

## **CITY OF DAYTON, OHIO**

Independent Auditors' Reports on  
Compliance and Internal Controls  
and Schedule of Expenditures of Federal Awards  
and Schedule of Passenger Facility Charges

December 31, 2008





Mary Taylor, CPA  
Auditor of State

Members of the City Commission  
City of Dayton  
101 West Third Street  
P.O. Box 22  
Dayton, Ohio 45401-0022

We have reviewed the *Independent Auditors' Report* of the City of Dayton, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2008 through December 31, 2008. 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

September 14, 2009

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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**

Members of the City Commission  
City of Dayton, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dayton, Ohio (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2009. We did not audit the financial statements of the City Wide Development Corporation, the City's only discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2008-001 through 2008-4, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

2525 north limestone street, ste. 103  
springfield, oh 45503

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies noted above, we consider items 2008-002, 2008-003 and 2008-004 to be material weaknesses.

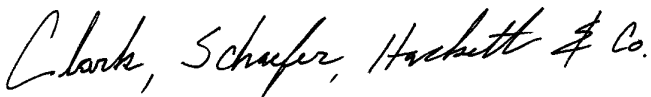
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to management of the City in a separate letter dated June 30, 2009.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Commission, the management of the City, 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.



Springfield, Ohio  
June 30, 2009



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

Members of the City Commission  
City of Dayton, Ohio

**Compliance**

We have audited the compliance of the City of Dayton, Ohio (the City) 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 its major federal programs and the Passenger Facility Charge Audit Guide for Public Agencies (the "Guide"), issued by the Federal Aviation Administration, for the City's Passenger Facility Charge ("PFC") Program for the year ended December 31, 2008. The City'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 its major federal programs and its PFC Program is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, OMB Circular A-133, and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and the PFC Program occurred. An audit includes examining, on a test basis, evidence about the City'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 of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs and its PFC Program for the year ended December 31, 2008.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and the PFC Program. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program and the PFC Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

2525 north limestone street, ste. 103  
springfield, oh 45503

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program and the PFC Program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies that adversely affects the entity's ability to administer a federal program and the PFC Program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program and the PFC Program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-005 to be a significant deficiency.

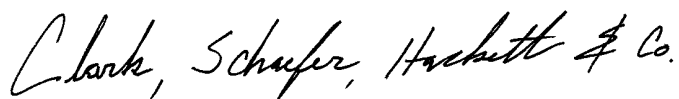
A material weakness is a significant deficiency or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program and the PFC Program will not be prevented or detected by the entity's internal control. We do not consider the significant deficiency described above to be a material weakness.

#### **Schedule of Expenditures of Federal Awards and Schedule of Passenger Facility Charges**

We have audited the 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 as of and for the year ended December 31, 2008, and have issued our report thereon dated June 30, 2009. We did not audit the financial statements of the City Wide Development Corporation, the City's only 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 component unit, is based on the report of the other auditors. Our audit was performed for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of passenger facility charges are presented for the purpose of additional analysis as required by OMB Circular A-133 and the Guide and are not a required part of the basic financial statements. 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.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Commission, the management of the City, 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.



Springfield, Ohio  
June 30, 2009

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

Grantor Agency/Programs	CFDA Number	Project Number	Federal Expenditures
<b><u>U.S. Dept. of Housing and Urban Development</u></b>			
Community Development Block Grants/Entitlements Grants	14.218	CB-08-MC-39-0010 CB-08-MC-39-0010	\$ 4,081,905 2,790,782
Subtotal			<u>6,872,687</u>
Emergency Shelter Grants Program	14.231	S-08-MC-39-0010	320,641
Shelter Plus Care	14.238	OH-16-C-30-5001 OH-16-C-40-5001 OH-16-C-50-5001 OH-16-C-60-5001 OH-16-C-50-5015 OH-16-C-60-5014 OH-16-C-70-5015 OH-16-C-70-5014	98,251 135,911 82,830 35,990 551,799 162,478 816,143 241,860
Subtotal			<u>2,125,262</u>
HOME Investment Partnerships Program	14.239	M-08-DC-39-0205 M-08-DC-39-0211 M-08-DC-39-0212 M-08-DC-39-0213 M-08-DC-39-0214 M-08-DC-39-0215	184,999 40,777 251,118 117,114 39,048 280,764
Subtotal			<u>913,820</u>
Fair Housing Assistance Programs	14.401	FF-205-K-96-5019 FF-205-K-97-5019 FF-205-K-98-5019 FF-205-K-99-5019 FF-205-K-04-5019 FF-205-K-05-5019	8,663 24,664 25,547 67,685 13,505 899
Subtotal			<u>140,963</u>
Special Project - Economic Development Initiative	14.251	B-04-SP-OH-0614	460,441
Brownfield Economic Development Initiative	14.246	B-04-SP-OH-0618	<u>4,106</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>\$ 10,837,920</u></b>
<b><u>U.S. Department of Justice</u></b>			
Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-1074 2006-DJ-BX-0672 2005-DJ-BX-1240	\$ 143,396 30,044 70,578
Subtotal			<u>244,018</u>
<i>Passed through Ohio Department of Public Safety</i>			
Anti-Gang Initiative	16.744	HVEO-2007-57-00-00-00334-00	81,164
<i>Direct Award</i>			
Anti-Gang Initiative	16.744	2007-PS-AGI-301 2007-PS-AGI-361	10,240 42,361
Subtotal			<u>133,765</u>
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2008-WE-AX-0041	961
Bulletproof Vest Partnership Program	16.607	2005D6B505027754	6,000
Crime Victim Assistance	16.575	2005VAGENE500	<u>44,701</u>
<b>Total U.S. Department of Justice</b>			<b><u>\$ 429,445</u></b>
<b><u>U.S. Department of Transportation</u></b>			
Airport Improvement Program	20.106	3-39-0029-5807 3-39-0029-6207 3-39-0029-6307 3-39-0029-6408 3-39-0029-6508 3-39-0029-6608 3-39-0030-0908 3-39-0029-5706	\$ 8,934 1,360,143 554,992 1,439,584 2,000,108 2,633,990 111,240 142,803

See accompanying notes to schedule of expenditures of federal awards and schedule of passenger facility charges.

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
(Continued)

Grantor Agency/Programs	CFDA Number	Project Number	Federal Expenditures
<b><u>U.S. Department of Transportation (continued)</u></b>			
Airport Improvement Program (continued)		3-39-0029-6708	211,329
		3-39-0029-5807	294,828
		3-39-0029-5506	36,145
		3-39-0030-0705	27,304
		3-39-0029-6007	1,805,882
		3-39-0029-6107	1,506,454
		3-39-0029-5105	26,852
		3-39-0029-5606	104,050
		3-39-0029-5406	58,656
		3-39-0030-0807	210,530
		3-39-0029-5907	1,338,169
Subtotal			<u>13,871,993</u>
<i>Passed through Ohio Department of Transportation Highway Planning and Construction</i>	20.205	PID 76445	413,794
		PID 80024	5,112,746
		PID 77774	2,449,587
		PID 77575	338,262
		PID 800238	50,932
Subtotal			<u>8,365,321</u>
<i>Passed through Ohio Department of Public Safety State and Community Highway Safety</i>	20.600	HVEO -2009-57-00-00-00249-00	2,967
		HVEO-2008-57-00-00-00285-00	40,081
Subtotal			<u>43,048</u>
Incentive Grants - Alcohol Impaired Driving Countermeasures	20.601	OVITF -2009-57-00-00-00379-00	1,505
<b>Total U.S. Department of Transportation</b>			<b><u>\$ 22,281,867</u></b>
<b><u>U.S. Department of Commerce</u></b>			
Investment for Public Works and Economic Development Facilities	11.300	06-01-05153	<u>\$ 786,593</u>
<b>Total U.S. Department of Commerce</b>			<b><u>\$ 786,593</u></b>
<b><u>U.S. Department of Homeland Security</u></b>			
Metropolitan Medical Response System	97.071	EMW-2004-GR-0650	\$ 1,276
		2006-GM-T6-0051	16,635
		2007-GE-T7-0030	18,582
		75101140 EMW-2004-GR-0650	117,869
Subtotal			<u>154,362</u>
Disaster Grants - Public Assistance	97.036	PA-05-OH-1805-PW-00658	1,539,725
		PA-05-OH-1805-PW-00807	29,213
		PA-05-OH-1805-PW-01707	11,980
		PA-05-OH-1805-PW-01578	23,444
		PA-05-OH-1805-PW-01351	32,732
		PA-05-OH-1805-PW-01662	14,845
Subtotal			<u>1,651,939</u>
<b>Total U.S. Department of Homeland Security</b>			<b><u>\$ 1,806,301</u></b>
<b><u>U.S. Department of Defense</u></b>			
Flood Control Projects	12.106	Sec. 594 Assistance	<u>\$ 1,256,357</u>
<b>Total U.S. Department of Defense</b>			<b><u>\$ 1,256,357</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 37,398,483</u></b>

See accompanying notes to schedule of expenditures of federal awards and schedule of passenger facility charges.

**CITY OF DAYTON, OHIO**  
**SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Grantor Agency/Programs</u>	<u>Project Number</u>	<u>PFC Receipts</u>	<u>PFC Expenditures</u>
<b><u>U.S. Department of Transportation</u></b>			
Passenger Facilities Charges	Applications 4 and 5	\$ 6,453,353	\$ 4,217,871
Interest Earned		291,725	-
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 6,745,078</u></b>	<b><u>\$ 4,217,871</u></b>

1. Basis of Presentation

The accompanying schedule of federal awards and schedule of passenger facility charges are prepared using the cash basis of accounting in accordance with the format as set forth in the *Governmental Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration.

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
CFDA 11.300 – Investments for Public Works and Economic Development Facilities	
CFDA 12.106 – Flood Control Projects	
CFDA 14.238 – Shelter Plus Care Program	
CFDA 20.106 – Airport Improvement Program	
CFDA 97.036 – Disaster Grants – Public Assistance	
Dollar threshold to distinguish between Type A and Type B programs:	\$1,121,954
Auditee qualified as low-risk auditee?	No

**Section II – Financial Statement Findings**

**Finding 2008-001: Bank Reconciliation Process**

The City continued to make significant improvements in its cash reconciliation process during 2008, however, throughout the year certain reconciling issues were present that were not addressed by the City until late 2008 or subsequent to year end. For the past several years, the City had been reporting reconciling items for the manner in which credit card transactions were recorded in the reconciliation process. While these items predominately offset one another, until March 2009 the City did not identify the individual transactions that comprised the reconciling amounts. When the individual transactions were identified, it was determined that \$35,000 of bank deposits had not been properly posted to the general ledger and transactions totaling \$126,905 was mistakenly posted to the general ledger accounts twice; all of these transactions occurred during calendar year 2006. Furthermore, the outstanding check listings generated by the system for general and payroll checks as of December 2008 did not agree to the amounts reported in the year end reconciliation due to historical errors on the system generated reports. The variances, which totaled \$191,807, were later investigated and corrections were made in May 2009.

The monthly reconciliation of the balance per the accounting records to the City's deposit and investment accounts is a critical control employed once a month throughout the year to ensure receipts and disbursements being processed are accurate and complete. It is important that timely and accurate reconciliations are being performed throughout the year to reduce the risk that an error in the posting of cash receipts and disbursements will not be detected by the City in a timely manner. All reconciling items used in reconciling the bank deposits and investments balances to the general ledger should be investigated to ensure all are valid and complete. In addition, reconciling items such as outstanding check listings should agree with the amounts reported by the City's accounting system.

The City is encouraged to continue the progress being made to improve the accuracy and timeliness of the reconciliation process, with efforts being maintained throughout the entire year. All reconciling items should be fully investigated and resolved as soon as possible and not be permitted to remain on the monthly reconciliation for significant periods of time.

Management Response:

*During 2008, the City consistently balanced cash on a monthly basis and was able to reduce the risk of errors in the positing of cash receipts and disbursements during 2008 as a result of a series of steps taken. The City reassigned the work of staff in March 2008, updated the procedures for the cash reconciliation process and maintained the reconciliation daily and monthly throughout the year.*

*In November 2008, the City of Dayton received clarification from Clark, Schaefer, Hackett and Company as to the significant issues with the cash reconciliation. The City of Dayton then proceeded to correct the prior year balances that were not being allocated on the correct pages within the cash reconciliation process, within sixty days of clarification. The City also contracted with an outside CPA firm to assist staff in researching and correcting prior year transactions including:*

- *Reallocated prior year credit card deposits recorded in the Banner Financial System, but inadvertently recorded on the Treasury page instead of the A/R page of the reconciliation;*
- *Resolved prior year balances on the Zero Balance Account and Wires-In pages of the reconciliation; and*
- *Removed prior year transactions from the general and payroll outstanding check lists.*

*The City of Dayton's 2008 cash reconciliation process was timelier and much improved. The resolution of prior year balances during 2008 represented less than 1% of the total cash balance. The adjustments were made to place transactions on the correct pages within the reconciliation, which were noted within the reconciliation. The City continues to enhance and automate processes for tracking cash receipts and disbursements as needed.*

**Finding 2008-002: Financial Accounting System**

The City's current accounting system does not currently facilitate an effective or efficient financial reporting process. The City records day-to-day transactions on a "modified accrual" basis of accounting where certain receivables and payables are recorded with an offsetting entry to revenue or expense accounts. During the GAAP conversion process, these receivables and payables are reversed out to effectively generate cash basis information. The amounts reported for receivables and payables are then recreated using historical information during the GAAP conversion for financial reporting purposes.

In addition, the information posted from the subsidiary receivable systems to the general ledger of the City is posted in batch amounts representing various invoices for similar revenue accounts. Cash receipts are posted in a similar manner. While the City has significantly improved the interfacing of subsidiary ledgers to the general ledger over the past few years, the balances reported by the general ledger and the subsidiary ledgers were significantly different indicating amount were not reconciled on a timely basis. The reconciliation of the general ledger to the subsidiary ledger amounts is complicated as the individual transactions are not identified in the general ledger, rather a series of steps must be utilized to identify the batch the transaction was included in and then identify the batch posting to the general ledger.



The number of manual journal entries used to record certain transactions, as well as correct postings, and the complexity of the process needed to identify individual transactions increase the risk that errors in the accounting system would not be detected on a timely basis by employees during the normal course of performing their duties.

It should be noted that the City has taken numerous steps to validate and correct various accounts contained within its general ledger during 2008. Significant adjustments were made to receivable accounts to agree with the receivable balances being reported in the tax, water and receivables system. Over the years, adjustments to the subsidiary systems were not posted to the general ledger accounts which caused the variance in these balances to increase. This underscores the importance of a regular and routine reconciling process between balances reported in general ledger system to the balances contained within the subsidiary systems.

The City should continue addressing the accuracy of the receivables and payables accounts within the general ledger to ensure the accuracy and integrity of the financial information contained in those accounts. The City should develop a regular and routine reconciliation process between the balances reported in the general ledger accounts to the balances contained within subsidiary ledgers that interface with the general ledger, to ensure a sufficient audit trail exists and that cash receipts are accurately posted.

Management Response:

*The current process used by the City to complete the GAAP conversion produces accurate financial statements.*

*During 2008, the City of Dayton took steps to modify our business practice to use the accrual financial accounting system more efficiently for accounts receivable and accounts payable. In January 2008, the City of Dayton implemented an automatic daily interface from the subsidiary systems to the primary financial reporting system. The City also developed a regular and routine reconciliation process between the balances reported in the general ledger accounts to the balances contained in the subsidiary ledger. Account balances in the primary financial reporting system were adjusted for prior year manual interface entries.*

**Finding 2008-003: Information Technology System**

The accounts receivable application currently being utilized by the City to account for numerous types of amounts owed for services performed by the City is hosted on the Oracle database version 7.3.3., which is no longer being supported by Oracle. This significantly increases the risk that any technical issues encountered with the database may render the system inoperable for a significant period of time. In addition, it is not certain if information contained within the system could be retrieved if the system would become inoperable. The City is in the process of replacing the accounts receivable system and had originally intended this would occur during calendar year 2008. However, as of the date of this report, the implementation of the new receivable system has yet to occur.

Should the current accounts receivable application become inoperable for any significant amount of time it would significantly increase the risk that amounts owed to the City could not be identified or tracked in a timely basis.

The City should place an emphasis on replacing the accounts receivable system currently being utilized by avoiding any further delays in implementing, populating and using the new system as soon as possible.

Management Response:

*The City has taken several steps toward resolution of this issue. Oracle database is being upgraded to version 10. This database upgrade is required to accommodate the planned Banner application*

*upgrade to version 8. Once these steps are complete, the existing Accounts Receivables (“A/R”) functions will be migrated to the Banner A/R module, as modified by ACS to satisfy the City’s business practices. Systems requirements for the database and application version upgrades necessitated investment in and deployment of infrastructural enhancements, which have been performed. This has allowed for the development and implementation of new test servers, development and implementation of new operating system platform and will facilitate the version upgrading and quality assurance testing needed to ensure successful transition to the new A/R system protocols. The City anticipates application programming customizations to be complete by the original application developer, ACS, no later than the end of summer 2009. With this timetable, the City targets the A/R module to be fully implemented and deployed by late October, 2009.*

**Finding 2008-004: Audit Adjustments**

During the prior audit, it was noted that several projects were being carried in construction in progress accounts despite not having any capital costs for 2007. This was conveyed to the City in the prior year and was addressed during the preparation of the 2008 financial statements. Projects were reviewed and those completed were moved into the appropriate capital asset categories and depreciation expense recorded. However, it was noted the capitalized costs of certain projects were adjusted through current year activity as the cost of the projects were improperly capitalized in the construction in progress accounts in previous years.

By adjusting certain capitalized costs of prior periods during the current year, the City overstated the expenses being reported in the governmental and business-type activities, as well as for the individual major enterprise funds for 2008. Audit adjustments were proposed, and subsequently made by the City, to restate the beginning net assets of the affected activities and funds and reduce the expenses reported for the current year. In addition, other audit adjustments were made to correct the amounts at which current year additions to capital assets were capitalized.

In addition, audit adjustments were proposed, and subsequently made by the City, to account for accounts payable not identified as such during the preparation of the financial statements as well as to correct the calculation of net assets invested in capital assets, net of related debt by removing unamortized bond issuance costs from the calculation. The City’s search for accounts payable seems to be limited primarily to expenditures made in January and February of the following year. While this process appears to be sufficient to identify normal operating expenditures which should be recorded as accounts payable at the end of the prior year, construction contracts seem to have a longer time-period between the date the service is performed and the date payment is made, which was the case with the unidentified payables noted during this year’s audit.

The City should review the procedures and controls in place to prepare its annual financial statements to ensure errors are detected. The items being carried in the construction in progress account should be reviewed annually to determine if the asset had been placed into use and if the carrying value of the asset is appropriate. Identification of accounts payable should be based on the date the service was performed or goods were received. The City’s process to identify payables at year-end should be expanded to ensure all material payable amounts at the end of the year are identified. The annual audit process should not be considered part of the internal controls to detect misstatements in the amounts reported on the financial statements.

*Management Response:*

*This City will implement a process to ensure the accuracy of the construction in process and fixed assets accounts.*

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

#### **Finding 2008-005: Sub-recipient Contracts:**

The City utilizes a sub-recipient agency to provide services under the federal Shelter Plus Care program. The provisions of the contract between the City and the sub-recipient include the ability to advance payment to the sub-recipient for projected rental costs for the succeeding month based on estimates provided by the sub-recipient. The contract further requires that the City and the sub-recipient reconcile the amounts advanced to the sub-recipient to the actual rental costs incurred for that month and any necessary adjustments be made to the current month payment. However, it was noted that the City did not receive copies of the rental payment receipts for all leased units with the actual expenditure report as required in section G(2)(b) of the sub-recipient agreement.

Failure to obtain supporting documentation that the proper expenditures were actually made for which funds were advanced increases the risk that errors in expenditures of federal awards will not be detected in a timely basis by City employees.

If the City continues the practice of advancing funds to the sub-recipients, it should ensure the appropriate expenditure report along with appropriate supporting documentation of those expenditures are submitted to the City prior to the next scheduled payment request.

#### **Management Response:**

*The City of Dayton Shelter Plus Care Program disburses funds to the sub-recipient, Miami Valley Housing Opportunities (MVHO) through an advance request process. The City advances MVHO funds for the succeeding month based on estimates submitted by MVHO. The following month MVHO submits a Line of Credit Control System (LOCCS) voucher request. The LOCCS voucher provides the actual number of clients served and the total amount of rental payments and administrative charges. The housing characteristics summary spreadsheet provides backup summary information for the LOCCS voucher. The City uses the LOCCS voucher request to draw down funds from the U.S. Department of Housing and Urban Development to reimburse the Shelter Plus Care fund account for the advance payment to MVHO.*

*To supplement the documentation mentioned above the City will obtain copies of MVHO cancelled checks used to pay rental costs as our receipt to ensure that the rent was actually paid.*

**Finding 2007-001: Bank Reconciliation Process**

Condition: The bank reconciliation for December 31, 2007 included a significant number of unallocated deposits and was not completed in a timely manner.

Status: Not fully corrected – while the City has made significant progress, certain deficiencies noted in Finding 2008-001.

**Finding 2007-002: Financial Accounting System**

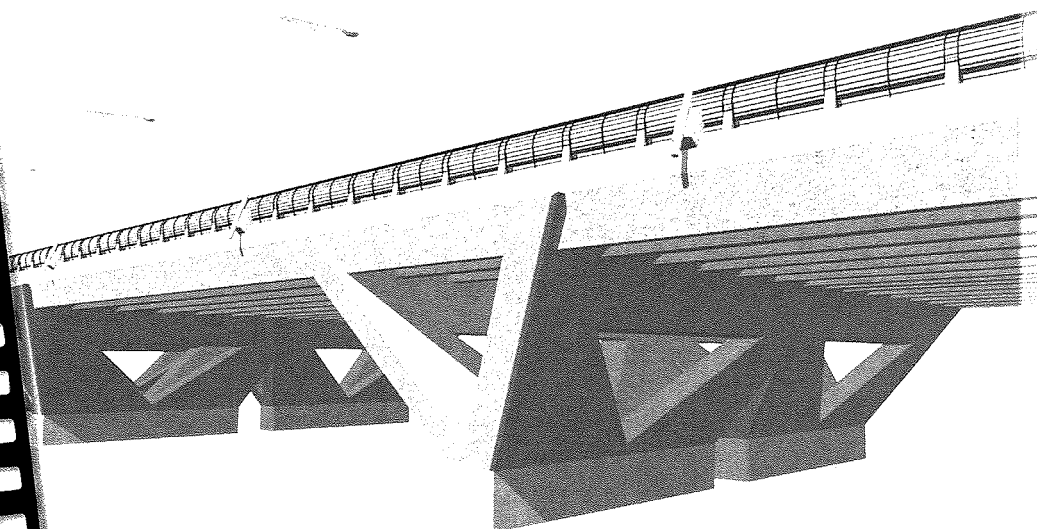
Condition: The current financial accounting system of the City did not provide an efficient and effective means to allow individual transactions to be identified without utilizing a series of steps or procedures.

Status: Not fully corrected – progress made in 2008, certain deficiencies noted in Finding 2008-002.

**Finding 2007-003: Information Technology Systems Controls**

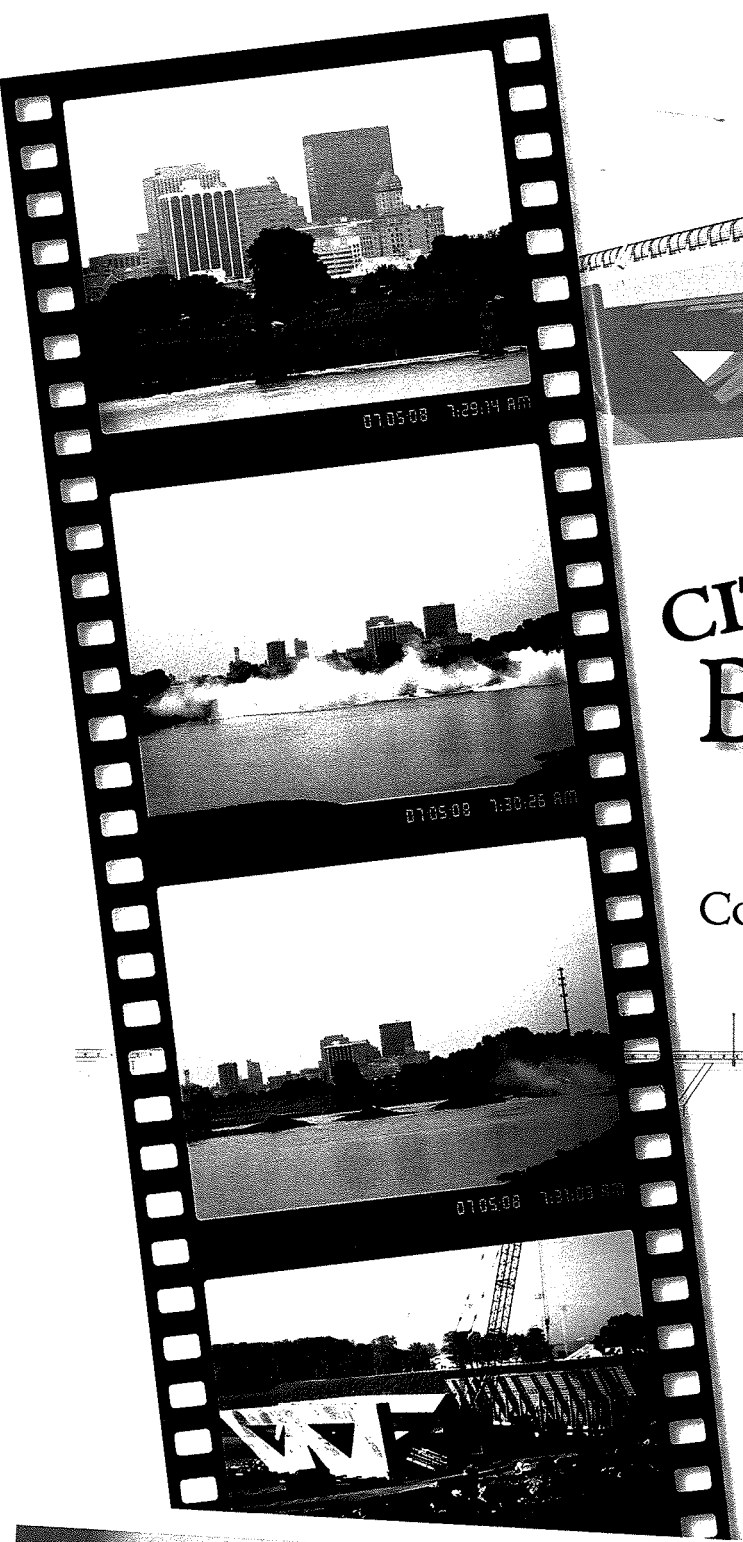
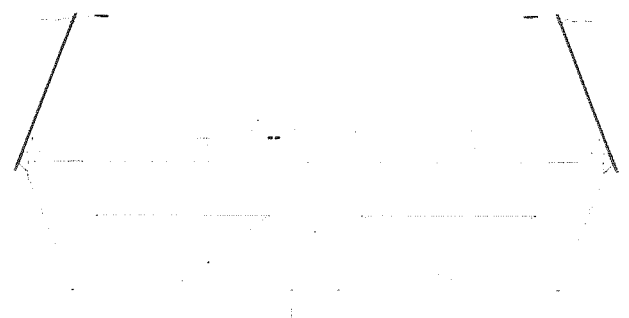
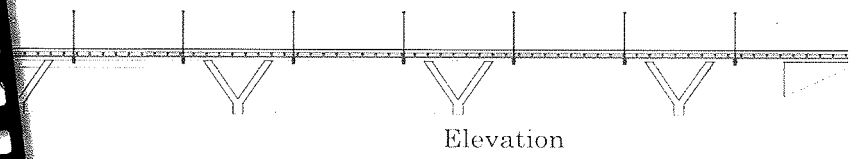
Condition: Deficiencies were noted in the controls and security measures in place related to the City's information systems.

Status: Not fully corrected – two of the four components of the recommendation fully corrected, another component included in management letter comment, final component noted in Finding 2008-003.



# CITY OF DAYTON, OHIO Building Bridges to the Future

Comprehensive Annual Financial Report  
January 1, 2008 • December 31, 2008



**Stewart Street Bridge Hybrid Pier**







**CITY OF DAYTON, OHIO**  
**Comprehensive Annual Financial Report**  
**For the Year Ended December 31, 2008**

PREPARED BY:

***Department of Finance***

Cheryl J. Garrett, Director  
Candy H. Carr, Financial Services Supervisor

***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, 2008**

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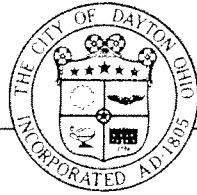
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June 30, 2008

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 Comprehensive Annual Financial Report (CAFR) of the City of Dayton, OHIO for the fiscal year ended December 31, 2008.

The City's Charter, Sections 44 and 78, prescribes the required accounting, audit and examination procedures for the City of Dayton. Clark, Schaefer and Hackett, Certified Public Accountants, studies the City's system of internal control, conducts such tests that 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.

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.

This transmittal letter is designed to provide historical information about the City, as well as complement the required Management's Discussion and Analysis (MD&A). GAAP 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**

Dayton was founded on April 1, 1796 by a small group of US settlers seven years before the admission of Ohio to the Union in 1803. The town was incorporated in 1805 and given its name after Jonathan Dayton, a captain in the American Revolutionary War and youngest signer of the U.S. Constitution. In 1797, Daniel C. Cooper laid out the Mad River Road, the first overland connection between Cincinnati, Ohio and Dayton. This opened up the "Mad River Country" at Dayton and the upper Miami Valley to settlement.

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.

Dayton is a city in southwestern Ohio. It is the county seat and the largest city in Montgomery County. Dayton is a part of several other communities called the Greater Dayton area which includes the communities of Vandalia, Trotwood, Kettering, Centerville, Beavercreek, Fairborn, West Carrollton, Huber Heights, Troy, and Miamisburg. As of the 2006 census estimate, the population of Dayton was 156,771. The estimate for the Greater Dayton Area had a population of 542,237.

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 eight 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, the Miami Valley Emergency Management Agency, the Butler Township-Dayton JEDD, and the Miami Township-Dayton JEDD.

The annual budget serves as the foundation for the City of Dayton's financial planning and control. City Commission is required to adopt the original budget not before the second Monday in January and the 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 certain appropriation transfers within a department (so long as they are within the same fund).

## **LOCAL ECONOMY**

The City of Dayton was nicknamed the "*Gem City*" in the 1840's for town's wealth, refinement, enterprise, and physical beauty. Inventors from the City of Dayton, OH 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 is a recognized leader in the production of many products, including business machines, business forms and automotive parts. The Dayton area has one of the highest per capita concentrations of scientific and technical personnel in the State.

Dayton plays host to significant industrial, aerospace, and technological/engineering research activity and is known for the many technical innovations and inventions developed there. The city was the home of the Wright brothers, poet Paul Laurence Dunbar, and entrepreneur John H. Patterson. The Dayton area is home to several major international, national, and regional corporations, including NCR, Standard Register, Liberty Bank, Workflow One (formally Relizon), and LexisNexis.

Dayton's history includes a long and lucrative past as a center for manufacturing. However, as the nation transitions from an industrial economy to a service economy, Dayton has realized a disproportionate loss of jobs. To underscore this point, the larger Dayton region has experienced a contracting employment base for seven consecutive years, with 38,500 or 11.1% fewer jobs in 2008 than eight years earlier.

Certainly, the past eight years has been challenging and much of the economic news of late has been negative. Unfortunately, this has overshadowed several success stories in Dayton and the larger region. To be sure, the Dayton economy is in transition and the challenges are great. But with change comes opportunity. This is evident in the City's development strategy.

### **Change Brings Opportunities**

The past nine years have been challenging and much of the economic news of late has been negative. While recognizing the past, City leaders are working to ensure that the City not only exists but thrives in the future. This transformation recognizes the City's strengths while working to reposition its economy to compete globally in the future without a heavy dependence on manufacturing, particularly on the automotive industry.

The City is concentrating development efforts to the following industries to transform its economic base: Advanced Manufacturing & Materials, Aerospace Research and Development, Data Management, Sensors & RFID Technologies and Health Care.

- We have been actively working to strengthen our ties with community partners to bolster economic development efforts. Wright-Patterson Air Force Base (WPAFB), the only military installation in the metropolitan area, occupies more than 8,000 acres with a combined military and civilian employment of approximately 22,000 and is one of the largest research and development centers in the country. WPAFB is home to the Air Force Materiel Command, which is home to the Sensors and Propulsion Directorates. The Sensors Directorate conducts research, test and evaluation and acquisition management services and logistics support for Air Force weapons systems. The Propulsion Directorate provides propulsion technologies to aircraft rockets and spacecrafts and conducts related research and development.
- The City is redeveloping a former GM plant site into a high-technology office campus. This campus is 30 acres with the City close to completion on construction of a 42,000-square foot building that is already pre-leased. The second building, which is planned to be 60,000 square feet, will be under construction in 2009 with a scheduled completion of 2011. Its proximity to WPAFB will allow the City to successfully compete with suburban locations for those businesses establishing a presence in the region due to the base realignment and closure occurring in the United States. The City's region will receive a direct benefit of approximately 1,100 jobs with the consolidation of the Human Effectiveness and Sensors Directorates at WPAFB.
- Focusing on the healthcare industry as an area of potential growth with all area hospitals employing more than 14,700 people, four of the area hospitals are the driving force behind revitalization efforts to create vibrant sustainable communities and plans for each hospital's expansion:
  1. Miami Valley Hospital, founded in 1890, is leading the Genesis Project.
  2. Grandview, founded in 1926 by three local doctors, is leading the Renaissance Alliance.
  3. Good Samaritan Hospital, established in 1932 by the Sisters of Charity, is leading the Phoenix Project.
  4. Dayton Children's Hospital, established in 1967, and is leading the DaVinci Project.
- The City recently announced the creation of the Dayton Economic Attraction Program (DEAP) to assist businesses that are expanding in the City. Companies located downtown would receive an annual grant of 75% of new payroll for the net new jobs they create in a calendar year. Companies located anywhere within the City limits but operating in one of the City's targeted cluster groups would receive an annual grant of 50% of new payroll on their net new jobs.

### **LONG-TERM FINANCIAL PLANNING**

Moody's Investors Services confirmed Dayton's Bond credit rating at A1 and upgraded our debt rating from A3 to A2 has been maintained. In addition, Standard and Poor's announced that it retained Dayton's A+ rating. Both announcements signal their confidence in Dayton's financial management practices and long-term stability.

Based on the City of Dayton FOCUS 2010 Report, the City is to Maintain Financial Stability by maintaining its well documented reputation of sound financial management and leadership and will focus internal resource on process improvements and automation to increase revenue collections and explore expanded assessments for selected services. This is a continuous opportunity for growth which stands as a continuous benchmark by which all major initiatives are measured against.

## RELEVANT FINANCIAL POLICIES

The City's long-standing policy is to maintain minimum reserve levels equal to six to ten weeks of operating reserves (11.5% to 19.2%). 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. 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 and renew the City of Dayton's earnings tax. We were also able to retain important property tax credits for senior citizens and disabled residents of our community. The earnings tax renewal means the City of Dayton will be able to maintain the same earnings tax rate for at least 30 years.

