.24		0.26
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

**CITY OF DAYTON, OHIO**

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

<u>Year</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>
2005	\$ 1,838,846	\$ 763,031	41.5%	\$ 138,406	\$ 901,437	49.0%
2004	1,814,540	1,250,199	68.9%	158,459	1,408,658	77.6%
2003	1,720,310	1,198,753	69.7%	238,209	1,436,962	83.5%
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%

(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.

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**

Year	Net General Bonded Debt (1)	Assessed Value (2)	Population (3)	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita
2005	\$ 49,527,097	\$ 2,055,906,827	160,293	2.41%	\$ 309
2004	55,534,308	2,043,685,740	160,293	2.72%	346
2003	49,762,889	2,114,267,473	161,832	2.35%	307
2002	50,608,401	1,907,559,195	162,788	2.65%	311
2001	54,101,466	1,901,664,976	164,199	2.84%	329
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

(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, 2005

**COMPUTATION OF OVERALL LEGAL DEBT MARGIN**

Assessed Value		\$ <u>2,055,906,827</u>
Overall Debt Limitation		
10 1/2 Percent of Assessed Valuation		\$ 215,870,217
Total Voted and Unvoted Debt Outstanding at December 31, 2005	176,184,321	
Less: Exempt Debt		
Primary Government:		
Golf Renovation General Obligation Bonds	2,292,354	
Airport Note	6,675,000	
Waterworks Revenue Bonds (1)	10,927,100	
Ohio Water Development Authority Loan	21,005,877	
Ohio Public Works Commission Loan	750,000	
Airport Revenue Bonds (1)	67,639,245	
Special Assessment Bonds and Note	977,100	
Capital Facilities and Various Purpose Income Tax Bonds	35,962,645	
Economic Development Bonds	<u>10,955,000</u>	
Debt Within 10 1/2 Percent Limitation	19,000,000	
Less: Bond Retirement Fund Balance	<u>5,435,549</u>	
Net Debt Subject to 10 1/2 Percent Limitation		<u>13,564,451</u>
Legal Debt Margin Within 10 1/2 Percent Limitation		<u>\$ 202,305,766</u>

**COMPUTATION OF UNVOTED LEGAL DEBT MARGIN**

Assessed Value		\$ <u>2,055,906,827</u>
Unvoted Debt Limitation		
5 1/2 Percent of Assessed Valuation		\$ 113,074,875
Total Unvoted Debt Outstanding at December 31, 2005	176,184,321	
Less: Exempt Debt		
Primary Government:		
Golf Renovation General Obligation Bonds	2,292,354	
Airport General Obligation Bonds and Note	6,675,000	
Waterworks Revenue Bonds (1)	10,927,100	
Ohio Water Development Authority Loan	21,005,877	
Ohio Public Works Commission Loan	750,000	
Airport Revenue Bonds (1)	67,639,245	
Special Assessment Bonds and Note	977,100	
Capital Facilities and Various Purpose Income Tax Bonds	35,962,645	
Economic Development Bonds	<u>10,955,000</u>	
Debt Within 5 1/2 Percent Limitation	19,000,000	
Less: Bond Retirement Fund Balance	<u>5,435,549</u>	
Net Debt Subject to 5 1/2 Percent Limitation		<u>13,564,451</u>
Legal Debt Margin Within 5 1/2 Percent Limitation		<u>\$ 99,510,424</u>

(1) Airport and Waterworks revenue bonds are shown on the balance Sheet net of a discount and unamortized deferred charges of \$1,530,755 and \$112,900, respectively.