## AWARDS AND ACKNOWLEDGEMENTS

This was the 26th consecutive year that the City has 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, 2007. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and organized Comprehensive Annual Financial Report, whose contents conformed to program standards judged by the GFOA. This report must satisfy both Generally Accepted Accounting Principles (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 the 2008 CAFR has been submitted to the GFOA for their review.

We hereby acknowledge a sincere extension of gratitude to all who contributed their time and effort towards the completion of this 2008 CAFR assignment. 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,

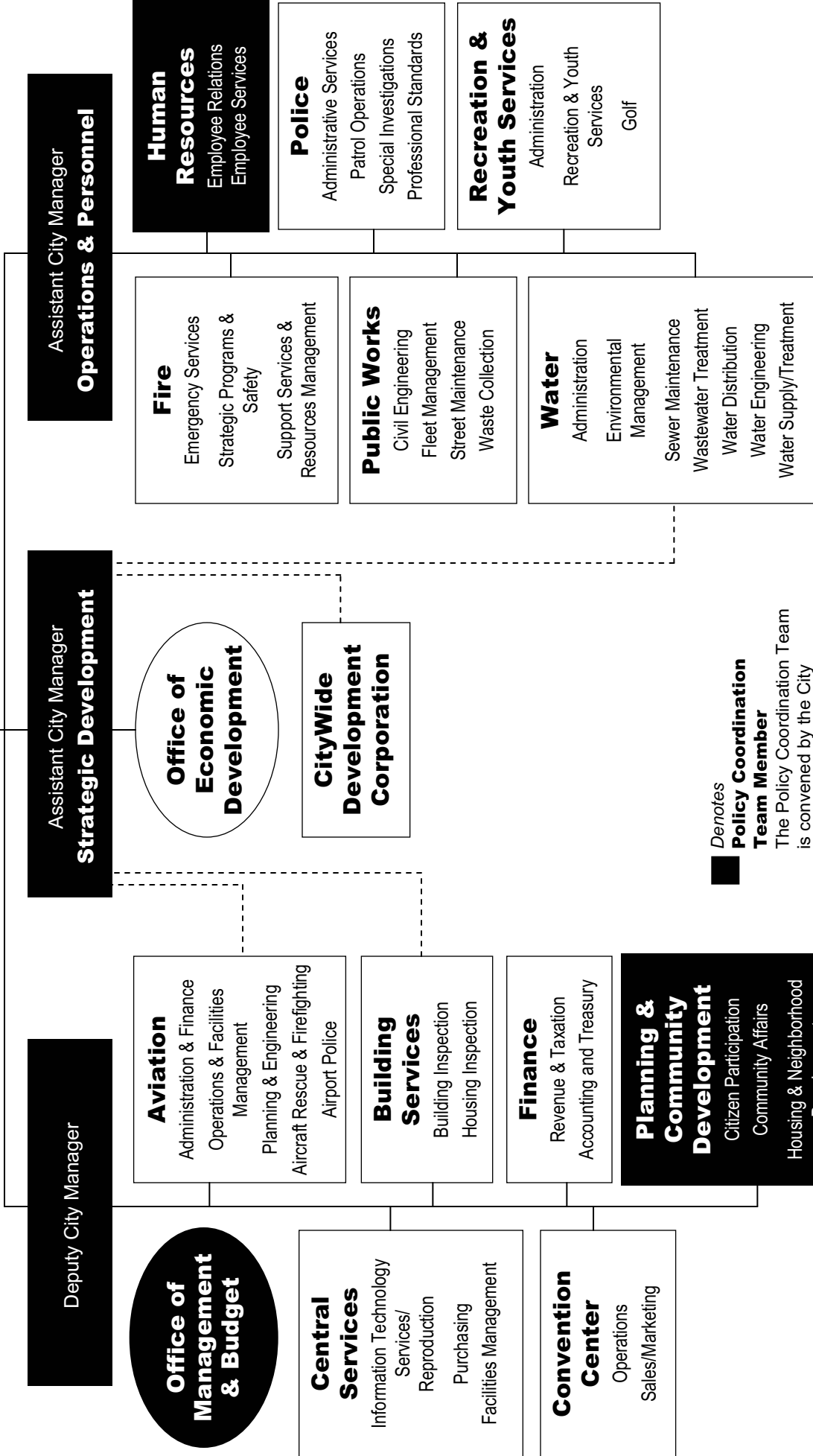


Cheryl J. Garrett  
Finance Director  
Secretary of the Board of Sinking Fund Trustees



# Organization of the City of Dayton

Citizens of Dayton



Denotes  
**Policy Coordination Team Member**  
 The Policy Coordination Team is convened by the City Manager to discuss various issues.

# 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, 2007

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.



A handwritten signature in black ink, appearing to read "M. L. R.", is positioned above the title "President".

President

A handwritten signature in black ink, reading "Jeffrey R. Emer", is positioned above the title "Executive Director".

Executive Director

## **INDEPENDENT AUDITORS' REPORT**

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 (the City) as of and for the year ended December 31, 2008, 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'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, the City's only discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

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, 2008, and the respective change in financial position and cash flows, where applicable, thereof and the 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 30, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

2525 north limestone street, ste. 103  
springfield, oh 45503

www.cshco.com  
p. 937.399.2000  
f. 937.399.5433

Management's Discussion and Analysis on pages F-3 through F-26 is not a required part of the basic financial statements but is 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 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's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and the statistical sections 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 and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
June 30, 2009

## CITY OF DAYTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

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, 2008. 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 2008 are as follows:

- The total net assets of the City increased \$46,063,312. Net assets of the City were restated due to the implementation of GASB 49 and for errors and omissions in the capital assets. Net assets of governmental activities increased \$18,850,012 or 5.01% over 2007 and net assets of business-type activities increased \$27,213,300 or 5.36% over 2007.
- General revenues accounted for \$168,177,856 or 72.80% of total governmental activities revenue. Program specific revenues accounted for \$62,824,228 or 27.20% of total governmental activities revenue.
- The City had \$212,496,870 in expenses related to governmental activities; \$62,824,228 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$149,672,642 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$168,177,856.
- The general fund had revenues of \$173,012,882 in 2008. This represents a decrease of \$4,455,435 from 2007 revenues. The expenditures and other financing uses of the general fund, which totaled \$171,384,951 in 2008, increased \$1,458,947 from 2007. The net increase in fund balance for the general fund was \$1,627,931 or 3.88%.
- The debt service major fund had \$35,939,133 in revenues and other financing sources and \$12,367,049 in expenditures and other financing uses in 2008. The fund balance in the debt service fund was \$42,248,963, a 126.21% increase from 2007.
- The capital improvement major fund had \$25,224,232 in revenues and other financing sources and \$26,841,101 in expenditures in 2008. The capital improvement fund also had a transfer in of \$1,720,000 from the general fund. The fund balance for the capital improvement fund decreased \$1,616,869 or 8.97%. The fund balance of the capital improvement fund was restated due to the implementation of GASB 49.
- 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 2008 by \$27,213,300.
- The Dayton International Airport enterprise fund had \$31,067,418 in operating revenues and \$29,871,548 in operating expenses in 2008. The Dayton International Airport enterprise fund also had non-operating revenues of \$1,790,431, non-operating expenses of \$2,241,305 and capital contributions of \$21,316,626. The net assets of the Dayton International Airport enterprise fund increased \$22,061,622 or 9.88%.
- The water enterprise fund had \$48,944,620 in operating revenues and \$45,758,159 in operating expenses in 2008. The water enterprise fund also had non-operating revenues of \$973,789 and non-operating expenses of \$239,581. The net assets of the water enterprise fund increased \$3,920,669 or 2.49%.
- The sewer enterprise fund had \$30,398,157 in operating revenues and \$30,199,854 in operating expenses in 2008. The sewer enterprise fund also had non-operating expenses of \$739,801. The net assets of the sewer enterprise fund decreased \$541,498 or 0.51%.

## CITY OF DAYTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

- In the general fund, the actual revenues and other financing sources came in \$1,920,374 higher than they were in the final budget and actual expenditures and other financing uses were \$11,649,015 less than the amount in the final budget. Budgeted revenues and other financing sources decreased \$5,970,200 from the original to the final budget. Budgeted expenditures and other financing uses increased \$6,923,900 from the original to the final budget.

#### **Using this Comprehensive 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 2008?" 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, 2008

#### **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 11.

##### ***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 32-36 of this report and further detail on the City's major and nonmajor governmental funds can be found in Note 2 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 38-47 of this report.

**CITY OF DAYTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

***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 48 of this report.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 51-99 of this report.

**Government-Wide Financial Analysis**

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 2008 compared to the restated numbers for 2007:

	<b>Net Assets</b>					
	Governmental Activities 2008	(Restated) Governmental Activities 2007	Business-Type Activities 2008	(Restated) Business-Type Activities 2007	Total 2008	(Restated) Total 2007
<b><u>Assets</u></b>						
Current and other assets	\$ 211,666,839	\$ 184,552,351	\$ 162,022,252	\$ 145,790,211	\$ 373,689,091	\$ 330,342,562
Capital assets, net	<u>334,356,820</u>	<u>321,769,593</u>	<u>443,464,998</u>	<u>438,334,154</u>	<u>777,821,818</u>	<u>760,103,747</u>
Total assets	<u>546,023,659</u>	<u>506,321,944</u>	<u>605,487,250</u>	<u>584,124,365</u>	<u>1,151,510,909</u>	<u>1,090,446,309</u>
<b><u>Liabilities</u></b>						
Long-term liabilities						
outstanding	111,689,872	92,417,509	57,600,610	63,265,345	169,290,482	155,682,854
Other liabilities	<u>39,426,062</u>	<u>37,846,722</u>	<u>12,481,631</u>	<u>12,667,311</u>	<u>51,907,693</u>	<u>50,514,033</u>
Total liabilities	<u>151,115,934</u>	<u>130,264,231</u>	<u>70,082,241</u>	<u>75,932,656</u>	<u>221,198,175</u>	<u>206,196,887</u>
<b><u>Net Assets</u></b>						
Invested in capital						
assets, net of related debt	282,480,043	271,643,144	389,630,233	380,238,011	672,110,276	651,881,155
Restricted	95,482,357	60,595,698	-	-	95,482,357	60,595,698
Unrestricted	<u>16,945,325</u>	<u>43,818,871</u>	<u>145,774,776</u>	<u>127,953,698</u>	<u>162,720,101</u>	<u>171,772,569</u>
Total net assets	<u>\$ 394,907,725</u>	<u>\$ 376,057,713</u>	<u>\$ 535,405,009</u>	<u>\$ 508,191,709</u>	<u>\$ 930,312,734</u>	<u>\$ 884,249,422</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the City's assets exceeded liabilities by \$930,312,734. At year-end, net assets were \$394,907,725 and \$535,405,009 for the governmental activities and the business-type activities, respectively.



**CITY OF DAYTON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 67.55% 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, 2008, were \$282,480,043 and \$389,630,233 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, 2008, 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, \$95,482,357, 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 \$16,945,325 may be used to meet the government's ongoing obligations to citizens and creditors.

The table on the next page shows the changes in net assets for fiscal years 2008 and 2007.

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**CITY OF DAYTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Change in Net Assets**

	Governmental Activities <u>2008</u>	(Restated) Governmental Activities <u>2007</u>	Business-Type Activities <u>2008</u>	(Restated) Business-Type Activities <u>2007</u>	Total <u>2008</u>	Total <u>2007</u>
<b>Revenues</b>						
Program revenues:						
Charges for services and sales	\$ 28,910,674	\$ 30,331,644	\$ 120,390,047	\$ 131,594,599	\$ 149,300,721	\$ 161,926,243
Operating grants and contributions	20,423,979	19,245,962	-	-	20,423,979	19,245,962
Capital grants and contributions	<u>13,489,575</u>	<u>15,536,992</u>	<u>21,316,626</u>	<u>15,058,562</u>	<u>34,806,201</u>	<u>30,595,554</u>
Total program revenues	<u>62,824,228</u>	<u>65,114,598</u>	<u>141,706,673</u>	<u>146,653,161</u>	<u>204,530,901</u>	<u>211,767,759</u>
General revenues:						
Property taxes	24,167,118	23,444,142	-	-	24,167,118	23,444,142
Income taxes	108,868,331	113,785,961	-	-	108,868,331	113,785,961
Unrestricted grants	17,912,684	17,600,763	-	-	17,912,684	17,600,763
Interest	5,340,622	7,064,009	2,764,220	4,894,727	8,104,842	11,958,736
Miscellaneous	<u>11,889,101</u>	<u>7,547,653</u>	<u>-</u>	<u>-</u>	<u>11,889,101</u>	<u>7,547,653</u>
Total general revenues	<u>168,177,856</u>	<u>169,442,528</u>	<u>2,764,220</u>	<u>4,894,727</u>	<u>170,942,076</u>	<u>174,337,255</u>
Total revenues	<u>231,002,084</u>	<u>234,557,126</u>	<u>144,470,893</u>	<u>151,547,888</u>	<u>375,472,977</u>	<u>386,105,014</u>
<b>Expenses:</b>						
Downtown	5,570,112	5,666,737	-	-	5,570,112	5,666,737
Youth, education and human services	2,583,667	2,408,097	-	-	2,583,667	2,408,097
Community development	21,460,067	21,459,480	-	-	21,460,067	21,459,480
Economic development	9,810,580	19,989,955	-	-	9,810,580	19,989,955
Leadership and quality of life	48,563,961	43,224,368	-	-	48,563,961	43,224,368
Corporate responsibility	17,442,665	17,892,823	-	-	17,442,665	17,892,823
Public safety and justice	101,533,014	101,277,697	-	-	101,533,014	101,277,697
Other	683,122	1,378,197	-	-	683,122	1,378,197
Interest and fiscal charges	4,849,682	2,904,913	-	-	4,849,682	2,904,913
Dayton International Airport	-	-	31,958,820	41,813,989	31,958,820	41,813,989
Water	-	-	45,811,605	45,401,676	45,811,605	45,401,676
Sewer	-	-	30,855,192	30,889,719	30,855,192	30,889,719
Other business-type activity funds:						
Golf	-	-	3,196,937	3,322,911	3,196,937	3,322,911
Storm water	-	-	5,090,241	5,030,425	5,090,241	5,030,425
Total expenses	<u>212,496,870</u>	<u>216,202,267</u>	<u>116,912,795</u>	<u>126,458,720</u>	<u>329,409,665</u>	<u>342,660,987</u>
Increase in net assets before transfers	18,505,214	18,354,859	27,558,098	25,089,168	46,063,312	43,444,027
Transfers	<u>344,798</u>	<u>(239,196)</u>	<u>(344,798)</u>	<u>239,196</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>18,850,012</u>	<u>18,115,663</u>	<u>27,213,300</u>	<u>25,328,364</u>	<u>46,063,312</u>	<u>43,444,027</u>
Net assets at beginning of year (restated)	<u>376,057,713</u>	<u>357,942,050</u>	<u>508,191,709</u>	<u>482,863,345</u>	<u>884,249,422</u>	<u>840,805,395</u>
Net assets at end of year	<u>\$ 394,907,725</u>	<u>\$ 376,057,713</u>	<u>\$ 535,405,009</u>	<u>\$ 508,191,709</u>	<u>\$ 930,312,734</u>	<u>\$ 884,249,422</u>

**CITY OF DAYTON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Governmental Activities**

Governmental activities net assets increased \$18,850,012 in 2008. This slight increase of 5.01% is due to the City's continuing efforts to reduce costs and increase operational efficiency.

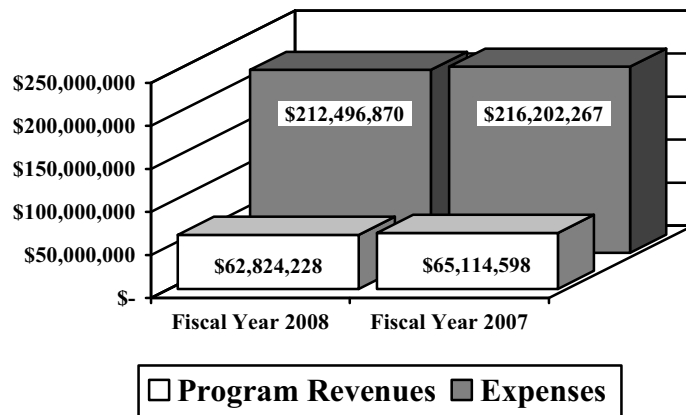
Public safety and justice, which primarily supports the operations of the police and fire departments accounted for \$101,533,014 of the total expenses of the City. These expenses were partially funded by \$17,328,246 in direct charges to users of the services. Leadership and quality of life expenses totaled \$48,563,961. Leadership and quality of life expenses were partially funded by \$5,128,446 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$20,423,979 in operating grants and contributions and \$13,489,575 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$6,926,322 subsidized leadership and quality of life and \$6,232,712 subsidized community development and neighborhoods. Of the total capital grants and contributions, \$13,300,006 subsidized economic development programs.

General revenues totaled \$168,177,856, and amounted to 72.80% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$133,035,449. 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 \$17,912,684.

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**



**CITY OF DAYTON, OHIO**

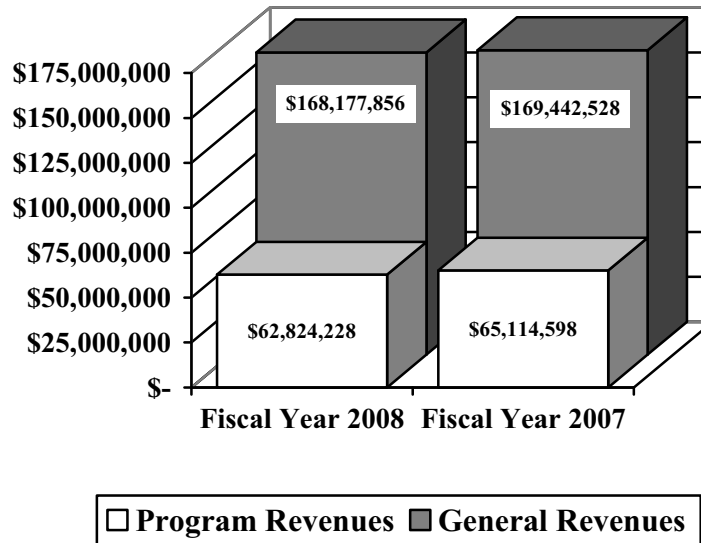
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008	(Restated) Total Cost of Services 2007	(Restated) Net Cost of Services 2007
Program Expenses:				
Downtown	\$ 5,570,112	\$ 5,000,053	\$ 5,666,737	\$ 4,719,291
Youth, education and human services	2,583,667	138,794	2,408,097	42,396
Community development and neighborhoods	21,460,067	12,822,220	21,459,480	11,299,813
Economic development	9,810,580	(6,027,307)	19,989,955	18,457,553
Leadership and quality of life	48,563,961	36,411,424	43,224,368	15,302,316
Corporate responsibility	17,442,665	14,512,507	17,892,823	15,359,695
Public safety and justice	101,533,014	81,309,424	101,277,697	82,753,380
Other	683,122	655,845	1,378,197	248,312
Interest and fiscal charges	4,849,682	4,849,682	2,904,913	2,904,913
<b>Total Expenses</b>	<b>\$ 212,496,870</b>	<b>\$ 149,672,642</b>	<b>\$ 216,202,267</b>	<b>\$ 151,087,669</b>

The dependence upon general revenues for governmental activities is apparent, with 70.44% of expenses supported through taxes and other general revenues.

**Governmental Activities – General and Program Revenues**



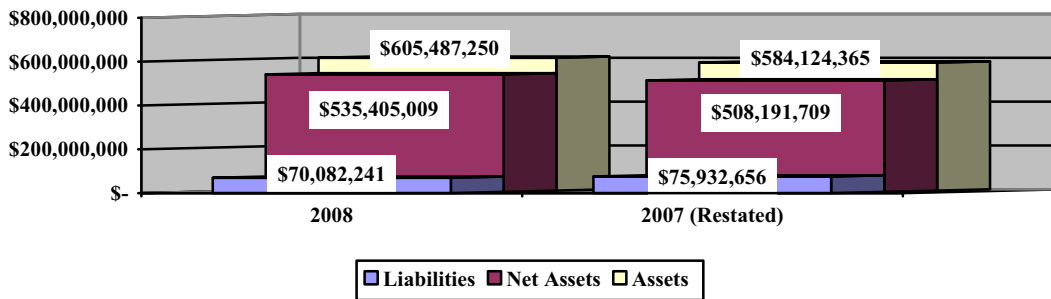
**CITY OF DAYTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Business-Type Activities**

Business-type activities include the Dayton International Airport, water, sewer, storm water and golf enterprise funds. These programs had program revenues of \$141,706,673, general revenues of \$2,764,220 and expenses of \$116,912,795 for 2008. 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 32) reported a combined fund balance of \$124,151,562 which is \$21,418,032 higher than last year's restated total of \$102,733,530. The debt service fund balance includes \$26,260,000 reserved for loans. The capital improvement fund balance includes \$5,393,043 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, 2008 for all major and nonmajor governmental funds.

	Fund Balances 12/31/08	(Restated) Fund Balances 12/31/07	Increase (Decrease)
Major Funds:			
General	\$ 43,594,304	\$ 41,966,373	\$ 1,627,931
Debt service	42,248,963	18,676,879	23,572,084
Capital improvement	16,401,850	18,018,719	(1,616,869)
Other nonmajor governmental funds	21,906,445	24,071,559	(2,165,114)
<b>Total</b>	<b>\$ 124,151,562</b>	<b>\$ 102,733,530</b>	<b>\$ 21,418,032</b>

**CITY OF DAYTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

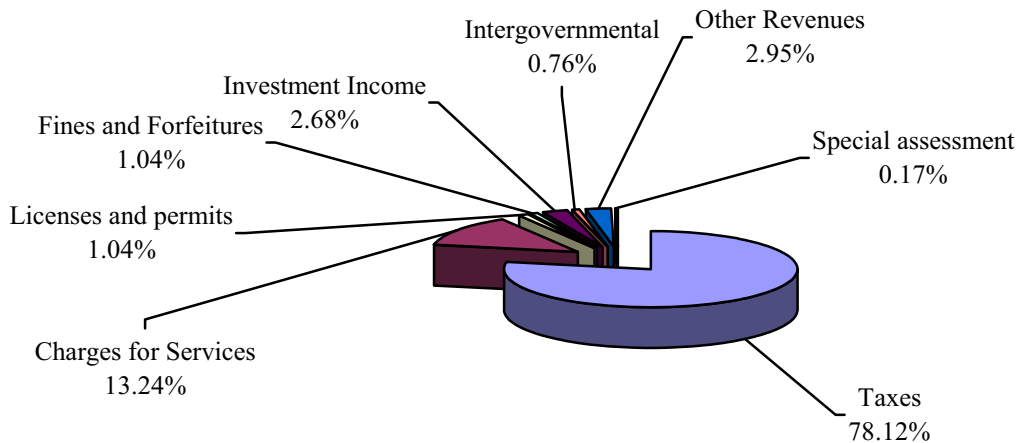
**General Fund**

The City's general fund balance increased \$1,627,931. The City underwent a variety of cost saving measures, including offering voluntary termination benefits, to reduce the number of City employees and reduce the associated personnel costs. The City's ability to control costs enabled the fund balance in the general fund to remain stable despite an overall decrease in revenues. The decrease in revenues is primarily due to the decrease in tax revenue as a result of the economic recession. The table that follows assists in illustrating the revenues of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues			
Taxes	\$ 135,152,156	\$ 139,759,827	(3.30) %
Charges for services	22,900,500	22,023,549	3.98 %
Licenses and permits	1,803,864	1,824,105	(1.11) %
Fines and forfeitures	1,805,640	1,428,558	26.40 %
Investment income	4,638,962	7,230,175	(35.84) %
Special assessments	286,250	2,640	10,742.80 %
Intergovernmental	1,314,139	1,176,699	11.68 %
Other	<u>5,111,371</u>	<u>4,022,764</u>	27.06 %
Total	<u>\$ 173,012,882</u>	<u>\$ 177,468,317</u>	(2.51) %

The increase in fine and forfeitures was attributed to an incline in minor traffic and criminal violations. Decrease in investment income can be attributed to a decline in the average annual yield for city investments. Other revenues increased due to an incline in waste collection fees in addition to providing new services to another local community.

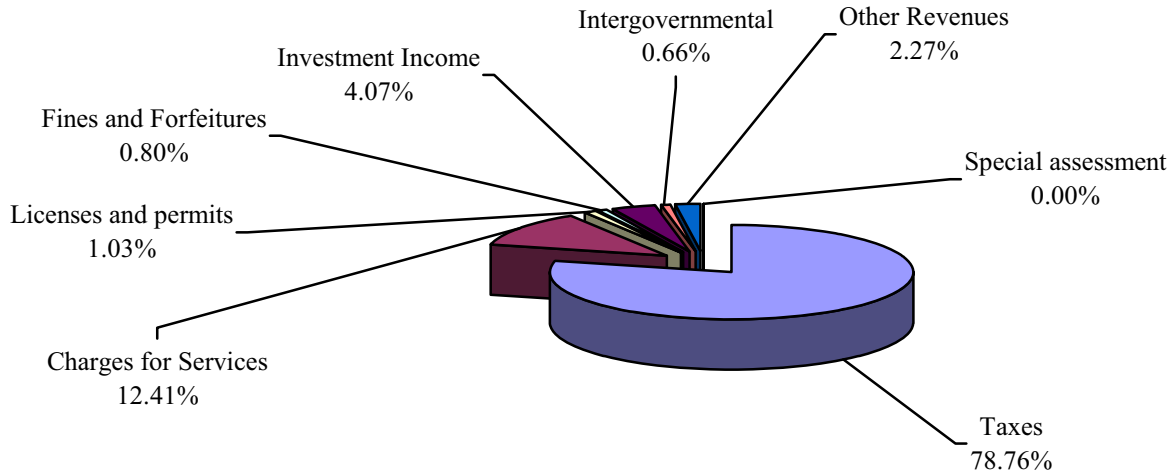
**Revenues – Fiscal Year 2008**



**CITY OF DAYTON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Revenues – Fiscal Year 2007**



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

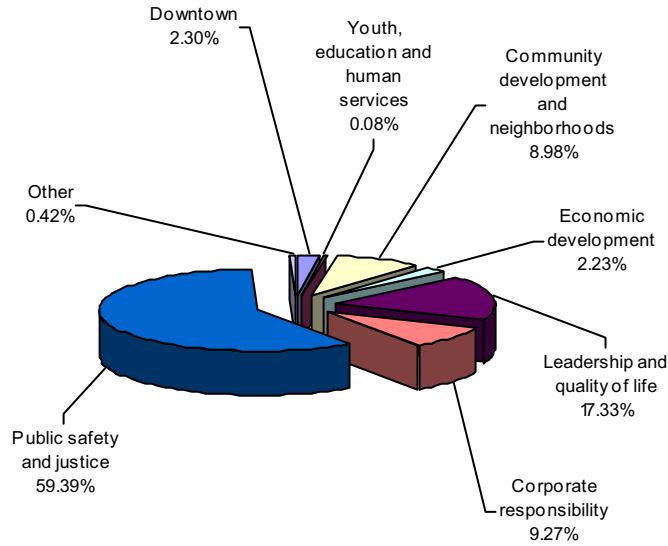
	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
Downtown	\$ 3,729,197	\$ 3,519,401	5.96 %
Youth, education and human services	128,532	121,789	5.54 %
Community development and neighborhoods	14,524,168	13,841,327	4.93 %
Economic development	3,607,301	3,903,145	(7.58) %
Leadership and quality of life	28,046,613	24,947,850	12.42 %
Corporate responsibility	15,005,722	15,804,603	(5.05) %
Public safety and justice	96,101,123	95,967,072	0.14 %
Other expenses	685,888	1,332,285	(48.52) %
Debt service	-	71,296	(100.00) %
<b>Total</b>	<b><u>\$ 161,828,544</u></b>	<b><u>\$ 159,508,768</u></b>	<b>1.45 %</b>

Overall expenditures of the general fund increased \$2,319,776 or 1.45%. The largest expenditure of the City, public safety and justice, remained consistent with previous year with a slight increase in expenditures of \$134,051 or 0.14%. Leadership and quality of life increased due to the addition of personnel in late 2008. The decrease in corporate responsibility was attributed to a decline in payments for the Senior Residents Tax Credit program. Other expenses decreased due to a significant drop in health insurance premiums offset by the implementation of the Health Savings Account contributions. The City did not have any capital lease obligations paid from the general fund in 2008, resulting in a decrease in debt service expenditures.

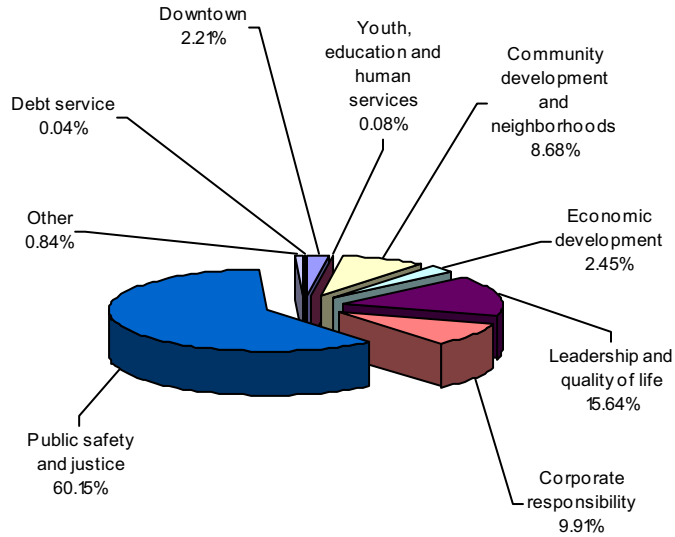
**CITY OF DAYTON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Expenditures - Fiscal Year 2008**



**Expenditures - Fiscal Year 2007**





**CITY OF DAYTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

***Debt Service***

The City's debt service fund balance increased \$23,572,084. The increase in fund balance is a result of a debt issuance to the Dayton Port Authority related to the construction of a parking garage. The following tables illustrate the revenues and expenses of the debt service fund. Expenditures increased due to the issuance of economic development bonds in 2008, on which the first interest payment was made in 2008.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 9,870,203	\$ 10,507,909	(6.07) %
Intergovernmental	1,089,139	886,590	22.85 %
Special assessments	162,985	253,041	(35.59) %
Other	<u>346,528</u>	<u>232,594</u>	48.98 %
Total	<u>\$ 11,468,855</u>	<u>\$ 11,880,134</u>	(3.46) %

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
Downtown	\$ 560,000	\$ 560,000	- %
Other	-	45,063	(100.00) %
Principal retirement	6,151,464	5,220,448	17.83 %
Interest and fiscal charges	<u>5,306,684</u>	<u>2,881,261</u>	84.18 %
Total	<u>\$ 12,018,148</u>	<u>\$ 8,706,772</u>	38.03 %

The decrease in taxes was attributed to the State phasing out Tangible Personal Property tax revenue. This decrease also caused an increase in Intergovernmental revenue. The increase in principal retirement was due to the City paying off its 1993 and 1994 Capital Facility Bonds. This early payment resulted in increased principal payments. The increase in interest and fiscal charges is due to the issuance of general obligation bonds at the beginning of fiscal year 2008.

***Capital Improvements***

The City's capital improvements fund decreased by \$1,616,869 or 8.97%. The decrease in intergovernmental revenue is due to a decrease in capital grants from the State. This decrease resulted in a corresponding decrease in capital outlay expenditures. The decrease in economic development expense is related to the main street garage project that was being constructed in 2008 and 2007 with the Montgomery County Port Authority. The City was assisting in the garage construction to spur economic development and job creation in the downtown area. Ownership of the garage will belong to the Port Authority. The City incurred a majority of their costs in 2007.

**CITY OF DAYTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2008</u>	<u>2007</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 1,355,313	\$ 1,028,356	31.79 %
Charges for services	89,219	327,724	(72.78) %
Licenses and permits	10,699	35,604	(69.95) %
Intergovernmental	9,727,400	15,685,941	(37.99) %
Special assessments	12,329	12,807	(3.73) %
Other	<u>4,195,002</u>	<u>2,138,537</u>	96.16 %
Total	<u>\$ 15,389,962</u>	<u>\$19,228,969</u>	(19.96) %

The increase in taxes was due to an incline in the amount of property tax payments for the Tax increment properties due to a re-assessment of property. The re-assessment caused the city to receive a refund of the amount paid for the first half payments. The increase in other revenues was attributed to a refund of a loan to support the expenditures related to the construction of the Care Source building.

	<u>2008</u>	<u>2007</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Expenditures</u></b>			
Economic development	\$ 1,960,529	\$ 8,830,197	(77.80) %
Community development	13,532	-	100.00 %
Leadership and quality of life	14,412	-	100.00 %
Capital outlay	24,852,628	28,529,727	(12.89) %
Debt service	<u>-</u>	<u>312,327</u>	(100.00) %
Total	<u>\$ 26,841,101</u>	<u>\$37,672,251</u>	(28.75) %

**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 and available cash balances certified by the Budget Commission in accordance with the ORC. Given that City's plans or priorities may change during the year or economic conditions may improve or deteriorate, revisions to the original budget are customary and necessary. For instance, if budgeted revenues are adjusted during the course of the year due to actual activity, then the appropriations should be adjusted accordingly. In addition, if funding priorities change during the fiscal year, resources may be reallocated from one activity to another, necessitating a corresponding change in budget.

Budgetary information is presented for the general fund on page 36. With respect to changes to the general fund, the final budget reflects revenues that were \$5,970,200 less than the original budget. The variance from actual revenues was a negative \$3.9 million for the original budget or 2.2% and a positive \$1.9 million or 1.1% for the final budget.

**CITY OF DAYTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

Four revenue categories realized variances in excess of 10%. The first was fines and forfeitures with actual revenues registering 12.1% or \$189,332 over the original budget and just 0.5% over the final budget. Fines recovered in 2008, increasing \$313,949 or 21.8% from 2007 as a result of higher traffic citations. Special assessments revenue for 2008 was \$161,150 or 36% below the final estimate. This variance was the result of the lapse of certain past assessments. Investment income performed very poorly as interest rates collapsed in the face of the severe recession. Actual earnings were \$2.6 million or 38.5% less than the original budget and \$933,984 or 18.6% under the final. Other miscellaneous revenue sources were \$242,488 or 11.3% under the original budget, largely as a result of sales and franchise revenues as well as a significant drop in various unplanned miscellaneous one-time sources.

On the expenditure side, actual expenditures were \$4.5 million or 2.8% under the original budget while the final budget was \$7.7 million or 4.6% higher than actuals. Three of the eight programmatic areas realized variances in excess of 10%. Youth, education and human services came in under both the original and final budgets by \$45,860 or 26.5%. Planned expenditures were spent from other department budgets leaving an unspent balance in this category. The second expenditure program with a variance in excess of 10% was economic development, which realized a \$498,670 or 12% favorable variance to the final budget. The budget increase reflects the City's continued commitment to development and, although not utilized in 2008, this funding was largely restored in 2009. Finally, the "other expenditure" category realized a \$662,493 or 40.2% favorable variance to the original budget and a \$764,493 or 43.6% favorable variance to the final budget. The variance is a function of allowing some flexibility in contingency funds during the year. However, given the actual performance of revenues, contingency funds were used very sparingly.

Actual net operating transfers were \$19,182 or 0.2% under the original budget and \$4.0 million or 29.6% under the final budget. The final operating transfers budget was increased due to the slightly higher than anticipated balance of revenues over expenditures. Increasing the budget for transfers allows for the transfer of funds at year-end to finance deferred capital improvement and development 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 38-41) reported a combined net assets of \$534,987,617, which is \$26,754,143 above last year's total of \$508,233,474. The schedule on the following page indicates the net assets and the total change in net assets as of December 31, 2008 for all major and nonmajor business-type funds.

	Net Assets <u>12/31/08</u>	(Restated) Net Assets <u>12/31/07</u>	Increase <u>(Decrease)</u>
Major Funds:			
Dayton International Airport	\$ 245,255,105	\$ 223,193,483	\$ 22,061,622
Water	161,587,060	157,666,391	3,920,669
Sewer	106,397,575	106,939,073	(541,498)
Other Business-type funds	<u>21,747,877</u>	<u>20,434,527</u>	<u>1,313,350</u>
Total	<u>\$ 534,987,617</u>	<u>\$ 508,233,474</u>	<u>\$ 26,754,143</u>

**CITY OF DAYTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

***Dayton International Airport***

The City's Dayton International Airport net assets increased \$22,061,622 due mainly to capital contributions made to the fund. The following tables illustrate the revenues and expenses of the Dayton International Airport fund.

	<u>2008</u>	<u>2007</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 24,199,137	\$ 36,590,813	(33.87) %
Other	<u>6,868,281</u>	<u>2,720,408</u>	152.47 %
Total	<u>\$ 31,067,418</u>	<u>\$ 39,311,221</u>	(20.97) %

Charges for services decreased \$12,391,676 or 33.87%. This decrease can be attributed to decreases in landing fees, passenger fees, and airline space rent. Other revenues increased \$4,147,873 or 152.47%.

	<u>2008</u>	<u>2007</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Operating Expenses</u></b>			
Personal services	\$ 9,179,423	\$ 9,299,188	(1.29) %
Benefit payments	2,723,465	3,491,661	(22.00) %
Contractual services	3,662,022	8,552,223	(57.18) %
Materials and supplies	932,089	885,078	5.31 %
Utilities	1,832,641	2,183,375	(16.06) %
Depreciation	8,973,698	7,912,869	13.41 %
Other	<u>2,568,210</u>	<u>2,432,263</u>	5.59 %
Total	<u>\$ 29,871,548</u>	<u>\$ 34,756,657</u>	(14.06) %

DIA operating expenses decreased \$4,885,109 or 14.07%. Benefit payments decreased \$768,196 or 22.00% due to a decrease in fringe benefits costs, primarily insurance and compensated absences due to the implementation of the Health Savings Account program. Contractual services decreased \$4,890,201 or 57.18%. This decrease is primarily due to settlement fees due back to the airlines in 2007, there were no settlement fees due to the airlines in 2008. The increase in depreciation can be attributed to an incline in the first year's depreciation of 2007 fixed asset additions.

	<u>2008</u>	<u>2007</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Interest revenue	\$ 1,790,431	\$ 3,645,455	(50.89) %
Interest expense and fiscal charges	(2,211,477)	(7,026,699)	(68.53) %
Loss of sale of capital assets	(29,828)	(2,746)	100.00 %
Capital contributions	<u>21,316,626</u>	<u>15,058,562</u>	41.56 %
Total	<u>\$ 20,865,752</u>	<u>\$ 11,674,572</u>	78.73 %

**CITY OF DAYTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

The decrease in interest revenue is due to lower interest rates earned by the City's investments. Capital contributions are made up of PFC/CFC revenue and governmental grants. The 41.56% increase was due to the City receiving more grant revenue during the year and an increase in PFC revenues. Interest expense and fiscal charges decreased \$4,815,222. The airport defeased revenue bonds in 2007, resulting in increased interest expense in the prior year.

***Water***

The City's water fund net assets increased by \$3,920,669 or 2.49%.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 45,382,902	\$ 47,211,818	(3.87) %
Other	<u>3,561,718</u>	<u>3,732,551</u>	(4.58) %
Total	<u>\$ 48,944,620</u>	<u>\$ 50,944,369</u>	(3.93) %

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Expenses</u></b>			
Personal services	\$ 15,395,093	\$ 14,668,555	4.95 %
Benefit payments	5,170,299	5,343,417	(3.24) %
Contractual services	3,685,395	4,883,242	(24.53) %
Materials and supplies	6,008,238	4,446,181	35.13 %
Utilities	6,729,124	7,037,091	(4.38) %
Depreciation	6,343,172	5,947,049	6.66 %
Other	<u>2,426,838</u>	<u>2,675,921</u>	(9.31) %
Total	<u>\$ 45,758,159</u>	<u>\$ 45,001,456</u>	1.68 %

The decrease in charges for services was attributed to the decline in consumption which was offset by rate increases. Personal services of the water fund increased \$726,538 or 4.95% during 2008. This increase was due to an incline in accrued wages and compensated absences due to the Voluntary Separation Plan. The increase in materials and supplies was due to an incline in construction projects. Utilities expense decreased \$307,967 or 4.38%.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Interest revenue	\$ 973,789	\$ 1,249,272	(22.05) %
Loss on disposal of capital assets	(239,581)	-	100.00 %
Interest expense and fiscal charges	<u>-</u>	<u>(350,842)</u>	(100.00) %
Total	<u>\$ 734,208</u>	<u>\$ 898,430</u>	(18.28) %

**CITY OF DAYTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

The decrease in interest revenue can be attributed to lower interest rates received on investments held by the City. The City paid off water revenue bonds in 2007, resulting in the elimination of interest expense for 2008. The City also disposed of capital assets belonging to the water fund. The assets that were not fully depreciated at the time of disposal are accounted for as a loss on disposal of assets.

***Sewer***

The City's sewer fund net assets decreased \$541,498 or 0.51% during 2008.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 29,612,848	\$ 31,160,587	(4.97) %
Other	<u>785,309</u>	<u>161,512</u>	386.22 %
Total	<u>\$ 30,398,157</u>	<u>\$ 31,322,099</u>	(2.95) %

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Operating Expenses</u></b>			
Personal services	\$ 7,328,269	\$ 6,692,923	9.49 %
Benefit payments	2,125,066	2,413,472	(11.95) %
Contractual services	6,800,395	8,260,126	(17.67) %
Materials and supplies	2,119,791	1,945,991	8.93 %
Utilities	3,692,392	2,433,495	51.73 %
Depreciation	7,463,018	7,170,466	4.08 %
Other	<u>670,923</u>	<u>1,095,168</u>	(38.74) %
Total	<u>\$ 30,199,854</u>	<u>\$ 30,011,641</u>	0.63 %

The decrease in charges for services was attributed to the decline in consumption which was offset by rate increases. The increase in personnel services is due to re-organizing the administrative cost so that the Sewer fund will support their own expenditures. Contractual services decreased \$1,459,731 or 17.67%. This decrease is caused by the capitalization of engineering and architecture costs related to construction by the sewer fund. Utilities increased due to an increase in rates. The decrease in interest and fiscal charges is due to the repayment of several outstanding OWDA loans. The City also disposed of capital assets belonging to the sewer fund. The assets that were not fully depreciated at the time of disposal are accounted for as a loss on disposal of assets.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Nonoperating Expenses</u></b>			
Interest expense and fiscal charges	\$ (455,715)	\$ (862,782)	47.18 %
Loss on disposal of capital assets	<u>(284,086)</u>	<u>-</u>	(100.00) %
Total	<u>\$ (739,801)</u>	<u>\$ (862,782)</u>	14.25 %

**CITY OF DAYTON, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Capital Assets and Debt Administration**

***Capital Assets***

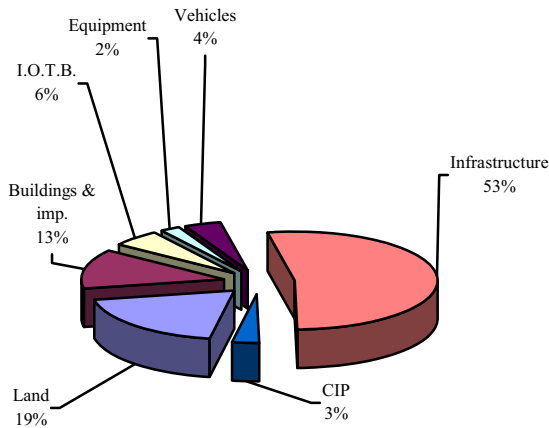
The City restated capital assets as described in Note 3.B. At the end of fiscal 2008, the City had \$777,821,818 (net of accumulated depreciation) invested in land, buildings and improvements, improvements other than buildings, equipment, vehicles, infrastructure and construction in progress (CIP). Of this total, \$334,356,820 was reported in governmental activities and \$443,464,998 was reported in business-type activities. See Note 10 in the basic financial statements for additional capital asset disclosure. The following table shows fiscal 2008 balances compared to 2007:

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

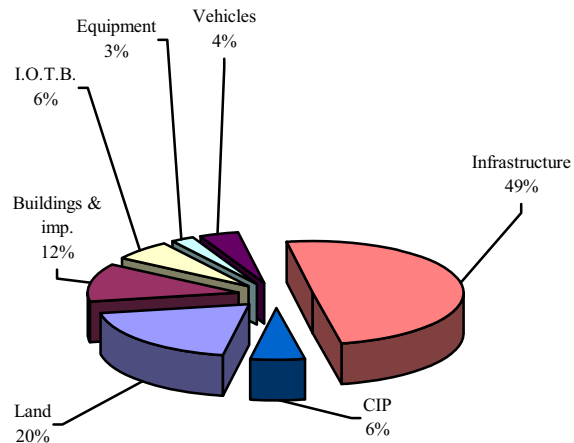
	Governmental Activities <u>2008</u>	(Restated) Governmental Activities <u>2007</u>	Business-Type Activities <u>2008</u>	(Restated) Business-Type Activities <u>2007</u>	Total <u>2008</u>	Total <u>2007</u>
Land	\$ 64,248,442	\$ 62,974,185	\$ 42,663,240	\$ 42,197,495	\$ 106,911,682	\$ 105,171,680
Buildings and improvements	43,233,493	38,200,113	87,665,083	90,610,876	130,898,576	128,810,989
Improvements other than buildings	18,830,388	20,057,567	267,683,200	249,892,760	286,513,588	269,950,327
Equipment	7,632,609	8,300,502	7,654,579	7,811,964	15,287,188	16,112,466
Vehicles	13,623,073	13,730,649	12,989,172	13,930,870	26,612,245	27,661,519
Infrastructure	176,873,327	159,479,083	-	-	176,873,327	159,479,083
Construction in progress	9,915,488	19,027,494	24,809,724	33,890,189	34,725,212	52,917,683
<b>Total</b>	<b>\$ 334,356,820</b>	<b>\$ 321,769,593</b>	<b>\$ 443,464,998</b>	<b>\$ 438,334,154</b>	<b>\$ 777,821,818</b>	<b>\$ 760,103,747</b>

The following graphs show the breakdown of governmental capital assets by category for 2008 and 2007.

**Capital Assets - Governmental Activities 2008**



**Capital Assets - Governmental Activities 2007**



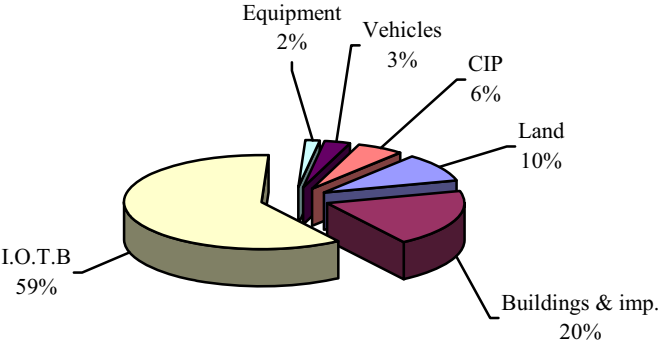
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, right-of-way, street lighting, and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 53% of the City's total governmental capital assets.

**CITY OF DAYTON, OHIO**

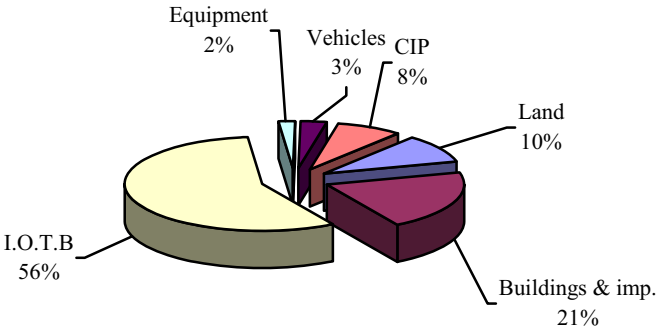
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

The following graphs show the breakdown of business-type capital assets by category for 2008 and 2007.

**Capital Assets - Business-Type Activities 2008**



**Capital Assets - Business-Type Activities 2007**



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 59% of the City's total business-type capital assets.



**CITY OF DAYTON, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2008 and 2007:

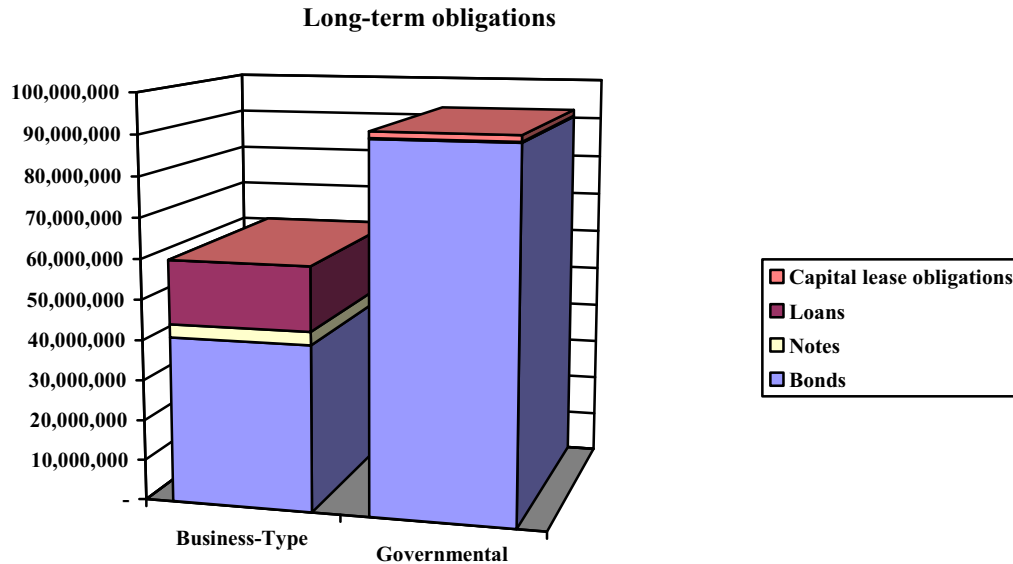
	Governmental Activities 2008	Governmental Activities 2007
General obligation bonds	\$ 49,441,334	\$ 54,900,224
Revenue bonds	40,500,000	9,015,000
Special assessment bonds	409,600	555,600
Total bonds	<u>90,350,934</u>	<u>64,470,824</u>
OPWC loans	208,176	-
Capital lease obligations	1,494,000	1,995,000
Total long-term obligations	<u>\$ 92,053,110</u>	<u>\$ 66,465,824</u>
	Business-type Activities 2008	Business-type Activities 2007
General obligation bonds	\$ 1,653,666	\$ 1,874,776
Revenue bonds	38,095,000	39,185,000
Total bonds	<u>39,748,666</u>	<u>41,059,776</u>
DIA Long-term Notes	1,885,000	3,285,000
Total Notes	<u>1,885,000</u>	<u>3,285,000</u>
OWDA loans	11,774,364	15,055,215
OPWC loans	600,000	650,000
Total loans	<u>12,374,364</u>	<u>15,705,215</u>
Total long-term obligations	<u>\$ 54,008,030</u>	<u>\$ 60,049,991</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.

## CITY OF DAYTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008



#### *Economic Factors and the 2008 Budget*

##### **Introduction**

From pundits to the president, wherever you look, people are talking about the economy. It's clear why there is so much talk. By the end of 2008, the current recession was already the third longest since WWII and was expected to be the worst since the great depression. In the fall of 2008, when credit markets seized, when consumers retreated for cover, and when the stock market sold off sharply, the situation seemed almost surreal. Now, after several months of dire economic news, state and local governments together with the federal government are preparing for one of the largest pieces of legislation in our country's history. The American Recovery and Reinvestment Act, also known as the economic stimulus plan, provides \$787 billion for various infrastructures, energy, technology and other spending programs to help bolster our ailing economy.

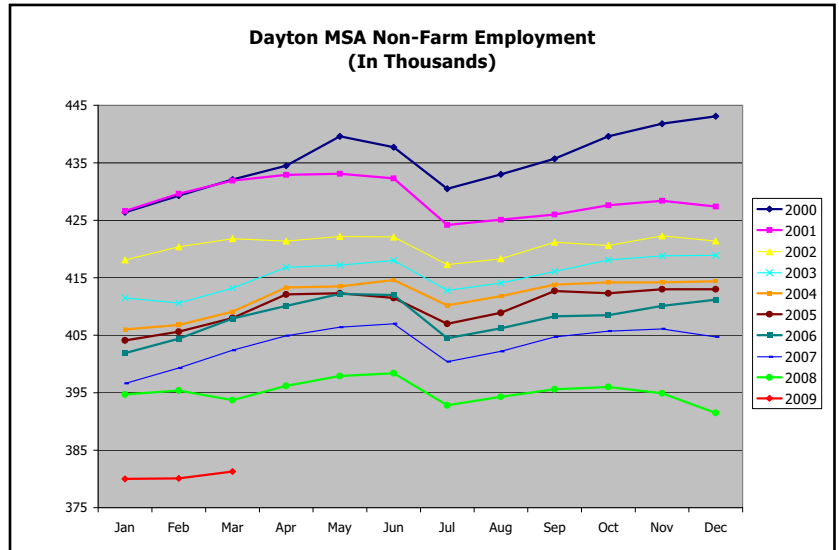
A major catalyst for our current economic travails was an overbought housing market, which resulted from years of lax lending standards. When millions of sub prime mortgages began to default, many of which had been securitized into mortgage-backed securities, the problem moved from Main Street to Wall Street. The house of cards collapsed quickly and devastatingly when Lehman Brothers, a once trusted and admired investment powerhouse went bankrupt. This set in motion a series of unfortunate events. The Reserve Fund's highly respected money market mutual fund, which many investors considered to be as safe as the proverbial mattress, "broke the buck" or fell below the \$1 per share par value. This was followed by a wave of commercial bank failures, government takeovers and multiple trillions of dollars in Federal Reserve lending and relief programs. Moreover, stress in many sectors, namely financial, automotive and retail to name a few, brought many companies to the brink as sales and profits plunged.

## CITY OF DAYTON, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

#### Employment

Unlike most of the nation, the Dayton region has been mired in economic decline for nearly a decade. In fact, in December of 2008, the region had its lowest level of employment since the late 1980s. In other words, our region did not recover from the last recession in 2001 as the graph to the right illustrates. The major cause of the economic malaise can be summed up in one word: manufacturing. In the first half of the last century, Dayton enjoyed a strong and growing industrial sector. Companies like Delco, NCR, McCall's and Mead, called Dayton their home. However, beginning in the 1970s the manufacturing base began a protracted and painful decline.



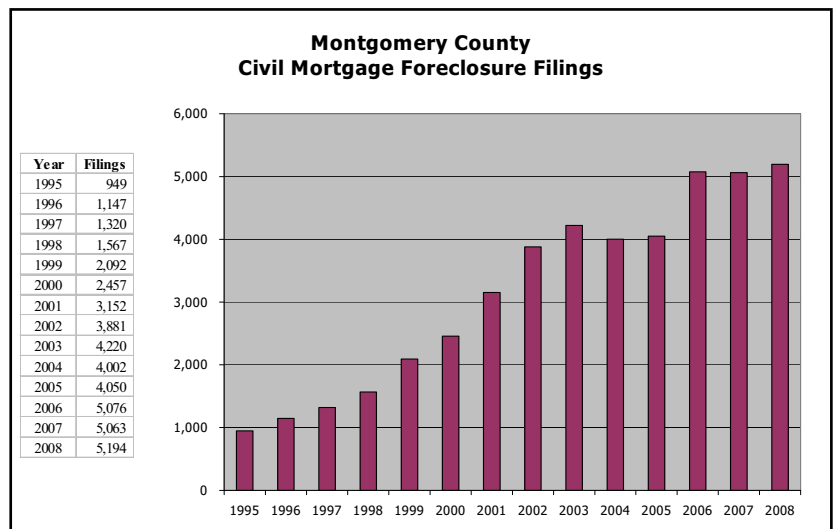
This decline has been exacerbated by the current global recession; manufacturing lost 6,600 jobs in 2008 and has continued this descent in 2009 as seen in the chart above. Unfortunately, job losses during this recession have not been limited to just manufacturing. Every sector except Education & Health Services and Government has experienced declines. Unemployment in the Dayton metropolitan area currently stands at 11.1% while the City is even higher at 12.3%. Given that the City's major revenue source is the income tax, or the 2.25% tax on wages and net profits earned in the City, the recent downturn and loss of jobs will negatively impact City revenues.

#### Population

Certainly, one major factor underlying the weak performance of Dayton and others is the lack of population growth. But what is not clear is the direction of the causation. In other words, is the lack of job growth the cause of population loss because workers go elsewhere to find opportunities or is it the lack of population that is affecting the lackluster job growth?

#### Housing/Property Values

Foreclosures in Ohio have been elevated for several years and in 2007 were up 88%, the sixth highest in the nation. Low interest rates, flush credit and, in some cases, unscrupulous lenders combined with significant job losses have produced the consequence of mounting delinquencies followed by burgeoning foreclosures and sheriff sales.



## **CITY OF DAYTON, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

For the past 5 years, Montgomery County has earned the dubious distinction of having the first or second highest number of foreclosure filings per capita in the State. The mortgage foreclosure crisis and plunging property values have subtracted almost \$5 trillion in equity from the U.S. housing market. Locally, the city of Dayton did not participate in the rapid price appreciation experienced in such markets as Las Vegas, Miami, Phoenix and Los Angeles. Yet, we have not been immune to the foreclosure crisis. Interestingly, the contracting local economy over the past decade was largely responsible for our high foreclosure rate. Conversely, it was the mortgage meltdown that caused economic decline across the nation.

As the graph above depicts, foreclosures in Montgomery County began to escalate in the late 1990s and for the last three years have registered more than 5,000 foreclosures annually. This is a five-fold increase from 1995. Consequently, residential property tax delinquencies have been steadily rising.

#### **Local Government Revenue Sharing**

Another significant fallout from the challenging economic times is the revenue sharing the City receives from the State of Ohio. The Local Government Fund is composed of 3.68% of all General Revenue Fund tax sources distributed to municipalities based on a locally approved formula.

Subsequent to the development of the City's 2009 budget, the State of Ohio revised its Local Government Fund projections downward by 6.9% over 2008 actual receipts. Since the December revision, State tax sources are significantly under budget, which translates into even fewer dollars to distribute to local governments than projected.

#### **Next Year's Budget and Rates**

Despite the very difficult economic conditions faced by the City organization, the unencumbered general fund balance on a budgetary basis is expected to remain within the minimum policy parameter level of 6 weeks of operating reserves.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, 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.cityofdayton.org](http://www.cityofdayton.org).

BASIC  
FINANCIAL STATEMENTS

**CITY OF DAYTON, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 100,366,206	\$ 135,123,581	\$ 235,489,787	\$ 370,578
Investments . . . . .	77,085	-	77,085	825,000
Receivables (net of allowances for uncollectibles):				
Property and other local taxes . . . . .	24,928,744	-	24,928,744	-
Municipal income taxes . . . . .	15,900,309	-	15,900,309	-
Accounts . . . . .	3,970,588	15,625,692	19,596,280	114,658
Contracts . . . . .	-	-	-	1,898,643
Special assessments . . . . .	1,462,104	744,053	2,206,157	-
Accrued interest . . . . .	1,026,391	629,346	1,655,737	1,972,949
Loans . . . . .	26,260,000	-	26,260,000	19,274,729
Other . . . . .	-	-	-	238,482
Internal balances . . . . .	(316,922)	316,922	-	-
Due from other governments . . . . .	24,380,265	676,437	25,056,702	-
Prepayments . . . . .	375,397	256,942	632,339	107,496
Materials and supplies inventory . . . . .	-	1,779,891	1,779,891	-
Inventory held for resale . . . . .	667,196	-	667,196	-
Deposits . . . . .	-	-	-	10,704
Unamortized bond issue costs . . . . .	1,007,967	1,686,911	2,694,878	-
Advances to component unit . . . . .	11,076,643	2,033,626	13,110,269	-
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	-	72,198	72,198	586,256
Cash with fiscal and escrow agents . . . . .	484,866	3,076,653	3,561,519	-
Equity investments . . . . .	-	-	-	1,711,909
Deferred bond costs . . . . .	-	-	-	71,842
Capital assets:				
Land and construction in progress . . . . .	74,163,930	67,472,964	141,636,894	-
Depreciable capital assets, net . . . . .	260,192,890	375,992,034	636,184,924	11,717,896
Total capital assets . . . . .	<u>334,356,820</u>	<u>443,464,998</u>	<u>777,821,818</u>	<u>11,717,896</u>
<b>Total assets . . . . .</b>	<u>546,023,659</u>	<u>605,487,250</u>	<u>1,151,510,909</u>	<u>38,901,142</u>

-- Continued

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DAYTON, OHIO**

STATEMENT OF NET ASSETS (CONTINUED)  
DECEMBER 31, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 3,184,437	\$ 3,422,919	\$ 6,607,356	\$ 1,415,767
Contracts payable . . . . .	2,570,374	5,236,666	7,807,040	-
Accrued wages and benefits . . . . .	4,991,561	1,609,261	6,600,822	-
Retainage payable . . . . .	1,325,324	953,903	2,279,227	-
Grants payable . . . . .	-	-	-	458,683
Due to other governments . . . . .	8,052,709	789,350	8,842,059	-
Unearned revenue . . . . .	18,978,218	-	18,978,218	-
Accrued interest payable . . . . .	323,439	242,254	565,693	5,085
Accrued liabilities and other payables . . . . .	-	-	-	1,432,798
Advances from primary government . . . . .	-	-	-	13,110,269
Payable from restricted assets:				
Utility deposits . . . . .	-	72,198	72,198	-
Accrued interest payable . . . . .	-	155,080	155,080	-
Long-term liabilities:				
Due within one year . . . . .	15,800,437	5,201,643	21,002,080	1,962,333
Due in more than one year . . . . .	95,889,435	52,398,967	148,288,402	7,289,090
<b>Total liabilities . . . . .</b>	<b>151,115,934</b>	<b>70,082,241</b>	<b>221,198,175</b>	<b>25,674,025</b>
<b>Minority interest</b>	-	-	-	7,140
<b>Net assets:</b>				
Invested in capital assets, net of related debt . . . . .	282,480,043	389,630,233	672,110,276	8,668,751
Restricted for:				
Permanent fund:				
Expendable . . . . .	60,606	-	60,606	-
Nonexpendable . . . . .	102,228	-	102,228	-
Capital projects . . . . .	23,716,343	-	23,716,343	-
Debt service . . . . .	46,010,148	-	46,010,148	-
Housing and urban development . . . . .	4,987,993	-	4,987,993	-
Special projects . . . . .	11,676,804	-	11,676,804	-
Street and highway projects . . . . .	3,479,157	-	3,479,157	-
Construction projects . . . . .	-	-	-	1,490
Funds received for grants and contracts, not yet expended . . . . .	-	-	-	684,766
Program income from revolving loans . . . . .	-	-	-	95,836
Other purposes . . . . .	5,449,078	-	5,449,078	-
Unrestricted . . . . .	16,945,325	145,774,776	162,720,101	3,769,134
<b>Total net assets . . . . .</b>	<b>\$ 394,907,725</b>	<b>\$ 535,405,009</b>	<b>\$ 930,312,734</b>	<b>\$ 13,219,977</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF DAYTON, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

		<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. . . . .	\$ 5,570,112	\$ 570,059	\$ -	\$ -
Youth, education and human services. . . . .	2,583,667	40,322	2,404,551	-
Community development and neighborhoods . . . . .	21,460,067	2,313,335	6,232,712	91,800
Economic development . . . . .	9,810,580	1,161,369	1,376,512	13,300,006
Leadership and quality of life . . . . .	48,563,961	5,128,446	6,926,322	97,769
Corporate responsibility. . . . .	17,442,665	2,341,620	588,538	-
Public safety and justice. . . . .	101,533,014	17,328,246	2,895,344	-
Other . . . . .	683,122	27,277	-	-
Interest and fiscal charges. . . . .	4,849,682	-	-	-
<b>Total governmental activities . . . . .</b>	<b>212,496,870</b>	<b>28,910,674</b>	<b>20,423,979</b>	<b>13,489,575</b>
<b>Business-type Activities:</b>				
Dayton International Airport . . . . .	31,958,820	31,067,418	-	21,316,626
Water . . . . .	45,811,605	48,944,620	-	-
Sewer . . . . .	30,855,192	30,398,157	-	-
Other business-type activity funds:				
Golf. . . . .	3,196,937	3,291,376	-	-
Storm Water. . . . .	5,090,241	6,688,476	-	-
<b>Total business-type activities . . . . .</b>	<b>116,912,795</b>	<b>120,390,047</b>	<b>-</b>	<b>21,316,626</b>
<b>Total primary government . . . . .</b>	<b>\$ 329,409,665</b>	<b>\$ 149,300,721</b>	<b>\$ 20,423,979</b>	<b>\$ 34,806,201</b>
<b>Component Unit:</b>				
CityWide Development Corporation . . . . .	\$ 7,035,899	\$ 2,569,555	\$ -	\$ 4,614,780

**General Revenues:**

Property taxes levied for:

    General purposes. . . . .

    Debt service . . . . .

    Capital projects . . . . .

Income taxes levied for:

    General purposes. . . . .

Grants and entitlements not restricted to specific programs . . . . .

Investment earnings . . . . .

Miscellaneous . . . . .

Total general revenues . . . . .

Transfers . . . . .

Total general revenues and transfers. . . . .

Change in net assets . . . . .