**CITY OF DAYTON, OHIO**

COMPUTATION OF DIRECT AND OVERLAPPING  
GENERAL OBLIGATION BONDED DEBT  
DECEMBER 31, 2005

Jurisdiction	Assessed Value	Net General Bonded Debt	Percentage Overlapping	Net Tax Supported Overall Debt
Direct:				
City of Dayton	\$ 2,055,906,827	\$ 49,527,097	100.00%	\$ 49,527,097
Overlapping Debt:				
Dayton City School District	2,101,252,966	230,142,805	98.64%	227,012,863
Montgomery County	9,982,969,719	49,512,232	20.80%	10,298,544
Total Overlapping Debt				237,311,407
Total Direct and Overlapping Debt				\$ 286,838,504

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>
2005	\$ 8,774,552	\$ 3,097,330	\$ 11,871,882	\$ 217,938,511	5.45%
2004	9,228,813	3,962,946	13,191,759	219,044,970	6.02%
2003	7,350,552	3,430,374	10,780,926	219,165,940	4.92%
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%

(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	
2005	\$ 13,908,074	\$ 15,490,000	\$ 1,774,120	\$ 17,264,120	0.81
2004	29,633,497	2,485,000	3,357,370	5,842,370	5.07
2003	17,489,400	1,275,000	1,206,507	2,481,507	7.05
2002	4,936,408	1,975,000	1,820,023	3,795,023	1.30
2001	5,879,030	1,890,000	1,910,247	3,800,247	1.55
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

(1) Net Revenue Available for Debt Service is computed by adding operating 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	
2005 (a) (b)	\$ 6,929,589	\$ 5,620,000	\$ 677,110	\$ 6,297,110	1.10
2004 (a) (b)	(3,006,068)	5,405,000	893,310	6,298,310	-0.48
2003 (a)	5,415,955	5,195,000	1,101,110	6,296,110	0.86
2002 (a)	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

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

(a) In accordance with the Trust Agreement, amounts on deposit in the Utility Reserve Fund may be transferred into the Revenue Fund or the Bond Service Fund (as defined in the Trust Agreement) to be included as Net Revenue Available for Debt Service. Had sufficient transfers been made by the fiscal year-end, the revenue bond coverage ratio would have met the required minimum of 1.25.

(b) The city has \$8,000,000 in restricted cash held by a fiscal agent to meet the Rate Covenant as described in Section 4.02 of the Trust

**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
2005	160,293	8,331	2,590	5,051	15,972	7.6%	Under 5	7.1%	8.5%	8.2%
2004	166,179	11,315	3,172	5,342	19,829	7.1%	5-14	14.1%	13.8%	14.3%
2003	166,179	9,296	2,874	5,000	17,170	5.5%	15-24	18.2%	16.8%	20.7%
2002	166,179	11,969	3,345	5,474	20,788	5.6%	25-34	14.1%	18.0%	16.1%
2001	166,179	12,023	3,345	5,474	20,842	7.4%	35-44	14.9%	13.0%	8.9%
2000	166,179	11,995	3,568	5,516	21,079	6.0%	45-54	12.1%	8.3%	9.5%
1999	167,475	13,228	3,515	5,735	22,478	4.0%	55-64	7.5%	8.5%	10.2%
1998	172,947	16,305	3,386	6,595	26,286	6.6%	65+	12.0%	13.1%	12.1%
1997	172,947	15,671	4,394	6,102	26,167	6.9%				
1996	178,540	16,052	4,328	6,599	26,979	7.6%				

(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 VALUES, 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			
2005	\$ 1,629,682,550	\$ 4,656,235,857	957	\$ 135,844,107	\$ 264,569,000
2004	1,618,667,120	4,624,763,200	1,020	174,560,405	1,756,510,000
2003	1,605,463,590	4,587,038,829	1,407	133,241,900	249,614,000
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