**Net assets, January 1 (restated). . . . .**

**Net assets, December 31. . . . .**

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>
\$ (5,000,053)	\$ -	\$ (5,000,053)	\$ -
(138,794)	-	(138,794)	-
(12,822,220)	-	(12,822,220)	-
6,027,307	-	6,027,307	-
(36,411,424)	-	(36,411,424)	-
(14,512,507)	-	(14,512,507)	-
(81,309,424)	-	(81,309,424)	-
(655,845)	-	(655,845)	-
(4,849,682)	-	(4,849,682)	-
<u>(149,672,642)</u>	<u>-</u>	<u>(149,672,642)</u>	<u>-</u>
-	20,425,224	20,425,224	-
-	3,133,015	3,133,015	-
-	(457,035)	(457,035)	-
-	94,439	94,439	-
-	1,598,235	1,598,235	-
<u>-</u>	<u>24,793,878</u>	<u>24,793,878</u>	<u>-</u>
<u>(149,672,642)</u>	<u>24,793,878</u>	<u>(124,878,764)</u>	<u>-</u>
-	-	-	<u>148,436</u>
11,416,153	-	11,416,153	-
11,395,652	-	11,395,652	-
1,355,313	-	1,355,313	-
108,868,331	-	108,868,331	-
17,912,684	-	17,912,684	-
5,340,622	2,764,220	8,104,842	21,818
11,889,101	-	11,889,101	-
168,177,856	2,764,220	170,942,076	21,818
344,798	(344,798)	-	-
<u>168,522,654</u>	<u>2,419,422</u>	<u>170,942,076</u>	<u>21,818</u>
18,850,012	27,213,300	46,063,312	170,254
376,057,713	508,191,709	884,249,422	13,049,723
<u>\$ 394,907,725</u>	<u>\$ 535,405,009</u>	<u>\$ 930,312,734</u>	<u>\$ 13,219,977</u>

**CITY OF DAYTON, OHIO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2008**

	<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 . . . . .	\$ 40,384,697	\$ 15,502,614	\$ 13,884,843	\$ 16,424,603	\$ 86,196,757
Investments . . . . .	-	-	-	77,085	77,085
Receivables (net of allowance for uncollectibles):					
Property and other local taxes . . . . .	12,483,649	12,445,095	-	-	24,928,744
Municipal income taxes . . . . .	15,900,309	-	-	-	15,900,309
Accounts . . . . .	3,888,246	-	9,786	66,399	3,964,431
Special assessments . . . . .	603,515	582,638	-	275,951	1,462,104
Accrued interest . . . . .	972,746	20,366	17,550	15,729	1,026,391
Loans . . . . .	-	26,260,000	-	-	26,260,000
Interfund loans . . . . .	726,399	-	-	-	726,399
Prepayments . . . . .	340,001	-	12,510	-	352,511
Due from other funds . . . . .	29,284	-	-	78,870	108,154
Due from other governments . . . . .	8,236,237	533,546	9,971,610	5,608,978	24,350,371
Advances to component unit . . . . .	-	-	5,393,043	5,683,600	11,076,643
Restricted assets:					
Cash with fiscal and escrow agents . . . . .	-	484,866	-	-	484,866
<b>Total assets . . . . .</b>	<b>\$ 83,565,083</b>	<b>\$ 55,829,125</b>	<b>\$ 29,289,342</b>	<b>\$ 28,231,215</b>	<b>\$ 196,914,765</b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 1,422,563	\$ 948	\$ 1,290,828	\$ 347,369	\$ 3,061,708
Contracts payable . . . . .	335,082	2,880	1,470,558	712,354	2,520,874
Accrued wages and benefits . . . . .	4,388,175	2,601	28,344	391,749	4,810,869
Compensated absences payable . . . . .	486,454	-	-	64,771	551,225
Retainage payable . . . . .	-	-	1,325,324	-	1,325,324
Interfund loans payable . . . . .	-	-	-	326,399	326,399
Due to other funds . . . . .	202,313	-	27,945	16,634	246,892
Due to other governments . . . . .	5,920,408	-	-	4,701	5,925,109
Claimants payable . . . . .	25,577	-	-	-	25,577
Pollution remediation obligation . . . . .	-	-	1,430,000	-	1,430,000
Voluntary termination benefits . . . . .	442,339	-	-	57,384	499,723
Deferred revenue . . . . .	17,258,759	4,084,624	7,314,493	4,403,409	33,061,285
Unearned revenue . . . . .	9,489,109	9,489,109	-	-	18,978,218
<b>Total liabilities . . . . .</b>	<b>39,970,779</b>	<b>13,580,162</b>	<b>12,887,492</b>	<b>6,324,770</b>	<b>72,763,203</b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	1,703,624	45,564	21,815,726	15,360,536	38,925,450
Reserved for prepayments . . . . .	340,001	-	12,510	-	352,511
Reserved for claims . . . . .	375,130	-	-	-	375,130
Reserved for advances to component unit . . . . .	-	-	5,393,043	5,683,600	11,076,643
Reserved for debt service . . . . .	-	15,943,399	-	-	15,943,399
Reserved for contributions to permanent fund . . . . .	-	-	-	102,228	102,228
Reserved for loans . . . . .	-	26,260,000	-	-	26,260,000
Unreserved, designated for various projects, reported in:					
General fund . . . . .	10,172,634	-	-	-	10,172,634
Special revenue funds . . . . .	-	-	-	1,116,000	1,116,000
Unreserved, undesignated (deficit), reported in:					
General fund . . . . .	31,002,915	-	-	-	31,002,915
Special revenue funds . . . . .	-	-	-	(416,332)	(416,332)
Permanent fund . . . . .	-	-	-	60,413	60,413
Capital projects funds . . . . .	-	-	(10,819,429)	-	(10,819,429)
<b>Total fund balances . . . . .</b>	<b>43,594,304</b>	<b>42,248,963</b>	<b>16,401,850</b>	<b>21,906,445</b>	<b>124,151,562</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 83,565,083</b>	<b>\$ 55,829,125</b>	<b>\$ 29,289,342</b>	<b>\$ 28,231,215</b>	<b>\$ 196,914,765</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, 2008

<b>Total governmental fund balances</b>		\$ 124,151,562
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		333,009,060
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 5,911,972	
Income tax	6,618,914	
Special assessments	1,462,104	
State shared taxes	6,086,450	
Charges for services	1,521,935	
Accrued interest	627,532	
Intergovernmental revenues	10,832,378	
<b>Total</b>	<b>33,061,285</b>	33,061,285
Unamortized premiums on bond issuances are not recognized in the funds		(302,143)
Unamortized bond issuance costs are not recognized in the funds.		1,007,967
Unamortized deferred charges on refundings are not recorded in the funds.		312,025
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 on the statement of net assets. The net assets of the internal service funds, including internal balances of \$417,392, are:		7,504,770
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 (exclusive of internal service fund liabilities).		
Accrued interest payable	(323,439)	
Special assessment bonds	(409,600)	
General obligation bonds	(49,441,334)	
Revenue bonds	(40,500,000)	
Compensated absences	(11,110,252)	
OPWC loan	(208,176)	
Pollution remediation obligations	(350,000)	
Capital lease payable	(1,494,000)	
<b>Total</b>	<b>(103,836,801)</b>	(103,836,801)
<b>Net assets of governmental activities</b>		<b>\$ 394,907,725</b>

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, 2008

	<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 . . . . .	\$ 109,008,881	\$ -	\$ -	\$ -	\$ 109,008,881
Property and other taxes . . . . .	9,890,704	9,870,203	1,355,313	-	21,116,220
State shared taxes . . . . .	16,252,571	-	-	6,136,936	22,389,507
Charges for services . . . . .	22,900,500	-	89,219	936,730	23,926,449
Licenses and permits . . . . .	1,803,864	-	10,699	2,590	1,817,153
Fines and forfeitures . . . . .	1,805,640	-	-	1,103,221	2,908,861
Intergovernmental . . . . .	1,314,139	1,089,139	9,727,400	13,577,070	25,707,748
Special assessments . . . . .	286,250	162,985	12,329	84,483	546,047
Investment income . . . . .	4,061,572	90,752	70,906	63,521	4,286,751
Increase (decrease) in FMV of investments . . . . .	577,390	18,974	16,352	(13,231)	599,485
Other . . . . .	5,111,371	236,802	4,107,744	2,433,184	11,889,101
Total revenues . . . . .	<u>173,012,882</u>	<u>11,468,855</u>	<u>15,389,962</u>	<u>24,324,504</u>	<u>224,196,203</u>
<b>Expenditures:</b>					
Current:					
Downtown . . . . .	3,729,197	560,000	-	315,000	4,604,197
Youth, education and human services . . . . .	128,532	-	-	2,452,915	2,581,447
Community development and neighborhoods . . . . .	14,524,168	-	13,532	6,443,902	20,981,602
Economic development . . . . .	3,607,301	-	1,960,529	5,623,454	11,191,284
Leadership and quality of life . . . . .	28,046,613	-	14,412	13,615,278	41,676,303
Corporate responsibility . . . . .	15,005,722	-	-	1,396,048	16,401,770
Public safety and justice . . . . .	96,101,123	-	-	3,908,428	100,009,551
Other . . . . .	685,888	-	-	-	685,888
Capital outlay . . . . .	-	-	24,852,628	-	24,852,628
Debt service:					
Principal retirement . . . . .	-	6,151,464	-	501,000	6,652,464
Interest and fiscal charges . . . . .	-	4,707,848	-	-	4,707,848
Bond issuance costs . . . . .	-	598,836	-	-	598,836
Total expenditures . . . . .	<u>161,828,544</u>	<u>12,018,148</u>	<u>26,841,101</u>	<u>34,256,025</u>	<u>234,943,818</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	11,184,338	(549,293)	(11,451,139)	(9,931,521)	(10,747,615)
<b>Other financing sources (uses):</b>					
Sale of bonds . . . . .	-	24,125,480	7,874,520	-	32,000,000
Loan proceeds . . . . .	-	-	239,750	-	239,750
Discount on bond issuance . . . . .	-	(348,901)	-	-	(348,901)
Transfers in . . . . .	-	344,798	1,720,000	7,766,407	9,831,205
Transfers out . . . . .	(9,556,407)	-	-	-	(9,556,407)
Total other financing sources (uses) . . . . .	<u>(9,556,407)</u>	<u>24,121,377</u>	<u>9,834,270</u>	<u>7,766,407</u>	<u>32,165,647</u>
Net change in fund balances . . . . .	1,627,931	23,572,084	(1,616,869)	(2,165,114)	21,418,032
<b>Fund balances at beginning of year (restated) . . . . .</b>	<u>41,966,373</u>	<u>18,676,879</u>	<u>18,018,719</u>	<u>24,071,559</u>	<u>102,733,530</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 43,594,304</u>	<u>\$ 42,248,963</u>	<u>\$ 16,401,850</u>	<u>\$ 21,906,445</u>	<u>\$ 124,151,562</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, 2008

<b>Net change in fund balances - total governmental funds</b>		<b>\$ 21,418,032</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental 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 (\$24,555,847) exceeded depreciation expense (\$11,630,078) in the current period (exclusive of internal service fund activity).		12,925,769
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations) is to decrease net assets.		(316,003)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	\$ 3,050,898	
Income tax	(140,550)	
Special assessments	(1,675,085)	
State shared taxes	(1,365,346)	
Charges for services	33,352	
Accrued interest	454,386	
Intergovernmental revenues	<u>6,448,226</u>	
Total		6,805,881
Repayments of bond and capital lease principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities on the statement of net assets.		
Bond principal payments	6,151,464	
Capital lease principal payments	<u>501,000</u>	
Total		6,652,464
Issuance of bonds and loans are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		(32,239,750)
Discounts on bonds and bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the fiscal year:		
Discount on bonds	348,901	
Bond issuance costs	<u>598,836</u>	
Total		947,737
In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:		
Increase in accrued interest payable	(80,488)	
Amortization of bond issue costs	(54,842)	
Amortization of bond premiums and discounts	24,961	
Amortization of deferred charges on refundings	<u>(31,465)</u>	
Total		(141,834)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated absences	331,426	
Pollution remediation obligation	<u>1,430,000</u>	
Total		1,761,426
Internal service funds used by management to charge the costs of fleet management, fire fleet management, stores and reproduction, workers' compensation, and plumbing to individual funds are not reported in the entity-wide statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balances of \$459,157, is allocated among governmental activities.		<u>1,036,290</u>
<b>Change in net assets of governmental activities</b>		<b><u>\$ 18,850,012</u></b>

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, 2008

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 110,703,100	\$ 108,295,200	\$ 110,449,891	\$ 2,154,691
Property and other local taxes . . . . .	10,912,461	10,648,461	10,534,043	(114,418)
State shared taxes . . . . .	16,464,000	15,615,100	15,703,851	88,751
Charges for services . . . . .	22,803,700	21,991,800	23,122,822	1,131,022
Licenses and permits. . . . .	1,491,800	1,407,400	1,394,029	(13,371)
Fines and forfeitures. . . . .	1,566,000	1,746,200	1,755,332	9,132
Intergovernmental . . . . .	1,389,139	1,389,139	1,276,639	(112,500)
Special assessments . . . . .	267,200	447,400	286,250	(161,150)
Investment income . . . . .	6,661,400	5,032,000	4,098,016	(933,984)
Other . . . . .	2,150,600	2,086,500	1,908,112	(178,388)
<b>Total revenues. . . . .</b>	<b>174,409,400</b>	<b>168,659,200</b>	<b>170,528,985</b>	<b>1,869,785</b>
<b>Expenditures:</b>				
Current:				
Downtown . . . . .	3,752,800	3,842,800	3,675,743	167,057
Youth, education and human services. . . . .	173,000	173,000	127,140	45,860
Community development and neighborhoods. . . . .	14,140,700	14,286,400	13,983,524	302,876
Economic development . . . . .	3,744,100	4,156,000	3,657,330	498,670
Leadership and quality of life . . . . .	28,862,400	29,699,500	28,013,547	1,685,953
Corporate responsibility. . . . .	16,011,300	16,410,500	15,038,942	1,371,558
Public safety and justice . . . . .	96,550,400	97,725,400	94,864,445	2,860,955
Other. . . . .	1,649,700	1,751,700	987,207	764,493
<b>Total expenditures. . . . .</b>	<b>164,884,400</b>	<b>168,045,300</b>	<b>160,347,878</b>	<b>7,697,422</b>
Excess of revenues over expenditures. . . . .	9,525,000	613,900	10,181,107	9,567,207
<b>Other financing uses:</b>				
Transfers in . . . . .	220,000	-	50,589	50,589
Transfers out . . . . .	(9,745,000)	(13,508,000)	(9,556,407)	3,951,593
<b>Total other financing uses . . . . .</b>	<b>(9,525,000)</b>	<b>(13,508,000)</b>	<b>(9,505,818)</b>	<b>4,002,182</b>
Net change in fund balance. . . . .	-	(12,894,100)	675,289	13,569,389
<b>Fund balance at beginning of year. . . . .</b>	<b>16,877,105</b>	<b>16,877,105</b>	<b>16,877,105</b>	<b>-</b>
<b>Prior year encumbrances appropriated. . . . .</b>	<b>4,356,658</b>	<b>4,356,658</b>	<b>4,356,658</b>	<b>-</b>
<b>Fund balance at end of year. . . . .</b>	<b>21,233,763</b>	<b>\$ 8,339,663</b>	<b>\$ 21,909,052</b>	<b>\$ 13,569,389</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF DAYTON, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31,2008

	<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 . . . . .	\$ 68,411,064	\$ 38,174,445	\$ 23,068,134
Receivables (net of allowance for uncollectibles):			
Special assessments . . . . .	-	-	408,074
Accounts . . . . .	2,502,198	7,030,544	4,712,286
Accrued interest . . . . .	445,062	184,284	-
Due from other funds . . . . .	-	3,364,575	-
Due from other governments . . . . .	620,834	41,968	-
Prepayments. . . . .	106,255	133,663	17,024
Materials and supplies inventory . . . . .	30,938	1,748,953	-
Inventory held for resale . . . . .	-	-	-
Advances to component unit. . . . .	-	2,033,626	-
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	-	72,198	-
Cash with fiscal and escrow agents. . . . .	3,076,653	-	-
Total current assets	<u>75,193,004</u>	<u>52,784,256</u>	<u>28,205,518</u>
Noncurrent assets:			
Unamortized bond issuance costs. . . . .	1,663,454	-	-
Capital assets:			
Land and construction in progress . . . . .	54,965,004	8,291,645	3,076,013
Depreciable capital assets, net . . . . .	161,258,957	105,455,594	92,987,755
Total capital assets . . . . .	<u>216,223,961</u>	<u>113,747,239</u>	<u>96,063,768</u>
Total noncurrent assets . . . . .	<u>217,887,415</u>	<u>113,747,239</u>	<u>96,063,768</u>
Total assets. . . . .	<u>293,080,419</u>	<u>166,531,495</u>	<u>124,269,286</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>	
\$ 5,469,938	\$ 135,123,581	\$ 14,169,449
335,979	744,053	-
1,380,664	15,625,692	6,157
-	629,346	-
-	3,364,575	265,632
13,635	676,437	29,894
-	256,942	22,886
-	1,779,891	-
-	-	667,196
-	2,033,626	-
-	72,198	-
-	3,076,653	-
<u>7,200,216</u>	<u>163,382,994</u>	<u>15,161,214</u>
23,457	1,686,911	-
1,140,302	67,472,964	75,000
<u>16,289,728</u>	<u>375,992,034</u>	<u>1,272,760</u>
<u>17,430,030</u>	<u>443,464,998</u>	<u>1,347,760</u>
<u>17,453,487</u>	<u>445,151,909</u>	<u>1,347,760</u>
<u>24,653,703</u>	<u>608,534,903</u>	<u>16,508,974</u>

-- Continued

**CITY OF DAYTON, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS (CONTINUED)  
 DECEMBER 31, 2008

	<b>Business-type Activities</b>		
	<b>Dayton International Airport</b>	<b>Water</b>	<b>Sewer</b>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	1,116,438	1,232,369	1,025,970
Contracts payable . . . . .	4,026,380	754,299	392,504
Accrued wages and benefits . . . . .	440,081	710,417	305,446
Compensated absences - current. . . . .	331,756	784,610	235,924
Retainage payable . . . . .	689,876	121,258	107,881
Interfund loan payable. . . . .	-	-	-
Accrued interest payable. . . . .	13,500	-	222,712
Due to other funds . . . . .	209	112,279	2,781,441
Due to other governments . . . . .	676,173	112,283	452
Claims payable - current. . . . .	-	-	-
Voluntary termination benefits. . . . .	26,428	160,121	10,821
General obligation notes payable - current. . . . .	1,400,000	-	-
General obligation bonds payable - current. . . . .	-	-	-
OWPC loan payable - current. . . . .	-	-	50,000
OWDA loan payable - current. . . . .	-	-	651,442
Payable from restricted assets:			
Utility deposits . . . . .	-	72,198	-
Accrued interest payable . . . . .	155,080	-	-
Revenue bonds - current. . . . .	1,115,000	-	-
Total current liabilities. . . . .	<u>9,990,921</u>	<u>4,059,834</u>	<u>5,784,593</u>
Noncurrent liabilities:			
Compensated absences. . . . .	542,658	884,601	414,196
Claims payable . . . . .	-	-	-
General obligation bonds payable . . . . .	-	-	-
General obligation notes payable. . . . .	485,000	-	-
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding). . . . .	36,806,735	-	-
OPWC loan payable . . . . .	-	-	550,000
OWDA loan payable . . . . .	-	-	11,122,922
Total noncurrent liabilities. . . . .	<u>37,834,393</u>	<u>884,601</u>	<u>12,087,118</u>
Total liabilities . . . . .	<u>47,825,314</u>	<u>4,944,435</u>	<u>17,871,711</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	176,417,226	113,747,239	83,689,404
Unrestricted. . . . .	68,837,879	47,839,821	22,708,171
Total net assets . . . . .	<u>\$ 245,255,105</u>	<u>\$ 161,587,060</u>	<u>\$ 106,397,575</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 Activities - Internal Service Funds</b>
<b>Other Enterprise</b>	<b>Total</b>	
48,142	3,422,919	122,729
63,483	5,236,666	49,500
153,317	1,609,261	180,692
134,946	1,487,236	162,299
34,888	953,903	-
-	-	400,000
6,042	242,254	-
571,116	3,465,045	26,424
442	789,350	2,127,600
-	-	240,543
22,875	220,245	13,135
-	1,400,000	-
277,720	277,720	-
-	50,000	-
-	651,442	-
-	72,198	-
-	155,080	-
-	1,115,000	-
<u>1,312,971</u>	<u>21,148,319</u>	<u>3,322,922</u>
216,909	2,058,364	237,234
-	-	5,026,656
1,375,946	1,375,946	-
-	485,000	-
-	36,806,735	-
-	550,000	-
-	11,122,922	-
<u>1,592,855</u>	<u>52,398,967</u>	<u>5,263,890</u>
<u>2,905,826</u>	<u>73,547,286</u>	<u>8,586,812</u>
15,776,364	389,630,233	1,347,760
5,971,513	145,357,384	6,574,402
<u>\$ 21,747,877</u>	<u>534,987,617</u>	<u>\$ 7,922,162</u>
	<u>417,392</u>	
	<u>\$ 535,405,009</u>	

**CITY OF DAYTON, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Business-type Activities -</b>		
	<b>Dayton International Airport</b>	<b>Water</b>	<b>Sewer</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 24,199,137	\$ 45,382,902	\$ 29,612,848
Other . . . . .	6,868,281	3,561,718	785,309
<b>Total operating revenues . . . . .</b>	<b>31,067,418</b>	<b>48,944,620</b>	<b>30,398,157</b>
<b>Operating expenses:</b>			
Personal services . . . . .	9,179,423	15,395,093	7,328,269
Benefit payments . . . . .	2,723,465	5,170,299	2,125,066
Contractual services . . . . .	3,662,022	3,685,395	6,800,395
Materials and supplies . . . . .	932,089	6,008,238	2,119,791
Utilities . . . . .	1,832,641	6,729,124	3,692,392
Cost of sales . . . . .	-	-	-
Depreciation . . . . .	8,973,698	6,343,172	7,463,018
Claims . . . . .	-	-	-
Other . . . . .	2,568,210	2,426,838	670,923
<b>Total operating expenses . . . . .</b>	<b>29,871,548</b>	<b>45,758,159</b>	<b>30,199,854</b>
<b>Operating income (loss) . . . . .</b>	<b>1,195,870</b>	<b>3,186,461</b>	<b>198,303</b>
<b>Nonoperating revenues (expenses):</b>			
Interest revenue . . . . .	1,566,398	841,141	-
Increase in fair market value of investments . . . . .	224,033	132,648	-
Loss on disposal of capital assets . . . . .	(29,828)	(239,581)	(284,086)
Interest expense and fiscal charges . . . . .	(2,211,477)	-	(455,715)
<b>Total nonoperating revenues (expenses) . . . . .</b>	<b>(450,874)</b>	<b>734,208</b>	<b>(739,801)</b>
<b>Income (loss) before capital contributions and transfers . . . . .</b>	<b>744,996</b>	<b>3,920,669</b>	<b>(541,498)</b>
Capital contributions . . . . .	21,316,626	-	-
Transfers in . . . . .	-	-	-
Transfers out . . . . .	-	-	-
<b>Changes in net assets . . . . .</b>	<b>22,061,622</b>	<b>3,920,669</b>	<b>(541,498)</b>
<b>Net assets, January 1 (Restated) . . . . .</b>	<b>223,193,483</b>	<b>157,666,391</b>	<b>106,939,073</b>
<b>Net assets, December 31 . . . . .</b>	<b>\$ 245,255,105</b>	<b>\$ 161,587,060</b>	<b>\$ 106,397,575</b>

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>	
\$ 9,942,858	\$ 109,137,745	\$ 15,716,125
36,994	11,252,302	5,862
<u>9,979,852</u>	<u>120,390,047</u>	<u>15,721,987</u>
3,777,897	35,680,682	4,323,961
1,020,447	11,039,277	1,240,703
1,701,659	15,849,471	1,186,231
684,555	9,744,673	311,300
210,017	12,464,174	25,465
-	-	5,688,598
619,065	23,398,953	100,819
-	-	1,380,896
243,529	5,909,500	38,567
<u>8,257,169</u>	<u>114,086,730</u>	<u>14,296,540</u>
<u>1,722,683</u>	<u>6,303,317</u>	<u>1,425,447</u>
-	2,407,539	-
-	356,681	-
-	(553,495)	-
<u>(64,535)</u>	<u>(2,731,727)</u>	<u>-</u>
<u>(64,535)</u>	<u>(521,002)</u>	<u>-</u>
1,658,148	5,782,315	1,425,447
-	21,316,626	-
-	-	70,000
<u>(344,798)</u>	<u>(344,798)</u>	<u>-</u>
1,313,350	26,754,143	1,495,447
<u>20,434,527</u>		<u>6,426,715</u>
<u>\$ 21,747,877</u>		<u>\$ 7,922,162</u>
	<u>459,157</u>	
	<u>\$ 27,213,300</u>	

**CITY OF DAYTON, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<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 . . . . .	\$ 25,030,761	\$ 45,829,507	\$ 30,305,434
Cash received from interfund services provided. . . . .	-	-	-
Cash received from other operating revenues . . . . .	6,900,245	4,018,377	802,905
Cash payments for personal services . . . . .	(9,107,167)	(15,029,556)	(7,256,827)
Cash payments for fringe benefits . . . . .	(2,713,784)	(5,148,120)	(2,086,729)
Cash payments for contract services. . . . .	(6,659,724)	(3,332,599)	(7,110,665)
Cash payments for materials and supplies. . . . .	(917,466)	(5,942,528)	(2,084,604)
Cash payments for cost of goods sold. . . . .	-	-	-
Cash payments for utilities . . . . .	(1,995,427)	(7,055,525)	(3,571,486)
Cash payments for claims . . . . .	-	-	-
Cash payments for other operating expenses . . . . .	(2,578,316)	(2,428,936)	(676,912)
Net cash provided by (used in) operating activities. . . . .	<u>7,959,122</u>	<u>10,910,620</u>	<u>8,321,116</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from advance to component unit . . . . .	-	590,142	-
Cash payments from advance to component unit . . . . .	-	(746,155)	-
Cash received from interfund loans. . . . .	-	-	-
Transfers in. . . . .	-	-	-
Transfers out. . . . .	-	-	-
Net cash provided by (used in) noncapital financing activities. . . . .	<u>-</u>	<u>(156,013)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	(15,094,115)	(6,516,570)	(4,016,304)
Cash received from sale of capital assets. . . . .	-	85,287	48,706
Capital contributions . . . . .	23,354,717	-	-
Principal paid on notes . . . . .	(1,400,000)	-	-
Interest paid on notes. . . . .	(164,250)	-	-
Principal paid on bonds. . . . .	(1,090,000)	-	-
Interest paid on bonds . . . . .	(1,935,506)	-	-
Principal paid on loans . . . . .	-	-	(3,330,851)
Interest paid on loans. . . . .	-	-	(673,575)
Net cash provided by (used in) capital and related financing activities. . . . .	<u>3,670,846</u>	<u>(6,431,283)</u>	<u>(7,972,024)</u>
<b>Cash flows from investing activities:</b>			
Interest received . . . . .	1,676,185	858,351	-
Net cash provided by investing activities . . . . .	<u>1,676,185</u>	<u>858,351</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents . . . . .	13,306,153	5,181,675	349,092
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>58,181,564</u>	<u>33,064,968</u>	<u>22,719,042</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u>\$ 71,487,717</u>	<u>\$ 38,246,643</u>	<u>\$ 23,068,134</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>	
\$ 9,981,014	\$ 111,146,716	\$ -
-	-	15,771,236
37,327	11,758,854	5,862
(3,719,298)	(35,112,848)	(4,292,823)
(1,040,569)	(10,989,202)	(1,228,066)
(1,843,216)	(18,946,204)	(1,180,785)
(680,418)	(9,625,016)	(243,997)
-	-	(5,664,823)
(235,976)	(12,858,414)	(24,388)
-	-	(5,875,117)
(260,777)	(5,944,941)	(38,511)
<u>2,238,087</u>	<u>29,428,945</u>	<u>(2,771,412)</u>
-	590,142	-
-	(746,155)	-
-	-	400,000
-	-	70,000
<u>(344,798)</u>	<u>(344,798)</u>	<u>-</u>
<u>(344,798)</u>	<u>(500,811)</u>	<u>470,000</u>
(1,030,108)	(26,657,097)	(78,280)
-	133,993	-
-	23,354,717	-
-	(1,400,000)	-
-	(164,250)	-
(221,110)	(1,311,110)	-
(60,396)	(1,995,902)	-
-	(3,330,851)	-
-	(673,575)	-
<u>(1,311,614)</u>	<u>(12,044,075)</u>	<u>(78,280)</u>
-	2,534,536	-
-	<u>2,534,536</u>	-
581,675	19,418,595	(2,379,692)
<u>4,888,263</u>	<u>118,853,837</u>	<u>16,549,141</u>
<u>\$ 5,469,938</u>	<u>\$ 138,272,432</u>	<u>\$ 14,169,449</u>

- - continued

**CITY OF DAYTON, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<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 (used in) operating activities:</b>			
Operating income (loss) . . . . .	\$ 1,195,870	\$ 3,186,461	\$ 198,303
Adjustments:			
Depreciation . . . . .	8,973,698	6,343,172	7,463,018
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable . . . . .	863,588	304,325	525,034
Decrease in due from other funds . . . . .	-	493,397	17,596
(Increase) in prepaid assets . . . . .	(13,175)	(32,157)	(11,984)
(Increase) decrease in due from other governments . . . . .	-	92,041	31,349
Decrease in special assessments receivable . . . . .	-	-	136,203
(Increase) decrease in materials and supplies inventory . . . . .	16,171	(58,915)	-
Decrease in inventory held for resale . . . . .	-	-	-
Increase (decrease) in accounts payable . . . . .	(265,158)	77,094	399,206
Increase (decrease) in contracts payable . . . . .	539,897	31,655	(4,959)
(Decrease) in airline settlement payable . . . . .	(3,665,177)	-	-
Increase (decrease) in retainage payable . . . . .	253,447	43,606	(80,600)
Increase in accrued wages and benefits . . . . .	55,537	111,425	67,900
Increase (decrease) in due to other funds . . . . .	(26,672)	43,735	(461,877)
Increase (decrease) in due to other governments . . . . .	4,696	(15,011)	48
Increase in voluntary termination benefits payable . . . . .	26,428	160,121	10,821
Increase in utility deposits . . . . .	-	13,501	-
Increase (decrease) in compensated absences payable . . . . .	(28)	116,170	31,058
Decrease in claims payable . . . . .	-	-	-
Net cash provided by (used in) operating activities . . . . .	<u>\$ 7,959,122</u>	<u>\$ 10,910,620</u>	<u>\$ 8,321,116</u>

**Non-cash transactions:**

During 2008, the Dayton International Airport received \$3,217,427 in capital grants, which was recognized as a receivable in 2007. A receivable in the amount of \$1,179,336 has been recorded for capital grants in 2008.

At December 31, 2008, the Water, Sewer, Dayton International Airport and Storm Sewer enterprise funds purchased \$350,388, \$325,910, \$4,444,664 and \$92,470, respectively, in capital assets on account. At December 31, 2007, Water fund, Sewer fund, Dayton International Airport fund and Storm Sewer fund (a nonmajor enterprise fund) purchased \$612,364, \$348,353, \$1,682,612 and \$9,915, respectively, in capital assets

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>	
\$ 1,722,683	\$ 6,303,317	\$ 1,425,447
619,065	23,398,953	100,819
(81,868)	1,611,079	15,763
333	511,326	100,359
-	(57,316)	(3,830)
(13,635)	109,755	9,378
133,659	269,862	-
-	(42,744)	-
-	-	23,775
(189,609)	21,533	43,295
27,762	594,355	8,250
-	(3,665,177)	-
34,888	251,341	-
9,652	244,514	21,228
(53,672)	(498,486)	(44,643)
4	(10,263)	(64,678)
22,875	220,245	13,135
-	13,501	-
5,950	153,150	9,833
-	-	(4,429,543)
<u>\$ 2,238,087</u>	<u>\$ 29,428,945</u>	<u>\$ (2,771,412)</u>

**CITY OF DAYTON, OHIO**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
DECEMBER 31, 2008**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 5,042,786
Cash and cash equivalents with fiscal agent . . . . .	1,067,339
Investments with fiscal agent . . . . .	4,346,344
Receivables (net of allowance for uncollectibles):	
Accounts . . . . .	<u>326,554</u>
Total assets . . . . .	<u>\$ 10,783,023</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 85,928
Due to other governments . . . . .	2,263,051
Due to others. . . . .	3,802,539
Withholdings and deposits . . . . .	<u>4,631,505</u>
Total liabilities . . . . .	<u>\$ 10,783,023</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, 2008

#### 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; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

##### *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 20.

##### *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 2008. 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 2008. 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, 2008

**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 1.75% income tax effective January 1, 2008. 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. The City received \$63,025 in revenues through the JEDD in 2008.

*Butler Township-Dayton Joint Economic Development District* - In an effort to promote regional growth and economic development, the City has entered into a contract with Butler Township to create a Joint Economic Development District (JEDD). The City entered into a separate contract with Butler Township in July, 2006. In accordance with State Law, the Districts Board of Trustees levied a 1.75% income tax effective in 2008. The proceeds of that tax are allocated, in accordance with the contract, 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 District will utilize these JEDD revenues to facilitate economic development to create or preserve jobs and employment opportunities and to improve economic welfare. The City did not receive revenues through the JEDD in 2008.

*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 2008. Financial information can be obtained from Linda Gum, Administrative Assistant, at 451 West Third Street, Dayton, Ohio 45402.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

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 2008. Financial information can be obtained from Sue Daily, Executive Director, at 451 West Third Street, P.O. Box 972, Dayton, Ohio 45422-3100.

Hazardous Material Response Team - The City is a member of a Hazardous Material Response Team ("HAZMAT") 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 HAZMAT Advisory Board oversees the operation of HAZMAT and consists of representatives from sixteen organizations. The City's ability to affect operations is limited to its representation on the Board.

The Board established hazardous materials incident response guidelines to provide for response procedures in the event of an incident. In the event of a hazardous material incident within any local government that is a member of this organization, the other members will respond to render assistance. The funding for the operation of the response team is through contributions from each entity. In addition, the persons or company responsible for any hazardous materials emergency is required by State law to reimburse the team any costs associated with clean up. There is no explicit and measurable equity interest in HAZMAT. During 2008, the City contributed \$23,765 to HAZMAT. 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 members 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 2008. 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.



**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

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

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

**C. Fund Accounting**

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

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

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

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

*Capital improvements fund* - To account for resources used to purchase equipment and construct capital assets.

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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

***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.

*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.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

##### D. Measurement Focus

**Government-wide Financial Statements** - The government-wide and proprietary 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. 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 goods or services that are the primary activity of the fund.

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

##### E. Basis of Accounting

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

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

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, interest, grants, fees and rentals.

*Unearned Revenue and Deferred Revenue* - Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance year 2009 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue.

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

Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2008, are recorded as deferred revenue.

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

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

**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.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

All funds, except agency funds, are legally required to be budgeted. The Capital Improvement fund and the HUD Programs fund (a nonmajor governmental 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.

The City prepares its budget on a non-GAAP budgetary basis which is the modified accrual basis with certain 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 2008.

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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**G. Cash and Cash Equivalents**

Cash balances of the City's funds, except cash and cash equivalents and investments held by fiscal agents, 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 Programs fund (a nonmajor governmental fund) had expended amounts greater than its share of the cash management pool of cash and cash equivalents. This fund had a negative cash balance at year-end that was eliminated by a short-term interfund loan from the general fund. This loan is classified as an "interfund receivable" and "interfund payable" on the fund financial statements (see Note 5.B.).

During 2008, investments were limited to 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, 2008. 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 shares price which is the price the investment could be sold for on December 31, 2008.

For purposes of the statement of cash flows and for presentation on the financial statements, 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".

Interest income is distributed to the funds according to City Ordinance and statutory requirements. Interest revenue earned during 2008 was \$4,061,572 in the general fund, which includes \$2,966,817 assigned from other City funds.

**H. Inventory of Supplies**

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**I. Restricted Assets**

Restricted assets are those which are legally restricted in their use by bond indentures, or other legal instruments. Restricted assets in the enterprise funds include “equity in pooled cash and cash equivalents” and “cash with fiscal and escrow agents”. The “equity in pooled cash and cash equivalents” represent utility deposits held by the City. The “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 baseball revenue bonds.

**J. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated 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 capitalized in the proprietary funds.

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

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**K. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” On fund financial statements, long-term interfund loans are classified as “advances to/from other funds” on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. All other outstanding balances outstanding between funds are reported as “due to/from other funds.” 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 as “advances to component unit”.

**L. Prepayments**

Payments made to vendors for services that will benefit periods beyond December 31, 2008, 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.

**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.



**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, 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, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are reported as a separate line item on the statement of net assets.

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and 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 and discounts are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 13.

**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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**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, the street maintenance fund (a nonmajor governmental fund) and the highway maintenance fund (a nonmajor governmental fund):

*General fund*

<u>Project</u>	<u>Amount Designated</u>
Special assessments	\$ 199,305
Employee termination	4,593,499
27th payroll administration	2,862,000
Unclaimed money	376,939
Unemployment	1,040,472
PRC sponsorships	151,216
DEDE contractual services	187,500
Mediation center	258,592
Employee professional development	91,119
Newsrack district	11,163
Unallocated clearing account	377,263
Police professional development	14,360
Mayor's heritage celebration	9,206
Total general fund	<u>\$ 10,172,634</u>
<i>Street maintenance</i>	\$ 816,000
<i>Highway maintenance</i>	<u>300,000</u>
Total nonmajor governmental funds	<u>\$ 1,116,000</u>

**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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**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 did not have any net assets restricted by enabling legislation.

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2008, the City has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 had an effect on the financial statements of the City, see Note 3.B. below for prior period adjustment.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the City.

**B. Prior Period Adjustments**

Governmental and business-type net assets will be restated due to errors and omissions of capital assets. Governmental activities will also be restated for the implementation of GASB Statement No. 49. The implementation of GASB Statement No. 49 had the following effect on fund balance of the governmental activities as previously reported:

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

	<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	\$ 41,966,373	\$ 18,676,879	\$ 20,228,719	\$ 24,071,559	\$ 104,943,530
GASB Statement No. 49 adjustment	-	-	(2,210,000)	-	(2,210,000)
Restated fund balance as of January 1, 2008	<u>\$ 41,966,373</u>	<u>\$ 18,676,879</u>	<u>\$ 18,018,719</u>	<u>\$ 24,071,559</u>	<u>\$ 102,733,530</u>

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

	<u>Dayton International Airport</u>	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Net assets					
as previously reported	\$ 222,108,163	\$ 158,304,054	\$ 107,489,073	\$ 20,434,527	\$ 508,335,817
Capital asset adjustment	1,085,320	(637,663)	(550,000)	-	(102,343)
Restated net assets as of January 1, 2008	<u>\$ 223,193,483</u>	<u>\$ 157,666,391</u>	<u>\$ 106,939,073</u>	<u>\$ 20,434,527</u>	<u>\$ 508,233,474</u>

The implementation of GASB Statement No. 49 and the capital assets adjustment had the following effect on net assets of the governmental and business-type activities as previously reported:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net assets as previously reported	\$ 380,666,216	\$ 508,294,052
GASB Statement No. 49 adjustment	(3,990,000)	-
Capital asset adjustment	(618,503)	(102,343)
Restated net assets of January 1, 2008	<u>\$ 376,057,713</u>	<u>\$ 508,191,709</u>

**C. Compliance**

Contrary to Ohio Revised Code Section 5705.10, the City had a negative cash balance in the HUD Programs fund (a nonmajor governmental fund) of \$326,399. For GAAP purposes, this amount has been reported as a fund liability (see Note 5.B.).

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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 items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
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;
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.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

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.

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. Cash on Hand

At year-end, the City had \$54,357 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and cash equivalents".

#### B. Deposits with Financial Institutions

At December 31, 2008, the carrying amount of all City deposits was \$3,784,408. As of December 31, 2008, \$9,878,732 of the City's bank balance of \$10,735,090 was exposed to custodial risk as discussed below, while \$856,358 was covered by the FDIC.

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. 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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**C. Investments**

As of December 31, 2008, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities					Total
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months	
U.S. Treasury Notes	\$ 2,060,700	\$ -	\$ -	\$ -	\$ 2,060,700	\$ -	\$ 2,060,700
FFCB	20,240,700	10,109,400	10,131,300	-	-	-	20,240,700
FHLMC	30,214,800	10,053,100	-	10,007,800	10,153,900	-	30,214,800
FHLB	113,354,838	30,261,038	51,628,100	31,465,700	-	-	113,354,838
FNMA	20,153,100	10,140,600	-	10,012,500	-	-	20,153,100
City owned debt	2,954,600	-	-	-	-	2,954,600	2,954,600
Executive severance							
money market	959,405	959,405	-	-	-	-	959,405
Stock	77,085	77,085	-	-	-	-	77,085
U.S. Government							
money market	6,948,458	6,948,458	-	-	-	-	6,948,458
STAR Ohio	48,854,607	48,854,607	-	-	-	-	48,854,607
<b>Total</b>	<b>\$ 245,818,293</b>	<b>\$ 117,403,693</b>	<b>\$ 61,759,400</b>	<b>\$ 51,486,000</b>	<b>\$ 12,214,600</b>	<b>\$ 2,954,600</b>	<b>\$ 245,818,293</b>

The weighted average maturity of investments is .70 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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. 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 Finance Director or qualified trustee.

*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 investment policy limits its investments in federal agency securities to ratings of A or better by Standard & Poor's and Moody's Investor Services. The City's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

The following table includes the percentage of each investment type held by the City at December 31, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
U.S. Treasury notes	\$ 2,060,700	0.84
FFCB	20,240,700	8.23
FHLMC	30,214,800	12.29
FHLB	113,354,838	46.12
FNMA	20,153,100	8.20
City Owned Debt	2,954,600	1.20
Executive severance money market	959,405	0.39
Stock	77,085	0.03
U.S. Government money market	6,948,458	2.83
STAR Ohio	48,854,607	19.87
Total	<u>\$ 245,818,293</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,784,408
Investments	245,818,293
Cash on hand	<u>54,357</u>
Total	<u>\$ 249,657,058</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 100,928,157
Business type activities	138,272,432
Agency funds	<u>10,456,469</u>
Total	<u>\$ 249,657,058</u>



**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Due from/to other funds consisted of the following at December 31, 2008, as reported on the fund statements:

Due to	Due from								Due from total
	General	Capital improvements	Nonmajor special revenue	Dayton international airport	Water	Sewer	Nonmajor enterprise	Internal service	
General	\$ -	\$ 20	\$ 2,080	\$ 6	\$ 2,130	\$ 40	\$ -	\$ 25,008	\$ 29,284
Nonmajor governmental	34,877	-	-	-	43,993	-	-	-	78,870
Internal service	167,360	10,311	13,885	203	66,156	4,834	2,520	363	265,632
Water	76	17,614	669	-	-	2,776,567	568,596	1,053	3,364,575
Due to total	<u>\$ 202,313</u>	<u>\$ 27,945</u>	<u>\$ 16,634</u>	<u>\$ 209</u>	<u>\$ 112,279</u>	<u>\$ 2,781,441</u>	<u>\$ 571,116</u>	<u>\$ 26,424</u>	<u>\$ 3,738,361</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.

Amounts due to/from other funds between governmental funds are eliminated on the government-wide financial statements. Amounts due to/from other funds between governmental activities and business-type activities are reported as an internal balance on the statement of net assets.

- B. Interfund balances, related to items other than charges for goods and services rendered, at December 31, 2008, consist of the following individual fund loan receivable and payable as reported on the fund statements:

Interfund payable to:	Nonmajor governmental	Internal service	Total
General	\$ 326,399	\$ 400,000	\$ 726,399
Total	<u>\$ 326,399</u>	<u>\$ 400,000</u>	<u>\$ 726,399</u>

The interfund loan payable in the nonmajor governmental funds to the general fund is to cover a negative cash balance in the HUD Programs fund at year-end. This interfund loan will be repaid as resources become available in the HUD programs fund.

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

- C. Advances to component unit and advances from primary government consisted of the following at December 31, 2008, as reported on the fund statements:

Advance to	Capital improvement	Nonmajor governmental	Water	Total
Component unit	<u>\$ 5,393,043</u>	<u>\$ 5,683,600</u>	<u>\$ 2,033,626</u>	<u>\$ 13,110,269</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

- D. Interfund transfers for the year ended December 31, 2008, consisted of the following, as reported on the fund statements:

<u>Transfer from</u>	Transfers to				<u>Total</u>
	<u>Capital improvement</u>	<u>Nonmajor governmental</u>	<u>Debt service</u>	<u>Internal service funds</u>	
General	\$ 1,720,000	\$ 7,766,407	\$ -	\$ 70,000	\$ 9,556,407
Other enterprise	-	-	344,798	-	344,798
Total	<u>\$ 1,720,000</u>	<u>\$ 7,766,407</u>	<u>\$ 344,798</u>	<u>\$ 70,000</u>	<u>\$ 9,901,205</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.

Transfers between governmental funds are eliminated on the government-wide financial statements. Transfers between governmental activities and business-type activities are reported as transfers on the statement of activities.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2008-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2008 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2008 was \$10 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 1,719,423,440
Commercial/industrial/mineral	558,651,030
Tangible personal property	13,367,820

Public utility

Real	1,185,070
Personal	<u>73,970,130</u>
Total assessed value	<u>\$ 2,366,597,490</u>

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### 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, on March 14, 2006, the City renewed their additional .50% levy through December 31, 2014. 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 2008, as reported in the governmental fund financial statements on the modified accrual basis of accounting, was \$109,008,881.

#### NOTE 8 - RECEIVABLES

Receivables at December 31, 2008, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest, loans 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, 2008, as well as intended to finance 2008 operations.

A summary of the principal items of receivables reported on the statement of net assets follows:

##### **Governmental activities:**

Municipal income taxes	\$ 15,900,309
Property and other local taxes	24,928,744
Accounts	3,970,588
Special assessments	1,462,104
Accrued interest	1,026,391
Loans	26,260,000
Due from other governments	24,380,265

##### **Business-type activities:**

Accounts	\$ 15,625,692
Special assessment	744,053
Accrued interest	629,346
Due from other governments	676,437

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 2028 (See Note 9).

**CITY OF DAYTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 9 - LOANS RECEIVABLE**

**A. Riverfront Area Redevelopment Enterprises, Inc.**

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, 2008, the amount owed to the City was \$6,160,000.

**B. Dayton-Montgomery County Port Authority**

During 2008, the City issued \$32,000,000 in economic development revenue bonds payable from nontax revenues of the City. The City loaned \$20,100,000 of the proceeds to the Dayton-Montgomery County Port Authority (the "Port Authority") to assist in financing the costs of constructing a parking facility to be used by CareSource, a nonprofit corporation. The Port Authority will make loan payments semiannually on July 1 and December 1 at a 4.67% interest rate. The final loan payment is due December 1, 2028. At December 31, 2008, the amount owed to the City was \$20,100,000.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 10 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities and business-type activities have been restated due to errors and omissions in the amounts reported in the prior year (See Note 3.A.). These adjustments had the following effect on the balances previously reported:

	Balance		Restated
	12/31/07	Adjustments	Balance
<u><b>Governmental Activities:</b></u>	<u>12/31/07</u>	<u>Adjustments</u>	<u>12/31/07</u>
Land	\$ 62,974,185	\$ -	\$ 62,974,185
Construction in progress	19,027,494	-	19,027,494
Building improvements	100,436,177	(618,503)	99,817,674
Improvements other than buildings	53,772,962	-	53,772,962
Equipment	22,874,587	-	22,874,587
Motor vehicles	47,956,935	-	47,956,935
Infrastructure	210,863,558	-	210,863,558
Less: accumulated depreciation	<u>(195,517,802)</u>	<u>-</u>	<u>(195,517,802)</u>
Total	<u>\$ 322,388,096</u>	<u>\$ (618,503)</u>	<u>\$ 321,769,593</u>
			Restated
	Balance		Balance
<u><b>Business-Type Activities:</b></u>	<u>12/31/07</u>	<u>Adjustments</u>	<u>12/31/07</u>
Land	\$ 42,197,495	\$ -	\$ 42,197,495
Construction in progress	35,077,852	(1,187,663)	33,890,189
Buildings and improvements	159,699,625	-	159,699,625
Improvements other than buildings	547,551,418	1,085,321	548,636,739
Equipment	16,144,787	-	16,144,787
Vehicles	39,449,039	-	39,449,039
Less: accumulated depreciation	<u>(401,683,719)</u>	<u>-</u>	<u>(401,683,719)</u>
Total	<u>\$ 438,436,497</u>	<u>\$ (102,342)</u>	<u>\$ 438,334,155</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**B.** Capital asset activity for the year ended December 31, 2008, was as follows:

	Restated Balance <u>12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/08</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 62,974,185	\$ 1,274,257	\$ -	\$ 64,248,442
Construction in progress	<u>19,027,494</u>	<u>16,432,902</u>	<u>(25,544,908)</u>	<u>9,915,488</u>
Total capital assets, not being depreciated	<u>82,001,679</u>	<u>17,707,159</u>	<u>(25,544,908)</u>	<u>74,163,930</u>
<i>Capital assets, being depreciated:</i>				
Building improvements	99,817,674	7,385,168	-	107,202,842
Improvements other than buildings	53,772,962	78,661	-	53,851,623
Equipment	22,874,587	738,576	(508,797)	23,104,366
Motor vehicles	47,956,935	2,305,350	(8,050,920)	42,211,365
Infrastructure	<u>210,863,558</u>	<u>21,964,121</u>	<u>-</u>	<u>232,827,679</u>
Total capital assets, being depreciated	<u>435,285,716</u>	<u>32,471,876</u>	<u>(8,559,717)</u>	<u>459,197,875</u>
<i>Less: accumulated depreciation</i>				
Building improvements	(61,617,561)	(2,351,788)	-	(63,969,349)
Improvements other than buildings	(33,715,395)	(1,305,840)	-	(35,021,235)
Equipment	(14,574,085)	(1,353,167)	455,495	(15,471,757)
Motor vehicles	(34,226,286)	(2,150,225)	7,788,219	(28,588,292)
Infrastructure	<u>(51,384,475)</u>	<u>(4,569,877)</u>	<u>-</u>	<u>(55,954,352)</u>
Total accumulated depreciation	<u>(195,517,802)</u>	<u>(11,730,897)</u>	<u>8,243,714</u>	<u>(199,004,985)</u>
Total capital assets being depreciated, net	<u>239,767,914</u>	<u>20,740,979</u>	<u>(316,003)</u>	<u>260,192,890</u>
Governmental activities capital assets, net	<u>\$ 321,769,593</u>	<u>\$ 38,448,138</u>	<u>\$ (25,860,911)</u>	<u>\$ 334,356,820</u>

Depreciation expense was charged to functions of the governmental activities as follows:

<b><u>Governmental activities:</u></b>	
Downtown	\$ 1,011,314
Youth, education and human services	2,075
Community development and neighborhoods	447,834
Economic development	87,979
Leadership and quality of life	6,614,425
Corporate responsibility	1,253,090
Public safety and justice	<u>2,314,180</u>
Total depreciation expense - governmental activities	<u>\$ 11,730,897</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

	Restated Balance <u>12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/08</u>
<b>Business-type activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 42,197,495	\$ 465,745	\$ -	\$ 42,663,240
Construction in progress	<u>33,890,189</u>	<u>22,556,469</u>	<u>(31,636,934)</u>	<u>24,809,724</u>
Total capital assets, not being depreciated	<u>76,087,684</u>	<u>23,022,214</u>	<u>(31,636,934)</u>	<u>67,472,964</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	159,699,625	447,529	(325,639)	159,821,515
Improvements other than buildings	548,636,738	34,919,289	(531,129)	583,024,898
Equipment	16,144,787	1,236,399	(1,702,242)	15,678,944
Vehicles	<u>39,449,039</u>	<u>1,228,788</u>	<u>(6,482,167)</u>	<u>34,195,660</u>
Total capital assets, being depreciated	<u>763,930,189</u>	<u>37,832,005</u>	<u>(9,041,177)</u>	<u>792,721,017</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(69,088,749)	(3,363,908)	296,225	(72,156,432)
Improvements other than buildings	(298,743,978)	(17,047,299)	449,579	(315,341,698)
Equipment	(8,332,823)	(1,358,319)	1,666,777	(8,024,365)
Vehicles	<u>(25,518,169)</u>	<u>(1,629,427)</u>	<u>5,941,108</u>	<u>(21,206,488)</u>
Total accumulated depreciation	<u>(401,683,719)</u>	<u>(23,398,953)</u>	<u>8,353,689</u>	<u>(416,728,983)</u>
Total capital assets being depreciated, net	<u>362,246,470</u>	<u>14,433,052</u>	<u>(687,488)</u>	<u>375,992,034</u>
Business-type activities capital assets, net	<u>\$ 438,334,154</u>	<u>\$ 37,455,266</u>	<u>\$ (32,324,422)</u>	<u>\$ 443,464,998</u>

Depreciation expense was charged to the enterprise funds as follows:

<b>Business-type activities:</b>	
Dayton international airport	\$ 8,973,698
Water	6,343,172
Sewer	7,463,018
Storm Water	389,230
Golf	<u>229,835</u>
Total depreciation expense - business type activities	<u>\$ 23,398,953</u>

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

In a previous year, the City entered into a capitalized lease for land.

The lease meets 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.



**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2008:

	Governmental Activities
	Nonmajor Governmental Funds
Year Ending December 31,	
2009	\$ 1,494,000
Total	1,494,000
Less: amount representing interest	-
Present value of minimum lease payments	\$ 1,494,000

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

The City is the lessor of land and space at the Dayton International Airport (the "Airport") under noncancellable leases. The leases are between the Dayton International Airport and various vendors that use the Airport for their operations. The cost of the leased area, the carrying value and the annual depreciation expense cannot be accurately determined as they represent varying percentages of the overall land and building assets of the Airport. The leases have varying terms from three to sixty-five years. The future minimum lease payments as of December 31, 2008, are as follows:

Year Ending December 31,	Minimum Lease Payments
2009	\$ 6,417,077
2010	1,797,609
2011	1,576,006
2012	1,465,197
2013	1,348,564
2014 - 2018	8,418,782
2019 - 2023	5,067,585
2024 - 2028	3,019,307
2029 - 2033	1,768,162
2034 - 2038	1,082,303
Totals	\$ 31,960,592

**CITY OF DAYTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

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 City does possess capital assets relating to this lease agreement as the liability for the construction (baseball revenue bonds payable) are offset by a receivable from the Riverfront Area Redevelopment Enterprises, Inc.; therefore, disclosure of the cost, carrying value and depreciation expense is not required.

The future minimum lease payments as of December 31, 2008, are as follows:

<u>Year Ending December 31,</u>	<u>Minimum Lease Payments</u>
2009	\$ 10,000
2010	10,000
2011	10,000
2012	10,000
2013	10,000
2014 - 2018	50,000
2019	<u>10,000</u>
Totals	<u>\$ 110,000</u>

**CITY OF DAYTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 13 - LONG-TERM OBLIGATIONS**

A. The City's governmental activities long-term obligations have been restated to account for the implementation of GASB Statement No. 49 to account for the City's pollution remediation obligations. 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	Restated			Balance	Amounts
	<u>Date</u>	<u>Date</u>	<u>Rate (%)</u>	<u>Issue</u> <u>Amount</u>	<u>Balance</u> <u>12/31/07</u>	<u>Increase</u>	<u>Decrease</u>	<u>12/31/08</u>	<u>Due in</u> <u>One Year</u>
<b>General obligation bonds:</b>									
Road improvements	06/01/89	12/01/09	7.000	\$ 5,200,000	\$ 520,000	\$ -	\$ (260,000)	\$ 260,000	\$ 260,000
Human rehabilitation center	06/01/89	12/01/09	7.000	2,425,000	250,000	-	(125,000)	125,000	125,000
Police district facilities	06/01/89	12/01/09	7.000	1,815,000	190,000	-	(95,000)	95,000	95,000
Taxable housing improvements	10/01/93	11/01/13	5.35 - 6.5	3,035,000	930,000	-	(155,000)	775,000	155,000
Capital facilities	05/01/98	12/01/18	4.6 - 5.0	15,630,000	1,605,000	-	(850,000)	755,000	755,000
Capital facilities	12/01/98	12/01/20	3.1 - 5.125	22,200,000	9,900,000	-	(575,000)	9,325,000	595,000
Capital facilities	02/01/01	12/01/14	3.75 - 4.65	24,911,861	12,200,224	-	(1,438,890)	10,761,334	1,807,280
Capital facilities	06/09/04	12/01/19	3.0 - 5.25	11,360,000	9,560,000	-	(635,000)	8,925,000	655,000
Capital facilities	10/25/07	12/01/27	4.0 - 5.0	19,745,000	19,745,000	-	(1,325,000)	18,420,000	1,440,000
Total g.o. bonds					54,900,224	-	(5,458,890)	49,441,334	5,887,280
<b>Revenue bonds:</b>									
Economic development - parking facility	01/10/08	12/01/28	4.0 - 5.0	32,000,000	-	32,000,000	-	32,000,000	-
Baseball revenue bonds	03/01/99	12/01/19	5.69 - 6.85	12,190,000	9,015,000	-	(515,000)	8,500,000	545,000
Total revenue bonds					9,015,000	32,000,000	(515,000)	40,500,000	545,000
<b>Special assessment bonds:</b>									
Sidewalk construction	11/01/98	11/01/08	6.000	9,098	900	-	(900)	-	-
Sidewalk construction	11/01/00	11/01/10	6.000	127,575	38,400	-	(12,800)	25,600	12,800
Sidewalk construction	12/01/01	12/01/11	6.000	11,089	4,400	-	(1,100)	3,300	1,100
Sidewalk construction	11/01/02	11/01/12	6.000	251,050	125,500	-	(25,100)	100,400	25,100
Ornamental lighting	11/01/02	11/01/12	6.000	88,276	44,000	-	(8,800)	35,200	8,800
Sidewalk construction	12/01/03	12/01/08	6.000	172,725	35,000	-	(35,000)	-	-
Sidewalk construction	12/01/03	12/01/13	6.000	167,947	100,200	-	(16,700)	83,500	16,700
Sidewalk construction	12/01/04	12/01/09	6.000	112,047	44,800	-	(22,400)	22,400	22,400
Sidewalk construction	12/01/04	12/01/14	6.000	232,415	162,400	-	(23,200)	139,200	23,200
Total special assessment bonds					555,600	-	(146,000)	409,600	110,100

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

	Issue	Maturity	Interest	Original	Restated			Balance	Amounts
	Date	Date	Rate (%)	Issue	Balance	Increase	Decrease	12/31/08	Due in
<i>Governmental activities:</i>	<u>Date</u>	<u>Date</u>	<u>Rate (%)</u>	<u>Amount</u>	<u>12/31/07</u>	<u>Increase</u>	<u>Decrease</u>	<u>12/31/08</u>	<u>One Year</u>
<b>Other long-term obligations:</b>									
Ohio Public Works									
Commission loan	01/01/08	07/01/17	3.0	\$ 239,750	\$ -	\$ 239,750	\$ (31,574)	\$ 208,176	\$ 10,842
Judgements					49,177	93,353	(116,953)	25,577	25,577
Claims					9,696,742	1,445,574	(5,875,117)	5,267,199	240,543
Pollution remediation obligations					3,990,000	-	(2,210,000)	1,780,000	1,430,000
Compensated absences					11,883,251	6,257,422	(6,079,663)	12,061,010	5,544,237
Voluntary termination benefits					-	647,254	(134,396)	512,858	512,858
Capital lease obligations					<u>1,995,000</u>	<u>-</u>	<u>(501,000)</u>	<u>1,494,000</u>	<u>1,494,000</u>
Total other long-term obligations					<u>27,614,170</u>	<u>8,683,353</u>	<u>(14,948,703)</u>	<u>21,348,820</u>	<u>9,258,057</u>
Total governmental activities					<u>\$ 92,084,994</u>	<u>\$ 40,683,353</u>	<u>\$ (21,068,593)</u>	111,699,754	<u>\$ 15,800,437</u>
Less: unamortized deferred charges								(312,025)	
Add: unamortized bond premiums and discounts								<u>302,143</u>	
Total on statement of net assets								<u>\$ 111,689,872</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.

On October 25, 2007, the City issued \$19,745,000 in general obligation bonds to advance refund \$10,035,000 of outstanding general obligation bonds. The remaining issuance of \$9,540,000 was used for capital improvements. The \$10,035,000 issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of current interest bonds, par value \$19,745,000. The interest rates on the current interest bonds range from 4.0% to 5.0%. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2027.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

The City has pledged future nontax revenues in the City's general fund to repay \$12,190,000 in Series 1999 economic development revenue bonds. The proceeds were used for the Dayton baseball stadium project. The Series 1999 revenue bonds are payable solely from nontax revenues in the City's general fund and are payable through 2019. The most significant amounts of nontax revenues in the City's general fund which are pledged for these purposes are derived from charges for services, investment earnings, fines and forfeitures and license and permit fees. Annual principal and interest payments on the revenue bonds are expected to require less than 2.98 percent of general fund nontax revenues. The total principal and interest remaining to be paid on the Series 1999 revenue bonds is \$12,373,514. Principal and interest paid for the current year was \$1,127,288. General fund nontax revenues for the current year were \$37,860,726.

The City has pledged future nontax revenues in the City's general fund to repay \$32,000,000 in Series 2008 economic development revenue bonds. The proceeds were used for the construction of parking facilities and a loan to the Dayton-Montgomery County Port Authority related to the construction of the parking facility. The Series 2008 revenue bonds are payable solely from nontax revenues in the general fund and are payable through 2028. The most significant amounts of nontax revenues in the City's general fund which are pledged for these purposes are derived from charges for services, investment earnings, fines and forfeitures and license permit fees. Annual principal and interest payments on the revenues bonds are expected to require less than 6.36 percent of general fund nontax revenues. The City has designated, through authorizing legislation, nontax revenues from the loan payments made by the Port Authority and income and profit related to the parking facility to be used for the debt repayment. The total principal and interest remaining to be paid on the Series 2008 revenue bonds is \$50,215,207. Interest paid for the current year was \$1,224,141. General fund nontax revenues for the current year were \$37,860,726.

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.

The Ohio Public Works Commission loan was issued for the East Fifth Street rehabilitation project. The loan was issued at a 3.0% interest rate and a maturity date of July 1, 2017. The loan will be paid from the capital improvement fund.

Compensated absences and the voluntary termination benefits will be paid from the fund from which the employees' salaries are paid which for the City is primarily the general fund, Street Maintenance (a nonmajor governmental fund) and the HUD Programs fund (a nonmajor governmental fund).

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

Capital lease obligations will be paid from the nonmajor governmental funds (see Note 11).

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

The pollution remediation obligation includes liabilities for two projects: Dayton Tech Town and NIBCO. As part of the Tech Town project, the City entered into a purchase contract for 24 acres of the former General Motors Harrison Radiator Plant. The City accepted Clean Ohio grant funds obligating the City to complete remediation of approximately 20 acres of land through the Ohio Voluntary Action Program (ORC 3746). As of December 31, 2008, the City has completed \$2,805,000 of the \$4,185,000 remediation work required at this site. The City has reported \$1,030,000 as a current liability in the capital improvement fund. The remaining obligation of \$350,000 is included as a noncurrent liability on the statement of net assets. The City's pollution remediation obligation for this project was prepared by certified professionals hired as consultants for this project. The key assumption in the liability estimate is that General Motors will complete its RCRA obligation that is monitored by the USEPA. The liability has the potential to be reduced upon approval as an urban setting designation for the groundwater by the Ohio EPA.

The City's NIBCO site requires pollution remediation related to the Ohio Voluntary Action Program (ORC 3746). The City performed an environmental investigation on the site and determined that remediation obligations of \$750,000 were required. As of December 31, 2008, the City has completed \$350,000 of the \$750,000 remediation work required at this site. The remaining obligation, in the amount of \$400,000, is reported as a current liability in the capital improvement fund. This liability is based on a Phase II environmental assessment completed in 2005 and updated in 2008. There are no significant changes expected in this estimate.

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2008, the City's total debt margin was \$234,244,649 and the unvoted debt margin was \$116,672,625.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**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, 2008 for the governmental activities:

Year Ending December 31,	General Obligation Bonds			Revenue Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 5,887,280	\$ 2,595,431	\$ 8,482,711	\$ 545,000	\$ 1,952,558	\$ 2,497,558	\$ 110,100	\$ 24,576	\$ 134,676
2010	5,253,244	1,989,021	7,242,265	1,615,000	1,917,787	3,532,787	87,700	17,970	105,670
2011	6,142,699	1,760,380	7,903,079	1,695,000	1,836,656	3,531,656	74,900	12,708	87,608
2012	6,317,709	1,475,289	7,792,998	1,780,000	1,751,187	3,531,187	73,800	8,214	82,014
2013	4,470,201	1,200,096	5,670,297	1,870,000	1,661,177	3,531,177	39,900	3,786	43,686
2014 - 2018	15,165,201	3,474,555	18,639,756	10,900,000	6,772,370	17,672,370	23,200	1,392	24,592
2019 - 2023	4,585,000	785,197	5,370,197	9,050,000	4,122,275	13,172,275	-	-	-
2024 - 2028	1,620,000	186,075	1,806,075	13,045,000	2,074,713	15,119,713	-	-	-
Totals	<u>\$ 49,441,334</u>	<u>\$ 13,466,044</u>	<u>\$ 62,907,378</u>	<u>\$ 40,500,000</u>	<u>\$ 22,088,723</u>	<u>\$ 62,588,723</u>	<u>\$ 409,600</u>	<u>\$ 68,646</u>	<u>\$ 478,246</u>

Year Ending December 31,	Ohio Public Works Commission Loan		
	Principal	Interest	Total
2009	\$ 10,842	\$ 3,123	\$ 13,965
2010	22,173	5,755	27,928
2011	22,844	5,084	27,928
2012	23,535	4,394	27,929
2013	24,246	3,683	27,929
2014 - 2017	104,536	7,178	111,714
Totals	<u>\$ 208,176</u>	<u>\$ 29,217</u>	<u>\$ 237,393</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

**B.** Changes during 2008 in the City's long-term business-type obligations were as follows:

	Issue	Maturity	Interest	Original	Balance			Balance	Amounts
<i>Business-type activities:</i>	<u>Date</u>	<u>Date</u>	<u>Rate (%)</u>	<u>Issue</u>	<u>12/31/07</u>	<u>Increase</u>	<u>Decrease</u>	<u>12/31/08</u>	<u>Due in</u>
				<u>Amount</u>					<u>One Year</u>
<b>General obligation bonds:</b>									
Golf renovations	02/01/01	12/14/14	3.30 to 4.65	\$ 3,828,139	\$ 1,874,776	\$ -	\$ (221,110)	\$ 1,653,666	\$ 277,720
Total general obligation bonds					1,874,776	-	(221,110)	1,653,666	277,720
<b>Revenue bonds:</b>									
Dayton International Airport	10/31/03	12/01/32	2.00 to 5.00	6,085,000	5,620,000	-	(130,000)	5,490,000	130,000
Dayton International Airport	10/31/03	12/01/32	2.00 to 5.35	30,190,000	28,195,000	-	(630,000)	27,565,000	645,000
Dayton International Airport	10/12/05	12/01/20	3.00 to 4.35	6,000,000	5,370,000	-	(330,000)	5,040,000	340,000
Total revenue bonds					39,185,000	-	(1,090,000)	38,095,000	1,115,000
<b>General obligation notes</b>									
Airport notes series A 2006	07/06/06	12/01/10	5.00	4,685,000	3,285,000	-	(1,400,000)	1,885,000	1,400,000
Total general obligation notes					3,285,000	-	(1,400,000)	1,885,000	1,400,000
<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	15,055,215	-	(3,280,851)	11,774,364	651,442
Ohio public works Commission loan	07/01/97	01/01/20	0.00	1,000,000	650,000	-	(50,000)	600,000	50,000
Compensated absences payable					3,392,450	2,175,213	(2,022,063)	3,545,600	1,487,236
Voluntary termination benefits					-	332,544	(112,299)	220,245	220,245
Total other long-term obligations					19,097,665	2,507,757	(5,465,213)	16,140,209	2,408,923
Total business-type activities					\$ 63,442,441	\$ 2,507,757	\$ (8,176,323)	57,773,875	\$ 5,201,643
Less: unamortized deferred charge on refunding								(145,312)	
Less: unamortized bond premiums and discounts								(27,953)	
Total on statement of net assets								\$ 57,600,610	

Enterprise fund general obligation bonds were used for golf renovations. The bonds will be paid from the golf enterprise fund.

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



## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

On October 12, 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.

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. A portion of these bonds were defeased in 2007.

The City has pledged future airport revenues, net of specified operating expenses, to repay \$36,275,000 in Series 2003 and \$6,000,000 in Series 2005 airport revenue bonds. The Series 2003 and 2005 airport revenue bonds are payable solely from airport net revenues and are payable through 2032. Annual principal and interest payments on the bonds are expected to require less than 25.42 percent of net revenues. The total principal and interest remaining to be paid on the Series 2003 and 2005 airport revenue bonds is \$64,974,966. Principal and interest paid for the current year and total customer net revenues were \$2,984,488 and \$11,741,752, respectively.

The Dayton International Airport general obligation notes payable were issued on July 6, 2006 in the amounts of \$4,685,000. These notes will be used for various capital improvements to the Airport.

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, 2008, the City had outstanding borrowings of \$11,774,364 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, 2008, 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.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Compensated absences and voluntary termination benefits will be paid from the fund from which the employees' salaries are paid which, for the City, are primarily the Dayton International Airport fund, the Water fund and the Sewer fund.

The following is a schedule of future principal and interest payments to retire the long-term obligations outstanding at December 31, 2008 for the business-type activities:

Year Ending December 31,	General Obligation Bonds			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 277,720	\$ 72,509	\$ 350,229	\$ 1,115,000	\$ 1,860,958	\$ 2,975,958
2010	241,756	60,983	302,739	1,155,000	1,823,404	2,978,404
2011	362,301	50,709	413,010	1,200,000	1,780,969	2,980,969
2012	372,291	34,948	407,239	1,245,000	1,733,902	2,978,902
2013	199,799	18,381	218,180	1,290,000	1,683,228	2,973,228
2014 - 2018	199,799	9,291	209,090	7,385,000	7,515,544	14,900,544
2019 - 2023	-	-	-	7,615,000	5,644,887	13,259,887
2024 - 2028	-	-	-	8,510,000	3,667,942	12,177,942
2029 - 2032	-	-	-	8,580,000	1,169,132	9,749,132
Totals	<u>\$ 1,653,666</u>	<u>\$ 246,821</u>	<u>\$ 1,900,487</u>	<u>\$ 38,095,000</u>	<u>\$ 26,879,966</u>	<u>\$ 64,974,966</u>

Year Ending December 31,	OWDA Loan			OPWC Loan		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 185,124	\$ 144,491	\$ 329,615	\$ 50,000	\$ -	\$ 50,000
2010	192,509	137,106	329,615	50,000	-	50,000
2011	200,188	129,427	329,615	50,000	-	50,000
2012	208,174	121,442	329,616	50,000	-	50,000
2013	216,477	113,137	329,614	50,000	-	50,000
2014 - 2018	1,219,018	429,060	1,648,078	250,000	-	250,000
2019 - 2023	1,482,337	165,738	1,648,075	100,000	-	100,000
Totals	<u>\$ 3,703,827</u>	<u>\$ 1,240,401</u>	<u>\$ 4,944,228</u>	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 600,000</u>

Year Ending December 31,	Airport Note Sereis A 2006		
	Principal	Interest	Total
2009	\$ 1,400,000	\$ 94,250	\$ 1,494,250
2010	485,000	24,250	509,250
Totals	<u>\$ 1,885,000</u>	<u>\$ 118,500</u>	<u>\$ 2,003,500</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 14 - RISK MANAGEMENT**

**A. Property and Liability**

The City does not have municipal liability insurance. The City is self-insured for the purpose of handling, processing, and paying general municipality liability insurance claims in lieu of purchasing general municipality liability insurance. All claims activity is accounted for in the general fund.

The City is fully insured through premium-based insurance policies for all other types of insurance. In 2008, 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 (including comprehensive/catastrophic fleet)	784,424,409
Vehicles	63,354,813
General Liability (North West Railway)	10,000,000
Commercial Liability (Convention Center)	2,000,000
Tenant Liability (Convention Center)	1,000,000
Errors and Omissions (Ambulance Attendants)	500,000
Errors and Omissions (Municipal Court)	500,000
Garagekeepers/Operators Liability	2,000,000
Air Show Liability	50,000,000
Inland Marine	365,975
General Liability (Zion Cultural Center)	2,000,000
Excess Umbrella Coverage (Zion Cultural Center)	5,000,000
General Liability (Community Service Program for Dayton Municipal Court)	100,000

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.

The City's policy for reporting a claims liability is based on the requirements GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. It is the opinion of the City's legal counsel that, as of December 31, 2008, there were \$23,768 in outstanding claims pending that are reported as a component of claimants payable in the general fund. Claims activity for 2008 and 2007 are as follows:

<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>
2008	\$ 33,689	\$ 105,423	\$ (115,344)	\$ 23,768
2007	-	615,174	(581,485)	33,689

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 14 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

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

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

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

The claims liability of \$5,267,199 reported at December 31, 2008, as estimated by the third party administrator, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Of the \$5,267,199 claims liability, \$240,543 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 \$5,026,656. 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 2008 and 2007 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>
2008	\$ 9,696,742	\$ 1,445,574	\$ (5,875,117)	\$ 5,267,199
2007	9,680,375	3,421,270	(3,404,903)	9,696,742

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 15 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

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

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

**B. Voluntary Termination Benefits**

The City offered a voluntary separation plan (VSP) to reduce its workforce. The VSP was available to all full-time and permanent part-time employees, excluding elected officials, retired/rehired employees, appointed Board Members and employees who had not completed their initial probation period by November 1, 2008 and where the employees are also contributing members to the Ohio Public Employees Retirement System. This is a one-time opportunity and employees were required to submit a VSP application and resignation form by October 31, 2008. Employees participating in the VSP will receive a lump sum payment equal to 25% of the first \$50,000 of their base salary and an additional 5% of the portion of the base salary that exceeds \$50,000. Eighty-eight employees took advantage of the VSP. The City made \$246,695 in VSP payments in 2008. The remaining VSP payments of \$733,103 has been recorded in the fund financial statements, as the entire amount is expected to be liquidated with expendable available resources.

**C. 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.

## CITY OF DAYTON, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 15 - OTHER EMPLOYEE BENEFITS - (Continued)

##### D. 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 16 - PENSION PLANS

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

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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 Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish 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, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

The City's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.40% of covered payroll. For 2008, a portion equal to 7.00% of covered payroll was allocated to fund the post-employment health care plan.