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, 2005**

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>
Dayton Power and Light Company	Utilities	\$ -	\$ 45,061,890	\$ 45,061,890	2.19%
Delphi Automotive Systems Corporation	Automotive	24,804,800	3,380,110	28,184,910	1.37%
NCR	Computer Technology	10,434,940	16,897,860	27,332,800	1.33%
Ohio Bell Telephone Company	Public Utility	-	20,476,260	20,476,260	1.00%
Behr Dayton Thermal	Automotive	12,265,660	5,041,610	17,307,270	0.84%
Arts Center Foundation	Non-Profit	-	16,082,190	16,082,190	0.78%
Dayton Heart Hospital	Hospital	2,593,600	7,427,010	10,020,610	0.49%
Vectren Energy Delivery	Utilities	-	9,742,040	9,742,040	0.47%
Reynolds & Reynolds Co.	Information Technology	8,209,400	-	8,209,400	0.40%
Marriott International	Hotel	-	7,490,000	7,490,000	0.36%
Total		58,308,400	131,598,970	189,907,370	9.24%
All Other Taxpayers		266,325,307	1,599,674,150	1,865,999,457	90.76%
Total Assessed Valuation		<u>\$ 324,633,707</u>	<u>\$ 1,731,273,120</u>	<u>\$ 2,055,906,827</u>	<u>100.00%</u>

(1) Includes Public Utility Real

Source: County Auditor; Montgomery County, Ohio

(Continued)

**CITY OF DAYTON, OHIO**

**PRINCIPAL TAXPAYERS**

**DECEMBER 31, 2005**

(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>
NCR	Technology
Miami Valley Hospital	Hospital
Montgomery County	Government
City of Dayton	Government
Delphi Automotive Systems Corp.	Automotive
Dayton City School District	Education
Good Samaritan Hosp.	Hospital
University of Dayton	Education
Veterans Administration	Hospital
United States Postal Service	Government

**CITY OF DAYTON, OHIO**

MISCELLANEOUS STATISTICS  
DECEMBER 31, 2005

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	401
Sanitary	600
Number of Street Lights	23,421
Employees as of December 31, 2005 (all positions)	2,459
Elections:	
Number of Registered Voters	95,164
Number of Votes Cast in Last General Election	36,550
Percentage of Registered Voters Voting in Last General Election	38.41%
Municipal Water Department:	
Number of Accounts	61,666
Average Daily Consumption (million gallons)	51.30
Miles of Water Mains	799.0
Fire Protection:	
Number of Stations	12
Number of Employees	366
Police Protection:	
Number of Districts	5
Number of Employees	414
Recreation and Park Facilities:	
Number of Acres	1,400
Total Facilities	9
Tennis Courts	22
Golf Courses	3
Swimming Pools (including wading)	14

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**CITY OF DAYTON, OHIO**

**PASSENGER FACILITY CHARGE  
PROGRAM REPORT**

**for the year ended December 31, 2005**

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

The Honorable Members of the City Commission, Audit Committee,  
and the Management of the City of Dayton  
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 (PFC) program for the year ended December 31, 2005. Compliance with the requirements of laws and regulations applicable to its PFC 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States and the Guide. 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 PFC 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 PFC program for the year ended December 31, 2005.

### *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 PFC 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 PFC 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 PFC 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 PFCs*

We have audited the basic financial statements of City of Dayton, Ohio, as of and for the year ended December 31, 2005, and have issued our report thereon dated June 16, 2006. 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 PFCs 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 of the City of Dayton 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 black ink that reads "Fox & Company". The signature is written in a cursive, flowing style.

Cincinnati, Ohio  
June 16, 2006

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES**  
**for the year ended December 31, 2005**

<u>Grantor Agency/Program</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>PFC Receipts</u>	<u>PFC Expenditures</u>
<b><u>U. S. Department of Transportation</u></b>				
Passenger Facility Charges	N/A	Application 2	\$5,146,652	\$6,626,998
Interest Earned			143,501	-
<b>Total U.S. Department of Transportation</b>			<u>\$5,290,153</u>	<u>\$6,626,998</u>

**CITY OF DAYTON, OHIO**

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

**for the year ended December 31, 2005**

**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 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	\$5,146,652
Interest Income	<u>143,501</u>
Total	<u><u>\$5,290,153</u></u>



**Mary Taylor, CPA**  
Auditor of State

**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  
JULY 24, 2007**