**CITY OF DAYTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 16 - PENSION PLANS - (Continued)**

The City's contribution rate for pension benefits for 2008 was 7.00%, except for those plan members in law enforcement and public safety. For those classifications, the City's pension contributions were 10.40% of covered payroll. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were \$5,847,515, \$6,917,267 and \$7,723,282, respectively; 92.33% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

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

Plan Description - 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2008, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$3,547,664 and \$3,953,996 for the year ended December 31, 2008, \$3,366,500 and \$4,032,190 for the year ended December 31, 2007 and \$3,137,659 and \$3,714,028, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 75.69% has been contributed for police and 76.34% has been contributed for firefighters for 2008.

**NOTE 17 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00% of covered payroll (17.40% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$5,847,515, \$4,595,960 and \$3,777,093, respectively; 92.33% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment 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.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.



**CITY OF DAYTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Funding Policy - The OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$1,878,175 and \$1,547,216 for the year ended December 31, 2008, \$1,782,265 and \$1,577,813 for the year ended December 31, 2007 and \$2,069,519 and \$1,771,306, for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 75.69% has been contributed for police and 76.34% has been contributed for firefighters for 2008.

**NOTE 18 - 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, 2008

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations of the general fund for the year ended December 31, 2008, on the GAAP basis to the budget basis are as follows:

**Net Change in Fund Balance**

	<u>General</u>
Budget basis	\$ 675,289
Net adjustment for revenues	2,483,897
Net adjustment for expenditures	(3,987,362)
Net adjustment for other sources/uses	(50,589)
Adjustment for encumbrances	2,506,696
GAAP basis	\$ 1,627,931

**NOTE 19 - CONDUIT DEBT OBLIGATIONS**

The City has the following conduit debt obligations at December 31, 2008:

	Original Issue Amount	Amount Outstanding
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	5,949,000

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 20 - DISCRETELY PRESENTED COMPONENT UNIT**

**A. Basis of Accounting**

CityWide prepares its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statement and Management's Discussion and Analysis". CityWide reports as a business-type activity, as defined by GASB Statement No. 34. Business-type activities are those that are financed in whole or by part by fees charged to external parties for goods or services.

The financial statements have been prepared on an accrual basis. All Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989 have been applied, except for those that conflict with GASB pronouncements, based upon the provisions of GASB Statement No. 20, as amended by GASB Statement No. 34.

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 20 - DISCRETELY PRESENTED COMPONENT UNIT - (Continued)**

**B. Deposits and Investments**

The following information classifies deposits and investments by categories of risk.

Deposits:

The carrying amount of Citywide Development Corporation deposits was \$878,728 and the bank balance was \$1,026,740. Of the bank balance \$736,755 was covered by federal depository insurance and \$289,985 was uncollateralized and uninsured.

Investments are recorded at fair value, which approximates cost due to the short-term nature of the investments held.

	2008	2007
CDs held to maturity	\$ 825,000	\$ 825,000
Money markets	78,106	926,711
Commerical paper	-	552,956
Total	\$ 903,106	\$ 2,304,667

A reconciliation between the classifications of “cash and cash equivalents” on the statement of net assets and the classifications of “deposits” and “investments” presented above per GASB Statement No. 3, as amended by GASB Statement No. 40, is as follows:

	2008	2007
Cash and cash equivalents	\$ 370,578	\$ 913,756
Restricted cash and cash equivalents	586,256	1,433,806
Investments	825,000	1,377,956
Total per combined statement of net assets	\$ 1,781,834	\$ 3,725,518
Deposits	\$ 878,728	\$ 1,420,851
Investments	903,106	2,304,667
Total per GASB Statement No. 3	\$ 1,781,834	\$ 3,725,518

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 20 - DISCRETELY PRESENTED COMPONENT UNIT - (Continued)**

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

Notes payable/advance from primary government at December 31, 2008, 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	2,033,626
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	681,584
Note for Webster Street Project	City of Dayton	200,000
Note for development of West 3rd Street	City of Dayton	4,425,000
Note for Excelsior Project	City of Dayton	<u>250,000</u>
Total advance from primary government		<u>13,110,269</u>
Note for Housing Loans	Third-Party Insurance Company	433,534
Other Notes Payable		<u>118,753</u>
Total Notes Payable		<u>552,287</u>
Total Advance from primary government/notes payable		<u>\$ 13,662,556</u>

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

**D. Bonds Payable**

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

Principal maturities due under these agreements are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2009	\$ 350,000
2010	375,000
2011	405,000
2012	430,000
2013	<u>460,000</u>
Total	<u>\$ 2,020,000</u>

**CITY OF DAYTON, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 20 - DISCRETELY PRESENTED COMPONENT UNIT - (Continued)**

**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 2% less. This agreement contains a subjective acceleration clause. The loan was collateralized a \$25,000 certificate of deposit. This loan was paid off in 2008.

Citywide has a real estate loan with a financial institution with variable interest rates equal to the prime rate. This loan is collateralized by property and the personal guarantees of two Citywide executives and matures on April 1, 2009. The balance of the loan at December 31, 2008 is \$1,029,143.

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>
2009	\$ 1,029,143
2010	<u>100,000</u>
Total	<u>\$ 1,129,143</u>

**F. Operating Lease**

During 2006, Citywide began leasing a building from an unrelated party. The lease is for a five year, six month term expiring March, 2012. Citywide has the option to renew the lease for three successive five year terms. Monthly lease payments are \$6,792 for the first 32 months, \$10,187 for the next 12 months and \$11,885 for the final 22 months of the lease. Rent expense associated with this lease was \$81,498 for 2008. Citywide is responsible for property taxes and utilities as described in the lease agreement.

Future minimum lease payments due over the subsequent five years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2009	\$ 105,268
2010	134,132
2011	142,622
2012	<u>35,655</u>
Total	<u>\$ 417,677</u>

In 2006, Citywide entered into agreements to sublease a portion of the space to two unaffiliated organizations. Rental payments for the first space commenced on April 1, 2007 and rental payments for the second space commenced on June 1, 2008. The above lease expense will be offset by payments due under the subleases. Rents received from the subleases in excess of the above lease expense will be applied to outstanding loan interest and principal balances due by the lessor to Citywide.

**CITY OF DAYTON, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 20 - DISCRETELY PRESENTED COMPONENT UNIT - (Continued)**

Future minimum lease payments to be received from non-cancellable subleases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2009	\$ 235,771
2010	235,771
2011	218,608
2012	<u>93,268</u>
Total	<u>\$ 783,418</u>

**NOTE 21 - 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, 2008, to December 31, 2008, 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.

**NOTE 22 - SUBSEQUENT EVENTS**

On June 2, 2009, the National Cash Register Corporation (NCR) announced the relocation of the company headquarters from Dayton, Ohio to Duluth, Georgia. NCR currently employs over 1,200 people in the metropolitan Dayton area and is the 2<sup>nd</sup> largest personal property taxpayer in the City. The relocation of NCR has had an impact on the City's tax collections; however, the overall effect is not known at this time.

The City has approved the issuance of \$61,845,000 in bonds to be sold on July 22, 2009. The bonds will be used for the following purposes; \$10.9 million for the construction of parking facilities at the Dayton International Airport, \$7.0 million for the construction of a recreation complex, \$12.5 million for various capital projects and equipment purchases, and \$31.5 million to refund the 1998, 1999, 2001, and 2004 bond issues.

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.

##### ***Special Projects***

To account for monies restricted by City Ordinance to finance various special projects undertaken by the City.

##### ***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.

##### ***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.

#### 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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 110,703,100	\$ 108,295,200	\$ 110,449,891	\$ 2,154,691
Property and other local taxes . . . . .	10,912,461	10,648,461	10,534,043	(114,418)
State shared taxes . . . . .	16,464,000	15,615,100	15,703,851	88,751
Charges for services . . . . .	22,803,700	21,991,800	23,122,822	1,131,022
Licenses and permits. . . . .	1,491,800	1,407,400	1,394,029	(13,371)
Fines and forfeitures. . . . .	1,566,000	1,746,200	1,755,332	9,132
Intergovernmental. . . . .	1,389,139	1,389,139	1,276,639	(112,500)
Special assessments . . . . .	267,200	447,400	286,250	(161,150)
Investment income . . . . .	6,661,400	5,032,000	4,098,016	(933,984)
Other . . . . .	2,150,600	2,086,500	1,908,112	(178,388)
<b>Total revenues. . . . .</b>	<b>174,409,400</b>	<b>168,659,200</b>	<b>170,528,985</b>	<b>1,869,785</b>
<b>Expenditures:</b>				
<b>General operating:</b>				
Clerk of commission . . . . .	1,252,500	1,256,400	1,051,194	205,206
Civil service board . . . . .	1,157,800	1,157,800	1,026,003	131,797
Human relations council . . . . .	855,400	866,600	790,496	76,104
Youth commission. . . . .	173,000	173,000	94,987	78,013
City manager's office . . . . .	1,184,700	1,201,100	1,179,493	21,607
Department of public affairs. . . . .	516,300	504,400	492,484	11,916
Cable TV operations . . . . .	313,700	306,500	290,843	15,657
Department of planning & community development. . . . .	3,016,500	3,474,700	3,371,537	103,163
Department of building services . . . . .	2,906,700	2,860,400	2,422,583	437,817
Clerk of courts . . . . .	3,499,900	3,499,900	3,389,839	110,061
Municipal court. . . . .	3,858,800	3,858,800	3,529,353	329,447
Office of economic development. . . . .	1,212,300	1,649,000	1,509,826	139,174
Department of management and budget . . . . .	997,400	897,400	833,050	64,350
Department of water . . . . .	87,700	87,700	85,072	2,628
Department of law . . . . .	2,263,700	2,398,200	2,221,175	177,025
Department of finance . . . . .	4,040,100	3,957,600	3,803,128	154,472
Department of human resources . . . . .	15,809,400	14,955,300	14,488,742	466,558
Department of information and technology services . . . . .	1,081,900	1,269,600	1,188,028	81,572
Department of police. . . . .	50,787,200	50,534,600	49,025,189	1,509,411
Department of fire . . . . .	36,707,300	37,765,600	37,165,020	600,580
Department of public works . . . . .	20,448,600	20,861,500	20,649,042	212,458
Department of parks, recreation and culture. . . . .	6,091,000	6,070,200	5,774,627	295,573
Non-departmental . . . . .	1,703,500	1,822,000	1,012,887	809,113
Convention center operating . . . . .	2,925,000	3,117,000	3,109,263	7,737
Special assessments . . . . .	267,200	467,200	324,990	142,210
Special projects . . . . .	1,726,800	3,032,800	1,519,027	1,513,773
<b>Total expenditures. . . . .</b>	<b>164,884,400</b>	<b>168,045,300</b>	<b>160,347,878</b>	<b>7,697,422</b>
Excess (deficiency) of revenues over (under) expenditures. . . . .	9,525,000	613,900	10,181,107	9,567,207
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	220,000	-	50,589	50,589
Transfers out . . . . .	(9,745,000)	(13,508,000)	(9,556,407)	3,951,593
<b>Total other financing sources (uses). . . . .</b>	<b>(9,525,000)</b>	<b>(13,508,000)</b>	<b>(9,505,818)</b>	<b>4,002,182</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses. . . . .	-	(12,894,100)	675,289	13,569,389
<b>Fund balance at beginning of year. . . . .</b>	<b>16,877,105</b>	<b>16,877,105</b>	<b>16,877,105</b>	<b>-</b>
<b>Prior year encumbrances appropriated. . . . .</b>	<b>4,356,658</b>	<b>4,356,658</b>	<b>4,356,658</b>	<b>-</b>
<b>Fund balance at end of year. . . . .</b>	<b>\$ 21,233,763</b>	<b>\$ 8,339,663</b>	<b>\$ 21,909,052</b>	<b>\$ 13,569,389</b>

**CITY OF DAYTON, OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2008**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Permanent Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 16,339,351	\$ 85,252	\$ 16,424,603
Investments . . . . .	-	77,085	77,085
Receivables (net of allowances of uncollectibles):			
Accounts . . . . .	66,399	-	66,399
Special assessments . . . . .	275,951	-	275,951
Accrued interest . . . . .	15,232	497	15,729
Due from other funds . . . . .	78,870	-	78,870
Due from other governments . . . . .	5,608,978	-	5,608,978
Advances to component unit . . . . .	5,683,600	-	5,683,600
Total assets . . . . .	\$ 28,068,381	\$ 162,834	\$ 28,231,215
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 347,369	\$ -	\$ 347,369
Contracts payable . . . . .	712,354	-	712,354
Accrued wages and benefits . . . . .	391,749	-	391,749
Compensated absences payable . . . . .	64,771	-	64,771
Interfund payable . . . . .	326,399	-	326,399
Due to other funds . . . . .	16,634	-	16,634
Due to other governments . . . . .	4,701	-	4,701
Voluntary termination benefits . . . . .	57,384	-	57,384
Deferred revenue . . . . .	4,403,216	193	4,403,409
Total liabilities . . . . .	6,324,577	193	6,324,770
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	15,360,536	-	15,360,536
Reserved for advances to component unit . . . . .	5,683,600	-	5,683,600
Reserved for contributions to permanent fund . . . . .	-	102,228	102,228
Unreserved, designated for, reported in:			
Special revenue funds . . . . .	1,116,000	-	1,116,000
Undesignated (deficit), reported in:			
Special revenue funds . . . . .	(416,332)	-	(416,332)
Permanent funds . . . . .	-	60,413	60,413
Total fund balances . . . . .	21,743,804	162,641	21,906,445
Total liabilities and fund balances . . . . .	\$ 28,068,381	\$ 162,834	\$ 28,231,215

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Permanent Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
State shared taxes . . . . .	\$ 6,136,936	\$ -	\$ 6,136,936
Charges for services . . . . .	936,730	-	936,730
Licenses and permits . . . . .	2,590	-	2,590
Fines and forfeitures . . . . .	1,103,221	-	1,103,221
Intergovernmental . . . . .	13,577,070	-	13,577,070
Special assessments . . . . .	84,483	-	84,483
Investment income . . . . .	63,304	217	63,521
Increase (decrease) in FMV of investments. . . . .	9,290	(22,521)	(13,231)
Other . . . . .	<u>2,430,303</u>	<u>2,881</u>	<u>2,433,184</u>
Total revenues. . . . .	<u>24,343,927</u>	<u>(19,423)</u>	<u>24,324,504</u>
<b>Expenditures:</b>			
Current:			
Downtown. . . . .	315,000	-	315,000
Youth, education and human services. . . . .	2,452,915	-	2,452,915
Community development and neighborhoods. . . . .	6,443,902	-	6,443,902
Economic development . . . . .	5,623,454	-	5,623,454
Leadership and quality of life . . . . .	13,615,278	-	13,615,278
Corporate responsibility. . . . .	1,396,048	-	1,396,048
Public safety and justice. . . . .	3,908,428	-	3,908,428
Debt service:			
Principal retirement . . . . .	<u>501,000</u>	<u>-</u>	<u>501,000</u>
Total expenditures. . . . .	<u>34,256,025</u>	<u>-</u>	<u>34,256,025</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(9,912,098)</u>	<u>(19,423)</u>	<u>(9,931,521)</u>
<b>Other financing sources:</b>			
Transfers in . . . . .	<u>7,766,407</u>	<u>-</u>	<u>7,766,407</u>
Total other financing sources. . . . .	<u>7,766,407</u>	<u>-</u>	<u>7,766,407</u>
Net change in fund balances . . . . .	(2,145,691)	(19,423)	(2,165,114)
<b>Fund balances at beginning of year. . . . .</b>	<u>23,889,495</u>	<u>182,064</u>	<u>24,071,559</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 21,743,804</u>	<u>\$ 162,641</u>	<u>\$ 21,906,445</u>

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**CITY OF DAYTON, OHIO**

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2008

	<u>Street</u>	<u>Highway Maintenance</u>	<u>Special Projects</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 816,493	\$ 327,607	\$ 11,556,540
Receivables (net of allowances of uncollectibles):			
Accounts. . . . .	1,197	-	65,202
Special assessments, net. . . . .	-	-	-
Accrued interest. . . . .	-	-	6,291
Due from other funds. . . . .	-	-	78,870
Due from other governments. . . . .	2,416,890	209,467	48,056
Advances to component unit. . . . .	-	-	250,000
Total assets. . . . .	<u>\$ 3,234,580</u>	<u>\$ 537,074</u>	<u>\$ 12,004,959</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	\$ 57,168	\$ -	\$ 85,008
Contracts payable. . . . .	-	-	227,196
Accrued wages and benefits. . . . .	187,904	-	11,691
Compensated absences payable. . . . .	20,892	-	-
Interfund loan payable. . . . .	-	-	-
Due to other funds. . . . .	13,398	-	413
Due to other governments. . . . .	-	-	-
Voluntary termination benefits. . . . .	13,135	-	-
Deferred revenue. . . . .	<u>1,597,697</u>	<u>136,224</u>	<u>3,847</u>
Total liabilities. . . . .	<u>1,890,194</u>	<u>136,224</u>	<u>328,155</u>
<b>Fund Balances:</b>			
Reserved for encumbrances. . . . .	2,772	-	3,199,888
Reserved for advances to component unit. . . . .	-	-	250,000
Unreserved, designated for, reported in:			
Special revenue funds. . . . .	816,000	300,000	-
Unreserved, undesignated (deficit), reported in:			
Special revenue funds. . . . .	<u>525,614</u>	<u>100,850</u>	<u>8,226,916</u>
Total fund balances. . . . .	<u>1,344,386</u>	<u>400,850</u>	<u>11,676,804</u>
Total liabilities and fund balances. . . . .	<u>\$ 3,234,580</u>	<u>\$ 537,074</u>	<u>\$ 12,004,959</u>

<b>HUD Programs</b>	<b>Miscellaneous Grants</b>	<b>Total</b>
\$ -	\$ 3,638,711	\$ 16,339,351
-	-	66,399
275,951	-	275,951
-	8,941	15,232
-	-	78,870
1,061,921	1,872,644	5,608,978
<u>5,433,600</u>	<u>-</u>	<u>5,683,600</u>
<u>\$ 6,771,472</u>	<u>\$ 5,520,296</u>	<u>\$ 28,068,381</u>
\$ 15,873	\$ 189,320	\$ 347,369
382,980	102,178	712,354
144,681	47,473	391,749
41,388	2,491	64,771
326,399	-	326,399
2,408	415	16,634
-	4,701	4,701
39,811	4,438	57,384
<u>829,939</u>	<u>1,835,509</u>	<u>4,403,216</u>
<u>1,783,479</u>	<u>2,186,525</u>	<u>6,324,577</u>
5,787,827	6,370,049	15,360,536
5,433,600	-	5,683,600
-	-	1,116,000
<u>(6,233,434)</u>	<u>(3,036,278)</u>	<u>(416,332)</u>
<u>4,987,993</u>	<u>3,333,771</u>	<u>21,743,804</u>
<u>\$ 6,771,472</u>	<u>\$ 5,520,296</u>	<u>\$ 28,068,381</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, 2008

	<u>Street</u>	<u>Highway Maintenance</u>	<u>Special Projects</u>
<b>Revenues:</b>			
State shared taxes . . . . .	\$ 5,705,712	\$ 431,224	\$ -
Charges for services . . . . .	375,037	-	69,951
Licenses and permits . . . . .	-	-	2,590
Fines and forfeitures . . . . .	-	-	280,968
Intergovernmental . . . . .	42,217	-	-
Special assessments . . . . .	-	-	-
Investment income . . . . .	-	-	27,633
Increase in FMV of investments . . . . .	-	-	3,777
Other . . . . .	167,145	-	1,822,058
Total revenues . . . . .	<u>6,290,111</u>	<u>431,224</u>	<u>2,206,977</u>
<b>Expenditures:</b>			
Current:			
Downtown . . . . .	-	-	315,000
Youth, education and human services . . . . .	-	-	-
Community development and neighborhoods . . . . .	478	-	3,549
Economic development . . . . .	-	-	3,871,122
Leadership and quality of life . . . . .	11,102,941	400,000	709,682
Corporate responsibility . . . . .	362	-	795,711
Public safety and justice . . . . .	-	-	191,053
Debt service:			
Principal retirement . . . . .	-	-	501,000
Total expenditures . . . . .	<u>11,103,781</u>	<u>400,000</u>	<u>6,387,117</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(4,813,670)</u>	<u>31,224</u>	<u>(4,180,140)</u>
<b>Other financing sources:</b>			
Transfers in . . . . .	<u>2,740,000</u>	<u>-</u>	<u>4,885,000</u>
Total other financing sources . . . . .	<u>2,740,000</u>	<u>-</u>	<u>4,885,000</u>
Net change in fund balances . . . . .	(2,073,670)	31,224	704,860
<b>Fund balances at beginning of year . . . . .</b>	<u>3,418,056</u>	<u>369,626</u>	<u>10,971,944</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,344,386</u>	<u>\$ 400,850</u>	<u>\$ 11,676,804</u>



<b>HUD Programs</b>	<b>Miscellaneous Grants</b>	<b>Total</b>
\$ -	\$ -	\$ 6,136,936
-	491,742	936,730
-	-	2,590
-	822,253	1,103,221
10,612,027	2,922,826	13,577,070
84,483	-	84,483
-	35,671	63,304
-	5,513	9,290
125,009	316,091	2,430,303
<u>10,821,519</u>	<u>4,594,096</u>	<u>24,343,927</u>
-	-	315,000
2,444,962	7,953	2,452,915
6,022,175	417,700	6,443,902
57,788	1,694,544	5,623,454
1,288,853	113,802	13,615,278
599,975	-	1,396,048
-	3,717,375	3,908,428
-	-	501,000
<u>10,413,753</u>	<u>5,951,374</u>	<u>34,256,025</u>
<u>407,766</u>	<u>(1,357,278)</u>	<u>(9,912,098)</u>
<u>63,227</u>	<u>78,180</u>	<u>7,766,407</u>
<u>63,227</u>	<u>78,180</u>	<u>7,766,407</u>
470,993	(1,279,098)	(2,145,691)
<u>4,517,000</u>	<u>4,612,869</u>	<u>23,889,495</u>
<u>\$ 4,987,993</u>	<u>\$ 3,333,771</u>	<u>\$ 21,743,804</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, 2008

	<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 . . . . .	\$ 5,340,000	\$ 5,847,200	\$ 5,791,651	\$ (55,549)
Charges for services . . . . .	360,000	400	373,840	373,440
Other . . . . .	-	-	142,104	142,104
Total revenues. . . . .	<u>5,700,000</u>	<u>5,847,600</u>	<u>6,307,595</u>	<u>459,995</u>
<b>Expenditures:</b>				
Department of public works . . . . .	<u>8,761,900</u>	<u>9,852,900</u>	<u>9,825,957</u>	<u>26,943</u>
Total expenditures. . . . .	<u>8,761,900</u>	<u>9,852,900</u>	<u>9,825,957</u>	<u>26,943</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(3,061,900)</u>	<u>(4,005,300)</u>	<u>(3,518,362)</u>	<u>486,938</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	<u>2,740,000</u>	<u>2,740,000</u>	<u>2,740,000</u>	<u>-</u>
Total other financing sources. . . . .	<u>2,740,000</u>	<u>2,740,000</u>	<u>2,740,000</u>	<u>-</u>
Net change in fund balance . . . . .	<u>(321,900)</u>	<u>(1,265,300)</u>	<u>(778,362)</u>	<u>486,938</u>
<b>Fund balance at beginning of year . . . . .</b>	<u>1,258,001</u>	<u>1,258,001</u>	<u>1,258,001</u>	<u>-</u>
<b>Prior year encumbrances appropriated . . . . .</b>	<u>1,237,078</u>	<u>1,237,078</u>	<u>1,237,078</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,173,179</u>	<u>\$ 1,229,779</u>	<u>\$ 1,716,717</u>	<u>\$ 486,938</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, 2008

	<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	\$ 464,825	\$ 64,825
Total revenues. . . . .	400,000	400,000	464,825	64,825
<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 . . . . .	-	-	64,825	64,825
<b>Fund balance at beginning of year. . . . .</b>	<u>273,420</u>	<u>273,420</u>	<u>273,420</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 273,420</u>	<u>\$ 273,420</u>	<u>\$ 338,245</u>	<u>\$ 64,825</u>

**CITY OF DAYTON, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 SPECIAL PROJECTS FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<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 . . . . .	\$ 88,400	\$ 121,000	\$ 120,999	\$ (1)
Licenses and permits . . . . .	1,900	2,600	2,590	(10)
Investment income . . . . .	20,300	27,800	27,794	(6)
Other . . . . .	615,000	841,600	841,637	37
<b>Total revenues.</b> . . . . .	<u>725,600</u>	<u>993,000</u>	<u>993,020</u>	<u>20</u>
<b>Expenditures:</b>				
Various departments . . . . .	8,214,700	10,656,100	8,907,802	1,748,298
<b>Total expenditures.</b> . . . . .	<u>8,214,700</u>	<u>10,656,100</u>	<u>8,907,802</u>	<u>1,748,298</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(7,489,100)</u>	<u>(9,663,100)</u>	<u>(7,914,782)</u>	<u>1,748,318</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	3,569,700	4,885,000	4,885,000	-
Transfers out . . . . .	(100,100)	(129,900)	(108,572)	21,328
<b>Total other financing sources (uses)</b> . . . . .	<u>3,469,600</u>	<u>4,755,100</u>	<u>4,776,428</u>	<u>21,328</u>
Net change in fund balance . . . . .	(4,019,500)	(4,908,000)	(3,138,354)	1,769,646
<b>Fund balance at beginning of year.</b> . . . . .	8,128,824	8,128,824	8,128,824	-
<b>Prior year encumbrances appropriated</b> . . . . .	<u>2,809,424</u>	<u>2,809,424</u>	<u>2,809,424</u>	<u>-</u>
<b>Fund balance at end of year</b> . . . . .	<u>\$ 6,918,748</u>	<u>\$ 6,030,248</u>	<u>\$ 7,799,894</u>	<u>\$ 1,769,646</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, 2008

	<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 . . . . .	\$ 826,500	\$ 782,300	\$ 491,742	\$ (290,558)
Intergovernmental . . . . .	5,025,600	4,757,300	2,990,227	(1,767,073)
Other . . . . .	<u>1,977,900</u>	<u>1,872,300</u>	<u>1,176,868</u>	<u>(695,432)</u>
Total revenues. . . . .	<u>7,830,000</u>	<u>7,411,900</u>	<u>4,658,837</u>	<u>(2,753,063)</u>
<b>Expenditures:</b>				
Other grants . . . . .	<u>8,230,600</u>	<u>7,571,000</u>	<u>10,900,534</u>	<u>(3,329,534)</u>
Total expenditures. . . . .	<u>8,230,600</u>	<u>7,571,000</u>	<u>10,900,534</u>	<u>(3,329,534)</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(400,600)</u>	<u>(159,100)</u>	<u>(6,241,697)</u>	<u>(6,082,597)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	323,300	306,000	192,359	(113,641)
Transfers out . . . . .	<u>(37,500)</u>	<u>(34,500)</u>	<u>(49,630)</u>	<u>(15,130)</u>
Total other financing sources (uses) . . . . .	<u>285,800</u>	<u>271,500</u>	<u>142,729</u>	<u>(128,771)</u>
Net change in fund balance . . . . .	(114,800)	112,400	(6,098,968)	(6,211,368)
<b>Fund balance (deficit) at beginning of year. . . . .</b>	(1,389,950)	(1,389,950)	(1,389,950)	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>4,022,474</u>	<u>4,022,474</u>	<u>4,022,474</u>	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ 2,517,724</u>	<u>\$ 2,744,924</u>	<u>\$ (3,466,444)</u>	<u>\$ (6,211,368)</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, 2008

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property and other local taxes . . . . .	\$ 2,169,561	\$ 4,782,361	\$ 9,870,203	\$ 5,087,842
Special assessments . . . . .	48,500	87,300	162,985	75,685
Intergovernmental. . . . .	1,089,139	1,089,139	1,089,139	-
Other . . . . .	69,200	124,700	232,840	108,140
<b>Total revenues.</b> . . . .	<u>3,376,400</u>	<u>6,083,500</u>	<u>11,355,167</u>	<u>5,271,667</u>
<b>Expenditures:</b>				
Department of finance . . . . .	14,306,900	35,406,600	24,078,964	11,327,636
<b>Total expenditures.</b> . . . .	<u>14,306,900</u>	<u>35,406,600</u>	<u>24,078,964</u>	<u>11,327,636</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(10,930,500)</u>	<u>(29,323,100)</u>	<u>(12,723,797)</u>	<u>16,599,303</u>
<b>Other financing sources:</b>				
Sale of bonds. . . . .	8,728,300	36,774,400	29,354,637	(7,419,763)
<b>Total other financing sources.</b> . . . .	<u>8,728,300</u>	<u>36,774,400</u>	<u>29,354,637</u>	<u>(7,419,763)</u>
Net change in fund balance . . . . .	(2,202,200)	7,451,300	16,630,840	9,179,540
<b>Fund balance at beginning of year . . .</b>	11,386,020	11,386,020	11,386,020	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>10,036</u>	<u>10,036</u>	<u>10,036</u>	<u>-</u>
<b>Fund balance at end of year.</b> . . . .	<u>\$ 9,193,856</u>	<u>\$ 18,847,356</u>	<u>\$ 28,026,896</u>	<u>\$ 9,179,540</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, 2008

	<u>Storm Water</u>	<u>Golf</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . . . .	\$ 5,325,808	\$ 144,130	\$ 5,469,938
Receivables (net of allowance for uncollectibles):			
Special assessments . . . . .	335,979	-	335,979
Accounts . . . . .	1,379,676	988	1,380,664
Due from other governments . . . . .	13,635	-	13,635
Total current assets	<u>7,055,098</u>	<u>145,118</u>	<u>7,200,216</u>
Noncurrent assets:			
Unamortized bond issuance costs. . . . .	-	23,457	23,457
Capital assets:			
Land and construction in progress . . . . .	545,375	594,927	1,140,302
Depreciable capital assets, net . . . . .	11,124,101	5,165,627	16,289,728
Total capital assets . . . . .	<u>11,669,476</u>	<u>5,760,554</u>	<u>17,430,030</u>
Total noncurrent assets . . . . .	<u>11,669,476</u>	<u>5,784,011</u>	<u>17,453,487</u>
Total assets. . . . .	<u>18,724,574</u>	<u>5,929,129</u>	<u>24,653,703</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	35,308	12,834	48,142
Contracts payable . . . . .	60,699	2,784	63,483
Accrued wages and benefits . . . . .	104,428	48,889	153,317
Compensated absences - current. . . . .	82,500	52,446	134,946
Retainage payable . . . . .	34,888	-	34,888
Accrued interest payable. . . . .	-	6,042	6,042
Due to other funds . . . . .	569,189	1,927	571,116
Due to other governments . . . . .	-	442	442
Voluntary termination benefits. . . . .	12,527	10,348	22,875
General obligation bonds payable - current. . . . .	-	277,720	277,720
Total current liabilities. . . . .	<u>899,539</u>	<u>413,432</u>	<u>1,312,971</u>
Noncurrent liabilities:			
Compensated absences. . . . .	153,022	63,887	216,909
General obligation bonds payable . . . . .	-	1,375,946	1,375,946
Total noncurrent liabilities. . . . .	<u>153,022</u>	<u>1,439,833</u>	<u>1,592,855</u>
Total liabilities. . . . .	<u>1,052,561</u>	<u>1,853,265</u>	<u>2,905,826</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt . . . . .	11,669,476	4,106,888	15,776,364
Unrestricted (deficit) . . . . .	6,002,537	(31,024)	5,971,513
Total net assets . . . . .	<u>\$ 17,672,013</u>	<u>\$ 4,075,864</u>	<u>\$ 21,747,877</u>



**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Storm Water</b>	<b>Golf</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 6,665,572	\$ 3,277,286	\$ 9,942,858
Other . . . . .	22,904	14,090	36,994
Total operating revenues . . . . .	<u>6,688,476</u>	<u>3,291,376</u>	<u>9,979,852</u>
<b>Operating expenses:</b>			
Personal services . . . . .	2,507,490	1,270,407	3,777,897
Benefit payments . . . . .	703,070	317,377	1,020,447
Contract services . . . . .	974,867	726,792	1,701,659
Materials and supplies. . . . .	279,381	405,174	684,555
Utilities . . . . .	81,136	128,881	210,017
Depreciation. . . . .	389,230	229,835	619,065
Other. . . . .	165,677	77,852	243,529
Total operating expenses . . . . .	<u>5,100,851</u>	<u>3,156,318</u>	<u>8,257,169</u>
Operating income. . . . .	<u>1,587,625</u>	<u>135,058</u>	<u>1,722,683</u>
<b>Nonoperating expenses:</b>			
Interest and fiscal charges . . . . .	-	(64,535)	(64,535)
Total nonoperating expenses. . . . .	<u>-</u>	<u>(64,535)</u>	<u>(64,535)</u>
Income before transfers . . . . .	1,587,625	70,523	1,658,148
Transfers out . . . . .	<u>(344,798)</u>	-	<u>(344,798)</u>
Change in net assets. . . . .	1,242,827	70,523	1,313,350
<b>Net assets, January 1 . . . . .</b>	<u>16,429,186</u>	<u>4,005,341</u>	<u>20,434,527</u>
<b>Net assets, December 31 . . . . .</b>	<u>\$ 17,672,013</u>	<u>\$ 4,075,864</u>	<u>\$ 21,747,877</u>

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Storm Water</u>	<u>Golf</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received from customers . . . . .	\$ 6,704,716	\$ 3,276,298	\$ 9,981,014
Cash received from other operating revenues . . . . .	22,904	14,423	37,327
Cash payments for personal services . . . . .	(2,489,176)	(1,230,122)	(3,719,298)
Cash payments for fringe benefits . . . . .	(725,912)	(314,657)	(1,040,569)
Cash payments for contract services. . . . .	(1,117,246)	(725,970)	(1,843,216)
Cash payments for materials and supplies. . . . .	(275,244)	(405,174)	(680,418)
Cash payments for utilities. . . . .	(95,610)	(140,366)	(235,976)
Cash payments for other operating expenses . . . . .	<u>(183,549)</u>	<u>(77,228)</u>	<u>(260,777)</u>
Net cash provided by operating activities. . . . .	<u>1,840,883</u>	<u>397,204</u>	<u>2,238,087</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers out to other funds. . . . .	<u>(344,798)</u>	-	<u>(344,798)</u>
Net cash used in noncapital financing activities . . . . .	<u>(344,798)</u>	-	<u>(344,798)</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets . . . . .	(656,701)	(373,407)	(1,030,108)
Principal paid on bonds . . . . .	-	(221,110)	(221,110)
Interest paid on bonds . . . . .	-	(60,396)	(60,396)
Net cash used in capital and related financing activities. . . . .	<u>(656,701)</u>	<u>(654,913)</u>	<u>(1,311,614)</u>
Net increase (decrease) in cash and cash equivalents . . . . .	839,384	(257,709)	581,675
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>4,486,424</u>	<u>401,839</u>	<u>4,888,263</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u>\$ 5,325,808</u>	<u>\$ 144,130</u>	<u>\$ 5,469,938</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income. . . . .	\$ 1,587,625	\$ 135,058	\$ 1,722,683
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation . . . . .	389,230	229,835	619,065
Changes in assets and liabilities:			
Increase in accounts receivable . . . . .	(80,880)	(988)	(81,868)
Decrease in due from other funds . . . . .	-	333	333
Increase in due from other governments. . . . .	(13,635)	-	(13,635)
Decrease in special assessments. . . . .	133,659	-	133,659
Decrease in accounts payable . . . . .	(177,308)	(12,301)	(189,609)
Increase in contracts payable . . . . .	26,003	1,759	27,762
Increase in retainage payable . . . . .	34,888	-	34,888
Increase (decrease) in accrued wages and benefits. . . . .	(6,331)	15,983	9,652
Increase (decrease) in due to other funds . . . . .	(54,171)	499	(53,672)
Increase in due to other governments . . . . .	-	4	4
Increase in voluntary termination benefits payable . . . . .	12,527	10,348	22,875
Increase (decrease) in compensated absences payable . . . . .	<u>(10,724)</u>	<u>16,674</u>	<u>5,950</u>
Net cash provided by operating activities. . . . .	<u>\$ 1,840,883</u>	<u>\$ 397,204</u>	<u>\$ 2,238,087</u>

**Non-cash transactions:**

At December 31, 2008, the Storm Water fund purchased \$92,470 in capital assets on account.

At December 31, 2007, the Storm Water fund purchased \$9,915 in capital assets on account.

## 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, 2008

	<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>						
Current assets:						
Equity in pooled cash and cash equivalents. . . . .	\$ 155,026	\$ 106,933	\$ 64,282	\$ 13,585,787	\$ 257,421	\$ 14,169,449
Receivables (net of allowances of uncollectibles):						
Accounts. . . . .	-	6,157	-	-	-	6,157
Due from other funds. . . . .	106,320	38,289	30,289	-	90,734	265,632
Due from other governments . . . . .	-	29,894	-	-	-	29,894
Prepayments. . . . .	-	22,886	-	-	-	22,886
Inventory held for resale . . . . .	396,389	262,794	8,013	-	-	667,196
Total current assets	<u>657,735</u>	<u>466,953</u>	<u>102,584</u>	<u>13,585,787</u>	<u>348,155</u>	<u>15,161,214</u>
Noncurrent assets:						
Capital assets:						
Land and construction in progress . . . . .	-	75,000	-	-	-	75,000
Depreciable capital assets, net . . . . .	271,322	867,101	7,583	82,422	44,332	1,272,760
Total noncurrent assets . . . . .	<u>271,322</u>	<u>942,101</u>	<u>7,583</u>	<u>82,422</u>	<u>44,332</u>	<u>1,347,760</u>
Total assets. . . . .	<u>929,057</u>	<u>1,409,054</u>	<u>110,167</u>	<u>13,668,209</u>	<u>392,487</u>	<u>16,508,974</u>
<b>Liabilities:</b>						
Current liabilities:						
Accounts payable. . . . .	96,291	3,213	5,043	4,307	13,875	122,729
Contracts payable. . . . .	-	-	-	49,500	-	49,500
Accrued wages and benefits . . . . .	103,287	20,984	8,199	35,785	12,437	180,692
Compensated absences - current. . . . .	108,221	18,507	4,252	17,835	13,484	162,299
Interfund loans payable. . . . .	400,000	-	-	-	-	400,000
Due to other funds . . . . .	25,140	-	-	296	988	26,424
Due to other governments . . . . .	-	-	-	2,127,600	-	2,127,600
Claims payable - current . . . . .	-	-	-	240,543	-	240,543
Voluntary termination benefits . . . . .	13,135	-	-	-	-	13,135
Total current liabilities. . . . .	<u>746,074</u>	<u>42,704</u>	<u>17,494</u>	<u>2,475,866</u>	<u>40,784</u>	<u>3,322,922</u>
Noncurrent liabilities:						
Compensated absences. . . . .	128,717	37,136	8,533	35,790	27,058	237,234
Claims payable . . . . .	-	-	-	5,026,656	-	5,026,656
Total noncurrent liabilities. . . . .	<u>128,717</u>	<u>37,136</u>	<u>8,533</u>	<u>5,062,446</u>	<u>27,058</u>	<u>5,263,890</u>
Total liabilities. . . . .	<u>874,791</u>	<u>79,840</u>	<u>26,027</u>	<u>7,538,312</u>	<u>67,842</u>	<u>8,586,812</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt . . . . .	271,322	942,101	7,583	82,422	44,332	1,347,760
Unrestricted (deficit). . . . .	<u>(217,056)</u>	<u>387,113</u>	<u>76,557</u>	<u>6,047,475</u>	<u>280,313</u>	<u>6,574,402</u>
Total net assets. . . . .	<u>\$ 54,266</u>	<u>\$ 1,329,214</u>	<u>\$ 84,140</u>	<u>\$ 6,129,897</u>	<u>\$ 324,645</u>	<u>\$ 7,922,162</u>

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<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 . . . . .	\$ 8,823,589	\$ 1,206,899	\$ 320,419	\$ 4,679,920	\$ 685,298	\$ 15,716,125
Other . . . . .	5,862	-	-	-	-	5,862
Total operating revenues . . . . .	<u>8,829,451</u>	<u>1,206,899</u>	<u>320,419</u>	<u>4,679,920</u>	<u>685,298</u>	<u>15,721,987</u>
<b>Operating expenses:</b>						
Personal services . . . . .	2,712,143	532,193	162,928	583,684	333,013	4,323,961
Benefit payment . . . . .	777,056	151,245	48,726	170,580	93,096	1,240,703
Contract services . . . . .	660,781	258,431	60,591	199,780	6,648	1,186,231
Materials and supplies . . . . .	95,893	-	6,454	68,184	140,769	311,300
Utilities . . . . .	-	25,465	-	-	-	25,465
Cost of sales . . . . .	5,349,687	246,420	92,491	-	-	5,688,598
Depreciation . . . . .	49,149	29,021	5,216	9,159	8,274	100,819
Claims expense . . . . .	-	-	-	1,380,896	-	1,380,896
Other . . . . .	23,594	1,805	-	13,168	-	38,567
Total operating expenses . . . . .	<u>9,668,303</u>	<u>1,244,580</u>	<u>376,406</u>	<u>2,425,451</u>	<u>581,800</u>	<u>14,296,540</u>
Operating income (loss) . . . . .	<u>(838,852)</u>	<u>(37,681)</u>	<u>(55,987)</u>	<u>2,254,469</u>	<u>103,498</u>	<u>1,425,447</u>
Transfers in . . . . .	-	-	70,000	-	-	70,000
Change in net assets . . . . .	<u>(838,852)</u>	<u>(37,681)</u>	<u>14,013</u>	<u>2,254,469</u>	<u>103,498</u>	<u>1,495,447</u>
<b>Net assets, January 1 . . . . .</b>	<u>893,118</u>	<u>1,366,895</u>	<u>70,127</u>	<u>3,875,428</u>	<u>221,147</u>	<u>6,426,715</u>
<b>Net assets, December 31 . . . . .</b>	<u>\$ 54,266</u>	<u>\$ 1,329,214</u>	<u>\$ 84,140</u>	<u>\$ 6,129,897</u>	<u>\$ 324,645</u>	<u>\$ 7,922,162</u>

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<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 interfund services provided. . . . .	\$ 8,819,753	\$ 1,281,411	\$ 312,845	\$ 4,679,920	\$ 677,307	\$ 15,771,236
Cash received from other operating revenues . . . . .	5,862	-	-	-	-	5,862
Cash payments for personal services . . . . .	(2,685,726)	(533,092)	(162,074)	(580,567)	(331,364)	(4,292,823)
Cash payments for fringe benefits . . . . .	(774,803)	(150,466)	(48,610)	(161,017)	(93,170)	(1,228,066)
Cash payments for contract services. . . . .	(624,169)	(286,089)	(69,444)	(194,460)	(6,623)	(1,180,785)
Cash payments for materials and supplies. . . . .	(43,210)	-	(2,459)	(70,836)	(127,492)	(243,997)
Cash payments for cost of goods sold . . . . .	(5,304,986)	(266,206)	(93,631)	-	-	(5,664,823)
Cash payments for utilities. . . . .	-	(24,388)	-	-	-	(24,388)
Cash payments for claims . . . . .	-	-	-	(5,875,117)	-	(5,875,117)
Cash payments for other operating expenses . . . . .	(23,594)	(1,805)	-	(13,112)	-	(38,511)
Net cash provided by (used in) operating activities. . . . .	<u>(630,873)</u>	<u>19,365</u>	<u>(63,373)</u>	<u>(2,215,189)</u>	<u>118,658</u>	<u>(2,771,412)</u>
<b>Cash flows from noncapital financing activities:</b>						
Cash received from interfund loans . . . . .	400,000	-	-	-	-	400,000
Transfers in from other funds. . . . .	-	-	70,000	-	-	70,000
Net cash provided by noncapital financing activities. . . . .	<u>400,000</u>	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>470,000</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets . . . . .	(46,280)	(32,000)	-	-	-	(78,280)
Net cash used in capital and related financing activities . . . . .	<u>(46,280)</u>	<u>(32,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(78,280)</u>
Net increase (decrease) in cash and cash equivalents. . . . .	(277,153)	(12,635)	6,627	(2,215,189)	118,658	(2,379,692)
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>432,179</b>	<b>119,568</b>	<b>57,655</b>	<b>15,800,976</b>	<b>138,763</b>	<b>16,549,141</b>
<b>Cash and cash equivalents at end of year. . . . .</b>	<b><u>\$ 155,026</u></b>	<b><u>\$ 106,933</u></b>	<b><u>\$ 64,282</u></b>	<b><u>\$ 13,585,787</u></b>	<b><u>\$ 257,421</u></b>	<b><u>\$ 14,169,449</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>						
Operating income (loss) . . . . .	\$ (838,852)	\$ (37,681)	\$ (55,987)	\$ 2,254,469	\$ 103,498	\$ 1,425,447
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation . . . . .	49,149	29,021	5,216	9,159	8,274	100,819
Changes in assets and liabilities:						
Decrease in accounts receivable. . . . .	-	15,763	-	-	-	15,763
(Increase) decrease in due from other funds . . . . .	66,553	49,371	(7,574)	-	(7,991)	100,359
Increase in prepaid assets . . . . .	-	(3,830)	-	-	-	(3,830)
Decrease in due from other governments. . . . .	-	9,378	-	-	-	9,378
(Increase) decrease in inventory held for resale. . . . .	44,701	(19,786)	(1,140)	-	-	23,775
Increase (decrease) in accounts payable . . . . .	64,155	(22,751)	(4,858)	(5,565)	12,314	43,295
Increase in contracts payable . . . . .	-	-	-	8,250	-	8,250
Increase in accrued wages and benefits . . . . .	7,798	3,256	324	8,856	994	21,228
Increase (decrease) in due to other funds . . . . .	(45,249)	-	-	39	567	(44,643)
Decrease in due to other governments . . . . .	-	-	-	(64,678)	-	(64,678)
Increase in voluntary termination benefits payable . . . . .	13,135	-	-	-	-	13,135
Increase (decrease) in compensated absences payable. . . . .	7,737	(3,376)	646	3,824	1,002	9,833
Decrease in claims payable. . . . .	-	-	-	(4,429,543)	-	(4,429,543)
Net cash provided by (used in) operating activities. . . . .	<u>\$ (630,873)</u>	<u>\$ 19,365</u>	<u>\$ (63,373)</u>	<u>\$ (2,215,189)</u>	<u>\$ 118,658</u>	<u>\$ (2,771,412)</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, conduit debt and municipal court.

Guaranty	Payroll Withholding
Performance Bond	Special Improvement District
Developer Construction Payments	GMR Trading Project
Deposit of Taxes/Courthouse Square	Miami Township-Dayton JEDD
Dependent Care	Butler Township-Dayton JEDD
Fire Proceeds	Emery
Urban Renewal Comp Dep	Municipal Courts
Building Permit Surcharge	Executive Severance

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/08</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>Developer Construction Payments</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ -	\$ 2,800	\$ -	\$ 2,800
Total assets. . . . .	<u>\$ -</u>	<u>\$ 2,800</u>	<u>\$ -</u>	<u>\$ 2,800</u>
<b>Liabilities:</b>				
Due to others. . . . .	\$ -	\$ 2,800	\$ -	\$ 2,800
Total liabilities. . . . .	<u>\$ -</u>	<u>\$ 2,800</u>	<u>\$ -</u>	<u>\$ 2,800</u>
<b>Deposit of Taxes/Courthouse Square</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 138,175	\$ 717,136	\$ 717,136	\$ 138,175
Accounts receivable. . . . .	-	306,675	-	306,675
Total assets. . . . .	<u>\$ 138,175</u>	<u>\$ 1,023,811</u>	<u>\$ 717,136</u>	<u>\$ 444,850</u>
<b>Liabilities:</b>				
Due to other governments . . . . .	\$ 138,175	\$ 1,023,811	\$ 717,136	\$ 444,850
Total liabilities. . . . .	<u>\$ 138,175</u>	<u>\$ 1,023,811</u>	<u>\$ 717,136</u>	<u>\$ 444,850</u>
<b>Dependent Care</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 8,958	\$ -	\$ 2,279	\$ 6,679
Total assets. . . . .	<u>\$ 8,958</u>	<u>\$ -</u>	<u>\$ 2,279</u>	<u>\$ 6,679</u>
<b>Liabilities:</b>				
Due to other governments . . . . .	\$ 8,958	\$ -	\$ 2,279	\$ 6,679
Total liabilities. . . . .	<u>\$ 8,958</u>	<u>\$ -</u>	<u>\$ 2,279</u>	<u>\$ 6,679</u>

-- Continued



**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/08</u>
<b>Fire Proceeds</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 843,641	\$ 12,779	\$ 79,791	\$ 776,629
Total assets. . . . .	<u>\$ 843,641</u>	<u>\$ 12,779</u>	<u>\$ 79,791</u>	<u>\$ 776,629</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ -	\$ 12,779	\$ -	\$ 12,779
Due to other governments . . . . .	843,641	-	79,791	763,850
Total liabilities. . . . .	<u>\$ 843,641</u>	<u>\$ 12,779</u>	<u>\$ 79,791</u>	<u>\$ 776,629</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. . . . .	\$ 2,707	\$ 5,019	\$ 1,289	\$ 6,437
Total assets. . . . .	<u>\$ 2,707</u>	<u>\$ 5,019</u>	<u>\$ 1,289</u>	<u>\$ 6,437</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 1,289	\$ 2,573	\$ 1,289	\$ 2,573
Due to other governments . . . . .	1,418	2,446	-	3,864
Total liabilities. . . . .	<u>\$ 2,707</u>	<u>\$ 5,019</u>	<u>\$ 1,289</u>	<u>\$ 6,437</u>
<b>Payroll Withholding</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 4,826,546	\$ 103,343	\$ 1,325,428	\$ 3,604,461
Total assets. . . . .	<u>\$ 4,826,546</u>	<u>\$ 103,343</u>	<u>\$ 1,325,428</u>	<u>\$ 3,604,461</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 3,300	\$ -	\$ 3,300	\$ -
Withholdings and deposits. . . . .	4,823,246	103,343	1,322,128	3,604,461
Total liabilities. . . . .	<u>\$ 4,826,546</u>	<u>\$ 103,343</u>	<u>\$ 1,325,428</u>	<u>\$ 3,604,461</u>
<b>Special Improvement District</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 18,186	\$ -	\$ -	\$ 18,186
Total assets. . . . .	<u>\$ 18,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,186</u>
<b>Liabilities:</b>				
Due to other governments . . . . .	\$ 18,186	\$ -	\$ -	\$ 18,186
Total liabilities. . . . .	<u>\$ 18,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,186</u>

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/08</u>
<b>GMR Trading Project</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 465,347	\$ -	\$ 143,913	\$ 321,434
Total assets. . . . .	<u>\$ 465,347</u>	<u>\$ -</u>	<u>\$ 143,913</u>	<u>\$ 321,434</u>
<b>Liabilities:</b>				
Due to other governments . . . . .	\$ 465,347	\$ -	\$ 143,913	\$ 321,434
Total liabilities. . . . .	<u>\$ 465,347</u>	<u>\$ -</u>	<u>\$ 143,913</u>	<u>\$ 321,434</u>
<b>Miami Township-Dayton JEDD</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 386,620	\$ 46,207	\$ 386,620	\$ 46,207
Accounts receivable. . . . .	-	18,243	-	18,243
Total assets. . . . .	<u>\$ 386,620</u>	<u>\$ 64,450</u>	<u>\$ 386,620</u>	<u>\$ 64,450</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ -	\$ 64,450	\$ -	\$ 64,450
Due to other governments . . . . .	386,620	-	386,620	-
Total liabilities. . . . .	<u>\$ 386,620</u>	<u>\$ 64,450</u>	<u>\$ 386,620</u>	<u>\$ 64,450</u>
<b>Butler Township-Dayton JEDD</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 4,278	\$ 4,490	\$ 4,278	\$ 4,490
Accounts receivable. . . . .	-	1,636	-	1,636
Total assets. . . . .	<u>\$ 4,278</u>	<u>\$ 6,126</u>	<u>\$ 4,278</u>	<u>\$ 6,126</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ -	\$ 6,126	\$ -	\$ 6,126
Due to other governments . . . . .	4,278	-	4,278	-
Total liabilities. . . . .	<u>\$ 4,278</u>	<u>\$ 6,126</u>	<u>\$ 4,278</u>	<u>\$ 6,126</u>
<b>Emery</b>				
<b>Assets:</b>				
Investments with fiscal agent. . . . .	\$ 3,355,572	\$ 32,987	\$ 1,620	\$ 3,386,939
Total assets. . . . .	<u>\$ 3,355,572</u>	<u>\$ 32,987</u>	<u>\$ 1,620</u>	<u>\$ 3,386,939</u>
<b>Liabilities:</b>				
Due to others. . . . .	\$ 3,355,572	\$ 32,987	\$ 1,620	\$ 3,386,939
Total liabilities. . . . .	<u>\$ 3,355,572</u>	<u>\$ 32,987</u>	<u>\$ 1,620</u>	<u>\$ 3,386,939</u>
<b>Municipal Courts</b>				
<b>Assets:</b>				
Cash and cash equivalents with fiscal agents . . . . .	\$ 879,875	\$ 1,067,339	\$ 879,875	\$ 1,067,339
Total assets. . . . .	<u>\$ 879,875</u>	<u>\$ 1,067,339</u>	<u>\$ 879,875</u>	<u>\$ 1,067,339</u>
<b>Liabilities:</b>				
Due to other governments . . . . .	\$ 353,268	\$ 654,539	\$ 353,268	\$ 654,539
Due to others. . . . .	526,607	412,800	526,607	412,800
Total liabilities. . . . .	<u>\$ 879,875</u>	<u>\$ 1,067,339</u>	<u>\$ 879,875</u>	<u>\$ 1,067,339</u>

**CITY OF DAYTON, OHIO**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/08</u>
<b>Executive Severance</b>				
<b>Assets:</b>				
Investments with fiscal agents . . . . .	\$ 944,519	\$ 202,703	\$ 187,817	\$ 959,405
Total assets. . . . .	<u>\$ 944,519</u>	<u>\$ 202,703</u>	<u>\$ 187,817</u>	<u>\$ 959,405</u>
<b>Liabilities:</b>				
Withholdings and deposits. . . . .	\$ 944,519	\$ 202,703	\$ 187,817	\$ 959,405
Total liabilities. . . . .	<u>\$ 944,519</u>	<u>\$ 202,703</u>	<u>\$ 187,817</u>	<u>\$ 959,405</u>
<b>Total Agency Funds</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 6,811,746	\$ 891,774	\$ 2,660,734	\$ 5,042,786
Cash and cash equivalents with fiscal agents . . . . .	879,875	1,067,339	879,875	1,067,339
Investments with fiscal agents . . . . .	4,300,091	235,690	189,437	4,346,344
Accounts receivable. . . . .	-	326,554	-	326,554
Total assets. . . . .	<u>\$ 11,991,712</u>	<u>\$ 2,521,357</u>	<u>\$ 3,730,046</u>	<u>\$ 10,783,023</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 4,589	\$ 85,928	\$ 4,589	\$ 85,928
Due to other governments . . . . .	2,269,540	1,680,796	1,687,285	2,263,051
Due to others. . . . .	3,882,179	448,587	528,227	3,802,539
Withholdings and deposits. . . . .	5,835,404	306,046	1,509,945	4,631,505
Total liabilities. . . . .	<u>\$ 11,991,712</u>	<u>\$ 2,521,357</u>	<u>\$ 3,730,046</u>	<u>\$ 10,783,023</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

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**CITY OF DAYTON, OHIO**

**STATISTICAL SECTION**

This part of the City of Dayton's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

**Contents**

**Page**

**Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

**S 4 - S 13**

**Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, the income tax, property tax and special assessments.

**S 14 - S 21**

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**S 22 - S 30**

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

**S 31 - S 42**

**Operating Information**

This schedule contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**S 43**

**Sources:** Sources are noted on the individual schedules. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

**CITY OF DAYTON, OHIO**

NET ASSETS BY COMPONENT  
LAST SIX FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 188,610,596	\$ 207,581,135	\$ 228,383,145	\$ 242,926,214
Restricted	53,916,504	63,442,672	65,403,080	71,779,813
Unrestricted	61,754,770	49,507,627	44,629,417	43,854,526
Total governmental activities net assets	<u>\$ 304,281,870</u>	<u>\$ 320,531,434</u>	<u>\$ 338,415,642</u>	<u>\$ 358,560,553</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 293,481,592	\$ 309,060,125	\$ 328,655,724	\$ 346,386,163
Restricted	-	-	-	-
Unrestricted	153,425,794	127,133,397	129,939,569	136,579,525
Total business-type activities net assets	<u>\$ 446,907,386</u>	<u>\$ 436,193,522</u>	<u>\$ 458,595,293</u>	<u>\$ 482,965,688</u>
Primary government				
Invested in capital assets, net of related debt	\$ 482,092,188	\$ 516,641,260	\$ 557,038,869	\$ 589,312,377
Restricted	53,916,504	63,442,672	65,403,080	71,779,813
Unrestricted	215,180,564	176,641,024	174,568,986	180,434,051
Total primary government net assets	<u>\$ 751,189,256</u>	<u>\$ 756,724,956</u>	<u>\$ 797,010,935</u>	<u>\$ 841,526,241</u>

Source: City of Dayton financial records

(1) Amounts have been restated from prior year's CAFR.

Note: 2002 was the first year the City implemented GASB Statement No. 34, so comparative information before that date is not available.



<u>2007 (1)</u>	<u>2008</u>
\$ 271,643,144	\$ 282,480,043
60,595,698	95,482,357
43,818,871	16,945,325
<u>\$ 376,057,713</u>	<u>\$ 394,907,725</u>

\$ 380,238,011	\$ 389,630,233
-	-
127,953,698	145,774,776
<u>\$ 508,191,709</u>	<u>\$ 535,405,009</u>

\$ 651,881,155	\$ 672,110,276
60,595,698	95,482,357
171,772,569	162,720,101
<u>\$ 884,249,422</u>	<u>\$ 930,312,734</u>

**CITY OF DAYTON, OHIO**  
**CHANGES IN NET ASSETS**  
**LAST SIX FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**

	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
Downtown	\$ 5,418,423	\$ 5,031,993	\$ 5,064,225	\$ 4,978,385
Youth, education and human services	2,535,385	2,208,479	2,070,638	1,886,238
Community development and neighbors	21,769,149	20,163,040	20,037,194	20,050,274
Economic development	10,494,459	6,411,508	7,162,137	9,348,825
Leadership and quality of life	45,111,428	45,891,870	46,407,089	43,411,252
Corporate responsibility	17,020,585	15,950,738	16,907,149	20,544,073
Public safety and justice	89,976,989	92,954,582	94,599,294	98,533,695
Other	986,660	507,896	2,547,338	1,105,280
Interest and fiscal charges	3,430,708	3,944,038	3,072,035	3,043,887
<b>Total governmental activities expenses</b>	<b>196,743,786</b>	<b>193,064,144</b>	<b>197,867,099</b>	<b>202,901,909</b>
Business type activities:				
Dayton International Airport	35,502,289	39,961,191	40,802,335	39,032,293
Water	45,628,781	47,152,642	44,674,367	45,200,207
Sewer	27,210,776	28,903,051	28,319,647	32,375,482
Golf	3,118,857	2,472,685	2,536,878	3,121,707
Storm Water	2,636,386	3,983,545	4,933,239	4,491,851
<b>Total business-type activities expenses</b>	<b>114,097,089</b>	<b>122,473,114</b>	<b>121,266,466</b>	<b>124,221,540</b>
<b>Total primary government expenses</b>	<b>\$ 310,840,875</b>	<b>\$ 315,537,258</b>	<b>\$ 319,133,565</b>	<b>\$ 327,123,449</b>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
Downtown	\$ 459,014	\$ 504,472	\$ 517,512	\$ 505,552
Youth, education and human services	26,724	29,987	20,593	17,994
Community development and neighbors	2,284,484	1,762,861	1,942,351	2,204,445
Economic development	3,074,605	1,689,779	2,092,562	1,179,367
Leadership and quality of life	5,791,514	6,769,017	5,693,276	4,380,757
Corporate responsibility	2,213,081	2,203,013	2,310,305	2,169,808
Public safety and justice	15,655,803	15,049,321	16,737,568	16,911,515
Other	93,175	51,096	573,462	979,787
Interest and fiscal charges	504,180	463,975	-	-
Operating grants and contributions	19,791,048	18,789,989	17,571,173	16,701,482
Capital grants and contributions	10,307,490	9,604,411	12,149,725	11,253,574
<b>Total governmental activities program revenue</b>	<b>60,201,118</b>	<b>56,917,921</b>	<b>59,608,527</b>	<b>56,304,281</b>
Business type activities:				
Charges for services:				
Dayton International Airport	42,239,421	42,943,773	40,174,905	41,820,112
Water	42,441,461	37,709,426	43,578,504	47,088,482
Sewer	26,666,859	28,143,643	27,796,918	32,379,198
Golf	2,951,887	4,273,982	2,931,243	3,295,321
Storm Water	2,583,042	2,785,709	6,698,328	4,898,132
Capital grants and contributions	14,845,098	14,794,084	18,926,901	15,408,247
<b>Total business-type activities program revenue</b>	<b>131,727,768</b>	<b>130,650,617</b>	<b>140,106,799</b>	<b>144,889,492</b>
<b>Total primary government program revenue</b>	<b>\$ 191,928,886</b>	<b>\$ 187,568,538</b>	<b>\$ 199,715,326</b>	<b>\$ 201,193,773</b>

<u>2007</u>	<u>2008</u>
\$ 5,666,737	\$ 5,570,112
2,408,097	2,583,667
21,459,480	21,460,067
15,999,955	9,810,580
43,224,368	48,563,961
17,892,823	17,442,665
101,277,697	101,533,014
1,378,197	683,122
2,904,913	4,849,682
<u>212,212,267</u>	<u>212,496,870</u>
41,813,989	31,958,820
45,401,676	45,811,605
30,889,719	30,855,192
3,322,911	3,196,937
5,030,425	5,090,241
<u>126,458,720</u>	<u>116,912,795</u>
<u>\$ 338,670,987</u>	<u>\$ 329,409,665</u>
\$ 704,984	\$ 570,059
19,333	40,322
3,000,683	2,313,335
1,328,746	1,161,369
4,251,275	5,128,446
2,533,128	2,341,620
17,363,610	17,328,246
1,129,885	27,277
-	-
19,245,962	20,423,979
15,536,992	13,489,575
<u>65,114,598</u>	<u>62,824,228</u>
39,311,221	31,067,418
50,944,369	48,944,620
31,322,099	30,398,157
3,353,732	3,291,376
6,663,178	6,688,476
15,058,562	21,316,626
<u>146,653,161</u>	<u>141,706,673</u>
<u>\$ 211,767,759</u>	<u>\$ 204,530,901</u>

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**CITY OF DAYTON, OHIO**  
**CHANGES IN NET ASSETS**  
**LAST SIX FISCAL YEARS**  
**(CONTINUED)**  
**(ACCRUAL BASIS OF ACCOUNTING)**

	2003	2004	2005	2006
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (136,542,668)	\$ (136,146,223)	\$ (138,258,572)	\$ (146,597,628)
Business-type activities	17,630,679	8,177,503	18,840,333	20,667,952
Total primary government net expense	<u>\$ (118,911,989)</u>	<u>\$ (127,968,720)</u>	<u>\$ (119,418,239)</u>	<u>\$ (125,929,676)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Property taxes	\$ 18,641,542	\$ 19,496,591	\$ 20,719,101	\$ 21,788,008
Income taxes	108,520,891	108,438,846	112,169,475	117,876,441
Grants and entitlements	19,081,383	20,377,849	18,276,100	19,192,977
Investment earnings	3,579,657	1,706,199	3,383,886	5,084,176
Miscellaneous	2,952,997	1,984,048	3,644,141	2,862,437
Transfers	(913,666)	-	-	(61,500)
Total governmental activities general revenues	<u>151,862,804</u>	<u>152,003,533</u>	<u>158,192,703</u>	<u>166,742,539</u>
Special Item				
Gain on sale of capital assets	-	781,586	-	-
Total general revenues and special items	<u>151,862,804</u>	<u>152,785,119</u>	<u>158,192,703</u>	<u>166,742,539</u>
Business type activities:				
Investment earnings	3,604,829	1,032,922	1,537,561	3,640,943
Transfers	913,666	-	-	61,500
Total business-type activities	<u>4,518,495</u>	<u>1,032,922</u>	<u>1,537,561</u>	<u>3,702,443</u>
Total primary government	<u>\$ 156,381,299</u>	<u>\$ 153,818,041</u>	<u>\$ 159,730,264</u>	<u>\$ 170,444,982</u>
<b>Changes in Net Assets</b>				
Governmental activities	\$ 15,320,136	\$ 16,638,896	\$ 19,934,131	\$ 20,144,911
Business-type activities	22,149,174	9,210,425	20,377,894	24,370,395
Total primary government	<u>\$ 37,469,310</u>	<u>\$ 25,849,321</u>	<u>\$ 40,312,025</u>	<u>\$ 44,515,306</u>

Source: City of Dayton financial records

Note: 2002 was the first year the City implemented GASB Statement No. 34, so comparative information before that date is not available.

<u>2007</u>	<u>2008</u>
\$ (147,097,669)	\$ (149,672,642)
20,194,441	24,793,878
<u>\$ (126,903,228)</u>	<u>\$ (124,878,764)</u>

\$ 23,444,142	\$ 24,167,118
113,785,961	108,868,331
17,600,763	17,912,684
7,064,009	5,340,622
7,547,653	11,889,101
(239,196)	344,798
<u>169,203,332</u>	<u>168,522,654</u>

-	-
<u>169,203,332</u>	<u>168,522,654</u>

4,894,727	2,764,220
239,196	(344,798)
<u>5,133,923</u>	<u>2,419,422</u>
\$ 174,337,255	\$ 170,942,076

\$ 22,105,663	\$ 18,850,012
25,328,364	27,213,300
<u>\$ 47,434,027</u>	<u>\$ 46,063,312</u>

**CITY OF DAYTON, OHIO**

FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	1999	2000	2001	2002
General Fund				
Reserved	\$ 9,397,735	\$ 10,974,654	\$ 4,305,769	\$ 2,798,924
Unreserved, reported in:				
Designated for future years' expenditures	-	9,728,322	8,708,515	-
Undesignated	43,111,256	38,650,529	28,525,393	31,594,377
Total general fund	<u>\$ 52,508,991</u>	<u>\$ 59,353,505</u>	<u>\$ 41,539,677</u>	<u>\$ 34,393,301</u>
Debt Service Fund				
Reserved	\$ 11,400,950	\$ 10,661,917	\$ 26,687,599	\$ 24,087,261
Unreserved	17,500,248	18,482,563	-	-
Total debt service fund	<u>\$ 28,901,198</u>	<u>\$ 29,144,480</u>	<u>\$ 26,687,599</u>	<u>\$ 24,087,261</u>
Capital Improvement Fund				
Reserved	\$ 22,808,013	\$ 15,373,557	\$ 15,076,014	\$ 18,370,993
Unreserved (deficit)	(640,521)	(1,416,030)	10,894,040	2,067,381
Total capital improvement fund	<u>\$ 22,167,492</u>	<u>\$ 13,957,527</u>	<u>\$ 25,970,054</u>	<u>\$ 20,438,374</u>
Other governmental Funds				
Reserved	\$ 18,808,165	\$ 12,147,151	\$ 14,559,355	\$ 18,520,083
Unreserved (deficit), reported in:				
Designated, special revenue funds	-	-	-	-
Special revenue funds	(7,898,207)	(1,630,254)	(1,899,939)	(1,370,644)
Permanent fund	-	-	-	16,380
Capital projects funds	741,220	1,029,431	(87,265)	(1,415,108)
Total governmental funds	<u>\$ 11,651,178</u>	<u>\$ 11,546,328</u>	<u>\$ 12,572,151</u>	<u>\$ 15,750,711</u>
Total Fund Balances, Governmental Funds	<u><u>\$ 115,228,859</u></u>	<u><u>\$ 114,001,840</u></u>	<u><u>\$ 106,769,481</u></u>	<u><u>\$ 94,669,647</u></u>

(1) Amounts have been restated from prior year's CAFR.

Source: City of Dayton financial records

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007 (1)</u>	<u>2008</u>
\$ 4,077,216	\$ 4,451,193	\$ 4,846,464	\$ 2,985,745	\$ 3,646,545	\$ 2,418,755
1,226,505	2,161,198	3,573,236	6,949,009	8,284,213	10,172,634
34,784,392	29,795,216	36,132,638	27,407,200	30,035,615	31,002,915
<u>\$ 40,088,113</u>	<u>\$ 36,407,607</u>	<u>\$ 44,552,338</u>	<u>\$ 37,341,954</u>	<u>\$ 41,966,373</u>	<u>\$ 43,594,304</u>
\$ 17,839,709	\$ 15,333,393	\$ 13,298,438	\$ 15,080,926	\$ 18,676,879	\$ 42,248,963
-	-	-	-	-	-
<u>\$ 17,839,709</u>	<u>\$ 15,333,393</u>	<u>\$ 13,298,438</u>	<u>\$ 15,080,926</u>	<u>\$ 18,676,879</u>	<u>\$ 42,248,963</u>
\$ 15,435,869	\$ 23,208,822	\$ 14,836,284	\$ 22,459,015	\$ 30,413,308	\$ 27,221,279
(3,857,644)	916,028	2,013,719	1,797,815	(12,394,589)	(10,819,429)
<u>\$ 11,578,225</u>	<u>\$ 24,124,850</u>	<u>\$ 16,850,003</u>	<u>\$ 24,256,830</u>	<u>\$ 18,018,719</u>	<u>\$ 16,401,850</u>
\$ 15,712,394	\$ 12,711,217	\$ 20,867,328	\$ 19,535,089	\$ 19,934,678	\$ 21,146,364
486,000	400,000	-	1,253,000	1,146,380	1,116,000
1,060,593	4,402,528	184,630	1,124,470	2,910,665	(416,332)
36,805	53,439	58,896	67,805	79,836	60,413
2,497,998	739,531	(4,384,639)	(1,480,796)	-	-
<u>\$ 19,793,790</u>	<u>\$ 18,306,715</u>	<u>\$ 16,726,215</u>	<u>\$ 20,499,568</u>	<u>\$ 24,071,559</u>	<u>\$ 21,906,445</u>
<u>\$ 89,299,837</u>	<u>\$ 94,172,565</u>	<u>\$ 91,426,994</u>	<u>\$ 97,179,278</u>	<u>\$ 102,733,530</u>	<u>\$ 124,151,562</u>

**CITY OF DAYTON, OHIO**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	1999	2000	2001	2002
<b>Revenues (1)</b>				
Taxes	\$ 147,335,296	\$ 153,386,497	\$ 148,602,604	\$ 145,251,212
Intergovernmental	28,032,945	29,212,950	26,512,452	24,096,216
Investment income	6,177,393	9,810,194	7,086,378	3,332,301
Special assessments	383,044	272,107	569,983	693,360
Licenses and permits	1,687,321	2,083,365	2,039,503	1,980,844
Charges for services	24,259,158	22,313,071	21,660,189	23,813,556
Fines and forfeits	1,211,084	1,754,313	2,454,517	2,249,333
Increase (decrease) in FMV of investments	-	-	-	-
Miscellaneous	3,604,259	4,598,578	8,607,756	8,319,580
<b>Total revenues</b>	<u>212,690,500</u>	<u>223,431,075</u>	<u>217,533,382</u>	<u>209,736,402</u>
<b>Expenditures (1 &amp; 2)</b>				
Current:				
Downtown	-	4,869,311	5,021,369	4,807,733
Administrative Services	47,817,478	-	-	-
Youth, Education and Human Services	-	1,301,481	1,436,191	1,506,653
Community Development and Neighborhoods	-	3,281,232	2,331,172	2,468,203
Economic Development	8,666,422	21,838,458	23,658,978	24,328,537
Neighborhood Development	21,562,100	-	-	-
Human Development	17,112,029	-	-	-
Leadership and Quality Life	-	43,581,245	37,964,500	39,442,705
Corporate Responsibility	-	20,761,269	22,350,461	15,813,881
Policy Development	4,209,530	-	-	-
Transportation	11,833,639	-	-	-
Land Use	27,568,631	-	-	-
Community Security	47,025,960	-	-	-
Public safety and justice	-	96,185,438	101,900,533	100,912,458
Other	-	-	373,382	1,747,482
Capital outlay	22,995,587	24,523,977	45,292,081	22,165,044
Debt Service				
Principal	5,475,795	4,926,770	6,524,068	6,198,173
Interest	4,069,904	3,746,724	4,333,281	4,317,835
Bond issuance costs	-	-	356,193	-
<b>Total expenditures</b>	<u>218,337,075</u>	<u>225,015,905</u>	<u>251,542,209</u>	<u>223,708,704</u>
<b>Excess(deficiency) of revenues over expenditures</b>	(5,646,575)	(1,584,830)	(34,008,827)	(13,972,302)
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	2,484,795	18,449	29,388	-
Transfers in	19,577,043	26,563,590	32,893,734	9,119,979
Transfers out	(18,078,391)	(26,564,490)	(33,549,534)	(7,755,533)
Bonds issued	12,190,000	305,495	24,911,873	1,568,387
Discount on bonds issued	-	-	-	-
Proceeds of loans	-	-	-	-
Payment of refunded bond escrow agent	-	-	-	-
Premium on bond issuance	-	-	17,377	-
Capital lease transactions	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>16,173,447</u>	<u>323,044</u>	<u>24,302,838</u>	<u>2,932,833</u>
<b>Net change in fund balance</b>	<u>\$ 10,526,872</u>	<u>\$ (1,261,786)</u>	<u>\$ (9,705,989)</u>	<u>\$ (11,039,469)</u>
<b>Debt service as a percentage of noncapital expenditures</b>	4.89%	4.33%	5.44%	5.22%

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

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

Source: City of Dayton financial records



2003	2004	2005	2006	2007	2008
\$ 147,286,520	\$ 149,926,379	\$ 154,210,979	\$ 159,082,912	\$ 157,223,154	\$ 152,514,608
28,609,999	25,333,452	17,329,078	28,044,012	31,643,646	25,707,748
3,623,500	2,288,903	3,483,518	5,131,388	7,393,303	4,286,751
1,033,045	1,034,415	652,363	1,076,163	505,670	546,047
2,120,143	1,817,222	1,903,063	1,750,262	1,861,236	1,817,153
22,262,759	20,295,875	22,898,740	22,083,074	24,051,832	23,926,449
2,083,662	1,832,710	1,944,186	3,450,859	2,044,271	2,908,861
-	-	-	-	-	599,485
5,756,600	4,767,369	6,554,510	2,862,437	7,547,653	11,889,101
<u>212,776,228</u>	<u>207,296,325</u>	<u>208,976,437</u>	<u>223,481,107</u>	<u>232,270,765</u>	<u>224,196,203</u>
3,747,343	4,167,407	4,093,181	4,183,009	4,651,014	4,604,197
-	-	-	-	-	-
2,531,763	2,237,230	2,060,357	1,928,205	2,420,958	2,581,447
20,353,743	20,311,675	19,230,564	18,959,062	21,016,004	20,981,602
6,996,268	6,410,373	7,049,497	9,464,377	15,082,881	11,191,284
-	-	-	-	-	-
-	-	-	-	-	-
37,705,241	41,319,775	40,423,448	37,073,237	36,925,472	41,676,303
16,035,551	14,870,289	15,423,671	19,489,965	16,597,674	16,401,770
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
90,354,455	92,673,272	92,422,480	97,403,724	98,432,234	100,009,551
918,216	506,890	2,544,612	1,107,606	1,377,348	685,888
29,742,434	23,346,465	22,818,819	17,501,729	28,529,727	24,852,628
7,350,552	9,228,813	5,774,552	7,480,101	5,789,851	6,652,464
3,430,374	3,962,946	3,097,330	3,076,308	2,884,154	4,707,848
-	199,535	-	-	312,327	598,836
<u>219,165,940</u>	<u>219,234,670</u>	<u>214,938,511</u>	<u>217,667,323</u>	<u>234,019,644</u>	<u>234,943,818</u>
(6,389,712)	(11,938,345)	(5,962,074)	5,813,784	(1,748,879)	(10,747,615)
150,000	824,849	101,600	100,000	-	-
17,092,990	15,249,526	16,692,371	21,682,063	13,418,525	9,831,205
(16,730,663)	(15,349,526)	(16,732,871)	(21,843,563)	(13,757,721)	(9,556,407)
395,485	11,731,021	-	-	19,745,000	32,000,000
-	-	-	-	-	(348,901)
-	-	-	-	-	239,750
-	-	-	-	(10,383,734)	-
-	244,535	-	-	491,061	-
112,090	4,500,000	205,326	-	-	-
<u>1,019,902</u>	<u>17,200,405</u>	<u>266,426</u>	<u>(61,500)</u>	<u>9,513,131</u>	<u>32,165,647</u>
<u>\$ (5,369,810)</u>	<u>\$ 5,262,060</u>	<u>\$ (5,695,648)</u>	<u>\$ 5,752,284</u>	<u>\$ 7,764,252</u>	<u>\$ 21,418,032</u>
5.69%	6.84%	4.62%	5.27%	4.37%	5.69%

**CITY OF DAYTON, OHIO**

INCOME TAX REVENUE BY PAYER TYPE  
NET OF REFUNDS  
BUDGET (CASH) BASIS  
LAST TEN FISCAL YEARS

Year	Individual				Business Accounts				Total
	Withholding	% of total	Non-withholding	% of total	Total Individual	% of total	Business Accounts	% of total	
1999	\$ 101,222,955	100.00%	N/A	N/A	\$ 101,222,955	100.00%	N/A	N/A	101,222,955
2000	102,193,340	100.00%	N/A	N/A	102,193,340	100.00%	N/A	N/A	102,193,340
2001	104,281,895	100.00%	N/A	N/A	104,281,895	100.00%	N/A	N/A	104,281,895
2002	100,229,065	95.89%	4,294,841	4.11%	104,523,906	93.68%	7,057,188	6.32%	111,581,094
2003	99,464,861	95.86%	4,297,342	4.14%	103,762,203	92.38%	8,556,088	7.62%	112,318,291
2004	99,902,076	95.53%	4,677,075	4.47%	104,579,151	92.72%	8,213,062	7.28%	112,792,213
2005	100,076,600	94.95%	5,321,371	5.05%	105,397,971	90.36%	11,245,776	9.64%	116,643,747
2006	102,033,754	95.36%	4,962,179	4.64%	106,995,933	91.01%	10,570,090	8.99%	117,566,023
2007	101,226,600	94.59%	5,790,379	5.41%	107,016,979	91.26%	10,244,253	8.74%	117,261,232
2008	96,917,767	95.06%	5,041,787	4.94%	101,959,554	89.75%	11,641,406	10.25%	113,600,960

INCOME TAX FUND REVENUE DISTRIBUTION  
NET OF REFUNDS

Year	Budget (Cash) Basis			GAAP (Modified Accrual Basis)		
	General Fund	Total	% Increase (Decrease)	General Fund	Total	% Increase (Decrease)
1999	\$ 109,522,954	\$ 109,522,954	N/A	\$ 109,247,348	\$ 109,247,348	N/A
2000	111,018,161	111,018,161	1.37%	112,664,888	112,664,888	3.13%
2001	118,589,586	118,589,586	6.82%	109,203,036	109,203,036	-3.07%
2002	107,756,012	107,756,012	-9.14%	106,625,368	106,625,368	-2.36%
2003	105,281,708	105,281,708	-2.30%	108,554,027	108,554,027	1.81%
2004	108,494,807	108,494,807	3.05%	107,737,232	107,737,232	-0.75%
2005	112,281,500	112,281,500	3.49%	112,824,119	112,824,119	4.72%
2006	113,767,671	113,767,671	1.32%	112,619,532	112,619,532	-0.18%
2007	112,794,901	112,794,901	-0.86%	113,156,087	113,156,087	0.48%
2008	110,449,891	110,449,891	-2.08%	109,008,881	109,008,881	-3.67%

Source: City of Dayton financial records

N/A - Information not available

**CITY OF DAYTON, OHIO**

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<u>Fiscal year</u>	<u>Total tax levy</u>	<u>Current tax collections</u>	<u>Percent of levy collected</u>	<u>Delinquent tax collections</u>	<u>Total tax collections</u>	<u>Percent of total tax collections to tax levy</u>	<u>Outstanding delinquent taxes</u>	<u>Percent of outstanding delinquent taxes to tax levy</u>
<u>Montgomery County</u>								
1999	\$ 17,228,696	\$ 16,688,916	96.87%	\$ 889,833	\$ 17,578,749	102.03%	\$ 2,854,545	16.57%
2000	18,747,632	17,953,577	95.76%	1,028,171	18,981,748	101.25%	4,089,228	21.81%
2001	18,861,580	18,027,699	95.58%	1,121,799	19,149,498	101.53%	3,458,115	18.33%
2002	19,075,592	17,815,051	93.39%	1,327,331	19,142,382	100.35%	4,765,605	24.98%
2003	21,142,675	19,212,789	90.87%	1,265,481	20,478,270	96.86%	4,956,875	23.44%
2004	21,129,504	19,921,141	94.28%	1,441,368	21,362,509	101.10%	4,921,388	23.29%
2005	20,559,068	19,464,064	94.67%	2,004,760	21,468,824	104.43%	3,621,335	17.61%
2006	22,098,556	20,809,488	94.17%	2,343,469	23,152,957	104.77%	2,526,394	11.43%
2007	20,334,804	19,544,381	96.11%	1,998,653	21,543,034	105.94%	3,390,837	16.68%
2008	19,483,451	17,932,392	92.04%	1,661,231	19,593,623	100.57%	5,911,972	30.34%

Source: County Auditor; Montgomery County, Ohio

**CITY OF DAYTON, OHIO**

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

Tax year	For	Real Property		Personal Property		Public Utilities	
		Assessed value	Estimated actual value	Assessed value	Estimated actual value	Assessed value	Estimated actual value
<u>Montgomery County</u>							
1999	2000	\$ 1,199,695,480	N/A	\$ 387,618,846	N/A	\$ 150,755,290	N/A
2000	2001	1,308,366,160	N/A	403,346,103	N/A	142,951,440	N/A
2001	2002	1,321,740,600	N/A	440,728,086	N/A	139,196,290	N/A
2002	2003	1,349,792,850	N/A	456,304,945	N/A	101,461,400	N/A
2003	2004	1,605,463,590	N/A	402,063,173	N/A	106,740,710	N/A
2004	2005	1,618,667,120	N/A	318,067,610	N/A	106,951,010	N/A
2005	2006	1,629,682,550	N/A	324,633,707	N/A	101,590,570	N/A
2006	2007	1,789,262,590	5,112,178,829	220,535,502	1,176,189,344	95,959,270	54,216,988
2007	2008	1,767,313,000	5,049,465,714	107,769,573	1,356,704,408	73,262,480	188,151,369
2008	2009	2,278,074,470	4,948,784,200	13,367,820	213,885,120	75,155,200	193,012,218

Source: County Auditor; Montgomery County, Ohio

N/A - Information not available

Assessed value	Total		Percent of total assessed to total estimated actual value
	Total direct tax rate	Esimated actual value	
\$ 1,738,069,616	10.00	\$ 5,161,385,240	33.67%
1,854,663,703	10.00	5,799,921,138	31.98%
1,901,664,976	10.00	5,897,206,567	32.25%
1,907,559,195	10.00	5,797,067,825	32.91%
2,114,267,473	11.70	6,269,282,241	33.72%
2,043,685,740	10.00	6,171,703,279	33.11%
2,055,906,827	10.00	6,125,085,429	33.57%
2,105,757,362	10.00	6,342,585,161	33.20%
1,948,345,053	10.00	6,594,321,491	29.55%
2,366,597,490	10.00	5,355,681,538	44.19%

**CITY OF DAYTON, OHIO**

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

Fiscal Year	Direct 10 Mill Limitation (By Ohio Constitution)					By November 6, 1945 Charter Amendment		
	Debt Service Fund	Judgement Trust Fund	Street Maintenance Fund	Capital Improvement Fund	Total	Debt Service Fund	General	Total
<u>Montgomery County</u>								
1999 for 2000	0.15	0.50	0.85	-	1.50	3.50	5.00	8.50
2000 for 2001	0.15	0.50	0.85	-	1.50	3.50	5.00	8.50
2001 for 2002	0.15	-	1.35	-	1.50	3.50	5.00	8.50
2002 for 2003	0.15	-	1.35	-	1.50	3.50	5.00	8.50
2003 for 2004	0.15	-	1.35	1.70	3.20	3.50	5.00	8.50
2004 for 2005	1.17	-	0.33	-	1.50	3.50	5.00	8.50
2005 for 2006	1.17	-	0.33	-	1.50	3.50	5.00	8.50
2006 for 2007	0.40	-	-	-	0.40	4.60	5.00	9.60
2007 for 2008	0.40	-	-	-	0.40	4.60	5.00	9.60
2008 for 2009	0.40	-	-	-	0.40	4.60	5.00	9.60

(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 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. The 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 mill for the City, the maximum permitted by the City Charter.

Source: County Auditor; Montgomery County, Ohio

City of Dayton

<u>Grand Total</u>	<u>Dayton City School District</u>	<u>Montgomery County</u>	<u>Montgomery County Public Library</u>
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	70.85	16.64	0.26
11.70	70.85	17.24	0.26
10.00	70.85	18.24	0.26
10.00	70.85	18.24	0.26
10.00	70.85	18.24	1.25
10.00	70.85	20.25	1.25
10.00	75.75	20.94	1.25

**CITY OF DAYTON, OHIO**

**PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	Fiscal Year 2008			Fiscal Year 1999		
	Assessed Valuation	Rank	Percentage of Total City Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total City Taxable Assessed Value
Dayton Power and Light Company	\$ 52,880,670	1	2.71%	\$ 100,628,340	1	5.79%
National Cash Register Company	19,898,580	2	1.02%			
Ohio Bell Telephone Company	18,780,630	3	0.96%	32,793,110	4	1.89%
Delphi Automotive Systems Corporation	16,850,470	4	0.86%	38,154,010	2	2.20%
Behr Dayton Thermal	14,555,560	5	0.75%			
Cargill Inc.	12,394,230	6	0.64%	24,526,610	5	1.41%
Vectren Energy Delivery	10,840,930	7	0.56%			
Marriot International	7,490,000	8	0.38%			
Dayton Heart Hospital	7,427,010	9	0.38%			
Danis Fifth Third Bank	6,640,500	10	0.34%			
AT&T/NCR				35,212,420	3	2.03%
Ducru International, Inc.				12,970,180	6	0.75%
Reynolds and Reynolds				12,131,840	7	0.70%
Daimler Chrysler Corp.				11,258,970	8	0.65%
Standard Register				10,448,480	9	0.60%
<b>Total</b>	<b>\$ 167,758,580</b>		<b>8.61%</b>	<b>\$ 278,123,960</b>		<b>16.00%</b>

Source: County Auditor; Montgomery, County, Ohio

Only the top nine principal taxpayers were available for the year 1999.



**CITY OF DAYTON, OHIO**

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

<u>Fiscal Year</u>	<u>Current Assements Due (1)</u>	<u>Current Assessment Collected (1)</u>	<u>Percent of Current Collections to Current Assessments</u>	<u>Delinquent Assessments Collected</u>	<u>Total Assessments Collected</u>	<u>Percent of Total Assessments Collected to Current Due (2)</u>
1999	\$ 1,346,031	\$ 736,056	54.68%	\$ 189,940	\$ 925,996	68.79%
2000	1,392,991	769,441	55.24%	158,810	928,251	66.64%
2001	1,481,584	1,159,041	78.23%	192,008	1,351,049	91.19%
2002	1,734,308	1,179,253	68.00%	185,355	1,364,608	78.68%
2003	1,720,310	1,198,753	69.68%	238,209	1,436,962	83.53%
2004	1,814,540	1,250,199	68.90%	158,459	1,408,658	77.63%
2005	1,838,846	763,031	41.50%	138,406	901,437	49.02%
2006	2,439,603	1,529,084	62.68%	741,577	2,270,661	93.08%
2007	2,339,548	2,023,233	86.48%	815,408	2,838,641	121.33%
2008	3,065,046	2,195,831	71.64%	419,295	2,615,126	85.32%

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

(2) Total collections exceed Current Assessment 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**

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities						Business-Type Activities		
	General Obligation Bonds	Revenue Bonds	Special Assessment Bonds	Capital Lease Obligations	General Obligation Notes	OPWC Loans	Special Assessment Notes	General Obligation Bonds	Revenue Bonds
1999	\$ 56,270,000	\$ 12,190,000	\$ 420,844	\$ -	\$ -	\$ -	\$ -	\$ 1,420,000	\$ 7,888,400
2000	51,805,000	11,870,000	584,569	-	-	-	1,400	825,000	72,915,000
2001	70,705,963	11,530,000	471,029	-	-	-	-	3,829,037	66,220,000
2002	65,167,452	12,170,000	885,487	312,990	8,250,000	-	44,234	3,422,536	59,245,000
2003	58,635,798	11,790,000	1,095,285	332,660	8,250,000	-	48,130	3,104,190	89,345,000
2004	62,429,997	11,385,000	1,244,721	3,730,742	-	-	52,688	2,640,003	81,455,000
2005	54,962,646	10,955,000	977,100	3,255,561	-	-	-	2,292,354	80,210,000
2006	49,727,772	9,500,000	753,500	2,612,121	-	-	-	2,087,228	70,730,000
2007	54,900,224	9,015,000	555,600	1,995,000	-	-	-	1,874,776	39,185,000
2008	49,441,334	40,500,000	409,600	1,494,000	-	208,176	-	1,653,666	38,095,000

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: City of Dayton financial records

(1) Source: Bureau of Economic Analysis, US Department of Commerce. Personal Income for FY2008 is not available.

Business-Type Activities (Continued)

<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>Capital Lease Obligations</u>	<u>General Obligation Notes</u>	<u>Total Primary Government</u>	<u>Personal Income (1)</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 25,883,143	\$ -	\$ 349,539	\$ 12,100,000	\$ 116,521,926	\$ 23,100,508,000	0.50%	\$ 696
22,920,149	1,000,000	441,371	8,600,000	170,962,489	24,210,487,000	0.71%	1,029
19,957,154	950,000	16,175,567	7,600,000	197,438,750	24,657,688,000	0.80%	1,202
16,994,159	900,000	14,284,427	12,850,000	194,526,285	25,130,233,000	0.77%	1,195
27,401,011	850,000	110,127	4,850,000	205,812,201	25,525,598,000	0.81%	1,272
24,539,685	800,000	-	9,350,000	197,627,836	25,935,393,000	0.76%	1,233
21,005,877	750,000	132,516	6,675,000	181,216,054	26,452,240,000	0.69%	1,131
17,624,367	700,000	67,630	6,715,000	160,517,618	27,693,775,000	0.58%	1,010
15,055,215	650,000	-	3,285,000	126,515,815	28,596,630,000	0.44%	796
11,774,364	600,000	-	1,885,000	146,061,140	N/A	N/A	932

**CITY OF DAYTON, OHIO**

COMPUTATION OF LEGAL DEBT MARGIN  
LAST TEN FISCAL YEARS

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Assesed Value (2)	\$ 1,738,069,616	\$ 1,854,663,703	\$ 1,901,664,976	\$ 1,907,559,195
Legal debt margin:				
Debt limitation - 10.5% of Assesed Value	182,497,310	194,739,689	199,674,822	200,293,715
Total Voted and Unvoted Debt Outstanding	187,623,987	170,521,118	181,263,183	179,928,869
Less: Exempt Debt				
Waterworks General Obligation Bonds and Notes	(160,000)	(80,000)	-	-
Airport General Obligation Bonds and Notes	(13,360,000)	(9,345,000)	(7,830,000)	(12,850,000)
Waterworks Revenue Bonds (1)	(41,690,000)	(37,065,000)	(32,260,000)	(27,260,000)
Ohio Water Development Authority Loan	(25,883,143)	(22,920,149)	(19,957,154)	(16,994,159)
Ohio Public Works Commission Loan	-	(1,000,000)	(950,000)	(900,000)
Airport Revenue Bonds (1)	(37,650,000)	(35,850,000)	(33,960,000)	(31,985,000)
Special Assessment Bonds and Notes	(420,844)	(585,969)	(471,029)	(929,721)
Other Exempt Debt	(48,225,000)	-	-	-
Capital Facilities and Various Purpose Income Tax Bonds	-	(33,705,000)	(54,740,963)	(56,912,452)
Economic Development Bonds	-	(11,870,000)	(11,530,000)	(12,170,000)
Golf Renovation General Obligation Bonds	-	-	(3,599,037)	(3,422,536)
Total Exempt Debt	<u>(167,388,987)</u>	<u>(152,421,118)</u>	<u>(165,298,183)</u>	<u>(163,423,868)</u>
Total Debt Applicable to Limitation - Within 10.5% Limitations	20,235,000	18,100,000	15,965,000	16,505,001
Less: Amount Available in Debt Service Fund to pay debt applicable to limitation	<u>(28,743,870)</u>	<u>(18,356,028)</u>	<u>(16,604,497)</u>	<u>(14,559,051)</u>
Net Debt Within 10.5% Limitation	<u>(8,508,870)</u>	-	-	1,945,950
Overall Debt Margin Within 10.5% Limitation	<u>\$ 191,006,180</u>	<u>\$ 194,739,689</u>	<u>\$ 199,674,822</u>	<u>\$ 198,347,765</u>
Unvoted Debt Limitation - 5.5% of Assesed Valuation	\$ 95,593,829	\$ 102,006,504	\$ 104,591,574	\$ 104,915,756
Debt Within 5.5% Limitations	20,235,000	18,100,000	15,965,000	16,505,001
Less Amount Available in Debt Service Fund	(28,743,870)	(18,356,028)	(16,604,497)	(14,559,051)
Net Debt Within 5.5% Limitation	<u>(8,508,870)</u>	-	-	1,945,950
Unvoted Debt Margin Within 5.5% Limitation	<u>\$ 104,102,699</u>	<u>\$ 102,006,504</u>	<u>\$ 104,591,574</u>	<u>\$ 102,969,806</u>

Source: City of Dayton financial records

- (1) Airport and Waterworks revenue bonds are shown on the balance sheet net of a discount and unamortized deferred charges. For 2008, this amount was \$173,265.
- (2) Beginning in 2007, due to the rapid phase-out of the tangible personal property tax, including certain public utility personal property, and the length of bond issues, the taxable value of such property should be excluded from the assessed valuation used to calculate the legal debt margin. The adjusted personal property valuation is included, which excludes railroads and telephone personal property valuation.

<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
\$ 2,114,267,473	\$ 2,043,685,740	\$ 2,055,906,827	\$ 2,105,757,362	\$ 1,838,251,690	\$ 2,351,440,480
221,998,085	214,587,003	215,870,217	221,104,523	193,016,427	246,901,250
202,589,607	193,897,094	176,184,321	157,837,860	124,821,234	144,393,875
-	-	-	-	-	-
(4,850,000)	(9,350,000)	(6,675,000)	(6,715,000)	(3,430,000)	(1,885,000)
(21,839,200)	(5,235,650)	(10,927,100)	(5,133,550)	-	-
(27,401,011)	(24,539,685)	(21,005,877)	(17,624,365)	(15,055,215)	(11,774,364)
(850,000)	(800,000)	(750,000)	(700,000)	(650,000)	(808,176)
(64,951,733)	(62,645,625)	(67,639,245)	(64,350,209)	(39,007,904)	(37,921,735)
(1,143,415)	(1,297,409)	(977,100)	(753,500)	(555,600)	(409,600)
-	-	-	-	-	-
(51,810,798)	(57,034,997)	(35,962,645)	(31,974,008)	(23,705,224)	(20,841,334)
(11,790,000)	(11,385,000)	(10,955,000)	(9,500,000)	(9,015,000)	(40,500,000)
(3,104,190)	(2,640,003)	(2,292,354)	(2,087,228)	(1,874,776)	(1,653,666)
<u>(187,740,347)</u>	<u>(174,928,369)</u>	<u>(157,184,321)</u>	<u>(138,837,860)</u>	<u>(93,293,719)</u>	<u>(115,793,875)</u>
14,849,260	18,968,725	19,000,000	19,000,000	31,527,515	28,600,000
<u>(8,872,909)</u>	<u>(6,895,689)</u>	<u>(5,435,549)</u>	<u>(7,777,979)</u>	<u>(16,499,004)</u>	<u>(15,943,399)</u>
<u>5,976,351</u>	<u>12,073,036</u>	<u>13,564,451</u>	<u>11,222,021</u>	<u>15,028,511</u>	<u>12,656,601</u>
<u>\$ 216,021,734</u>	<u>\$ 202,513,967</u>	<u>\$ 202,305,766</u>	<u>\$ 209,882,502</u>	<u>\$ 177,987,916</u>	<u>\$ 234,244,649</u>
\$ 116,284,711	\$ 112,402,716	\$ 113,074,875	\$ 115,816,655	\$ 101,103,843	\$ 129,329,226
14,849,260	18,968,725	19,000,000	19,000,000	31,527,515	28,600,000
(8,872,909)	(6,895,689)	(5,435,549)	(7,777,979)	(16,499,004)	(15,943,399)
<u>5,976,351</u>	<u>12,073,036</u>	<u>13,564,451</u>	<u>11,222,021</u>	<u>15,028,511</u>	<u>12,656,601</u>
<u>\$ 110,308,360</u>	<u>\$ 100,329,680</u>	<u>\$ 99,510,424</u>	<u>\$ 104,594,634</u>	<u>\$ 86,075,332</u>	<u>\$ 116,672,625</u>

**CITY OF DAYTON, OHIO**

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

<u>Fiscal Year</u>	<u>Population (3)</u>	<u>Assessed value (2)</u>	<u>Net general bonded debt (1)</u>	<u>Ratio of net general bonded debt to assessed value</u>	<u>Net general bonded debt per capita</u>
1999	167,475	\$ 1,738,069,616	\$ 27,526,130	1.58%	\$ 164
2000	166,179	1,854,663,703	33,448,972	1.80%	\$ 201
2001	164,199	1,901,664,976	54,101,466	2.84%	\$ 329
2002	162,788	1,907,559,195	50,608,401	2.65%	\$ 311
2003	161,832	2,114,267,473	49,762,889	2.35%	\$ 307
2004	160,293	2,043,685,740	55,534,308	2.72%	\$ 346
2005	160,293	2,055,906,827	49,527,097	2.41%	\$ 309
2006	158,873	2,105,757,362	41,949,793	1.99%	\$ 264
2007	158,873	1,948,345,053	42,949,931	2.20%	\$ 270
2008	156,771	2,366,597,490	33,497,935	1.42%	\$ 214

(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

**CITY OF DAYTON, OHIO**

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>	<u>Total general governmental expenditures</u>	<u>Ratio of debt service to total general governmental expenditures</u>
1999	\$ 5,295,000	\$ 3,139,008	\$ 8,434,008	\$ 195,478,903	4.31%
2000	4,465,000	2,917,114	7,382,114	201,192,360	3.67%
2001	6,524,068	4,333,196	10,857,264	208,594,344	5.20%
2002	6,198,173	4,317,835	10,516,008	223,708,704	4.70%
2003	7,350,552	3,430,374	10,780,926	219,165,940	4.92%
2004	9,228,813	3,962,946	13,191,759	219,044,970	6.02%
2005	8,774,552	3,097,330	11,871,882	217,938,511	5.45%
2006	7,480,101	3,076,308	10,556,409	217,667,323	4.85%
2007	5,789,851	2,884,154	8,674,005	234,019,644	3.71%
2008	6,652,464	4,707,848	11,360,312	234,943,818	4.84%

Source: City of Dayton financial records

**CITY OF DAYTON, OHIO**

COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
AS OF DECEMBER 31, 2008

Debt of the City, authorized by the Council but not by a vote of the electors, is subject to overlapping restrictions with each respective county and school district. Limitations apply to each county total and should not be considered cumulatively. Total debt service charges for and one year of all overlapping debt must not exceed ten mills (1%) of the assessed property value. This determination is made by the respective county auditors each time a subdivision proposes to issue unvoted debt. The most recent data prepared by the county auditors for this purpose is as of December 31, 2007.

Political subdivision of State of Ohio	Net General Bonded Debt	Percentage applicable to Dayton	Amount applicable to Dayton
Direct			
City of Dayton	\$ 49,441,334	100.00%	\$ 49,441,334
<i>Per Montgomery County Auditor:</i>			
Overlapping			
Montgomery County	14,027,574	18.87%	2,647,003
Miami Valley Career Joint Vocational School District	6,695,000	2.65%	177,418
Dayton City School District	218,970,000	84.11%	184,175,667
Miami Valley Regional Transit Authority	3,885,000	18.87%	733,100
Vandalia Butler City School District	49,950,000	4.16%	2,077,920
Mad River Local School District	13,655,000	22.39%	3,057,355
Huber Heights City School District	82,731,000	10.59%	8,761,213
Trotwood-Madison City School District	31,769,987	2.32%	737,064
Fairborn City School District	16,924,987	3.61%	610,992
Northridge Local School District	6,525,000	29.00%	1,892,250
Total	<u>\$ 494,574,882</u>		<u>\$ 53,980,587</u>

Source: County Auditor; Montgomery County, Ohio



**CITY OF DAYTON, OHIO**

WATER ENTERPRISE REVENUE BOND COVERAGE  
WATER SYSTEMS REVENUE REFUNDING BONDS SERIES 1999  
LAST TEN FISCAL YEARS

Year	Net Revenue Available for Debt Service (1)	Debt Service Requirements			Coverage
		Principal	Interest	Total	
1999	\$ 15,414,054	\$ 5,000,000	\$ 1,389,983	\$ 6,389,983	2.41
2000	18,333,123	4,625,000	1,678,310	6,303,310	2.91
2001	19,668,398	4,805,000	1,493,310	6,298,310	3.12
2002	(a) 6,368,233	5,000,000	1,301,110	6,301,110	1.01
2003	(a) 5,415,955	5,195,000	1,101,110	6,296,110	0.86
2004	(a) 5,036,318	5,405,000	893,310	6,298,310	0.80
2005	14,601,556	5,620,000	677,110	6,297,110	2.32
2006	17,477,353	5,850,000	452,310	6,302,310	2.77
2007	(b) N/A	N/A	N/A	N/A	N/A
2008	(b) N/A	N/A	N/A	N/A	N/A

- (1) Net Revenue Available for Debt Service is computed by adding operating income (loss) for the reporting period to depreciation expense and interest revenue. The Net Revenue Available for Debt Service also includes restricted cash held by a fiscal agent to meet the Rate Covenant as described in Section 4.02 of the Trust Agreement.
- (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 repaid these bonds in 2007, revenue bond coverage disclosure is no longer required.

Source: City of Dayton financial records

**CITY OF DAYTON, OHIO**

DAYTON INTERNATIONAL AIRPORT ENTERPRISE REVENUE BOND COVERAGE  
 DAYTON INTERNATIONAL AIRPORT REVENUE REFUNDING BOND SERIES  
 LAST TEN FISCAL YEARS

Year	Net Revenue Available for Debt Service (1)	Debt Service Requirements (2)			Coverage
		Principal	Interest	Total	
1999	\$ 9,114,117	\$ 1,725,000	\$ 2,073,164	\$ 3,798,164	2.40
2000	6,922,358	1,800,000	1,994,329	3,794,329	1.82
2001	5,879,030	1,890,000	1,910,247	3,800,247	1.55
2002	4,936,408	1,975,000	1,820,023	3,795,023	1.30
2003	17,489,400	1,275,000	1,206,507	2,481,507	7.05
2004	14,839,413	2,485,000	3,357,370	5,842,370	2.54
2005	12,196,929	3,005,000	3,085,715	6,090,715	2.00
2006	16,742,217	3,630,000	2,813,589	6,443,589	2.60
2007	16,112,888	3,750,000	3,062,695	6,812,695	2.37
2008	11,735,966	1,090,000	1,894,488	2,984,488	3.93

(1) Net Revenue Available for Debt Service is computed by adding operating income (loss) for the reporting period to depreciation expense and interest revenue. Also included in this calculation is the portion of Passenger Facility Charges (PFC) which were used for payment of debt service charges. For 2007 and 2008, no PFC were used for payment of debt service charges.

(2) Debt service requirements are exclusive of refunding transactions and additional principal payments made to retire bonds.

Source: City of Dayton financial records

**CITY OF DAYTON, OHIO**

**BUSINESS INDICATORS  
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>Square Mile Area City of Dayton Year End (1)</u>	<u>Air Passengers (2)</u>	<u>Scheduled Airline Freight (2)</u>
1999	56 (+/-)	2,237,823	987,051
2000	56 (+/-)	2,363,322	917,527
2001	56 (+/-)	2,145,826	588,901
2002	56 (+/-)	2,280,960	430,282
2003	56 (+/-)	2,603,129	360,796
2004	56 (+/-)	2,874,386	369,429
2005	56 (+/-)	2,438,210	370,329
2006	56 (+/-)	2,607,167	166,613
2007	56 (+/-)	2,833,081	10,455
2008	56 (+/-)	2,928,018	9,471

<u>Year</u>	<u>Active Gas Meters</u>	<u>Vehicle Registrations</u>
1999	N/A	N/A
2000	N/A	N/A
2001	85,396	N/A
2002	84,245	N/A
2003	83,065	N/A
2004	83,115	131,096
2005	84,458	120,623
2006	88,573	130,190
2007	81,606	123,640
2008	80,900	106,186

Source: 1 Square Miles for City of Dayton - Division of Planning, City of Dayton  
 2 Dayton International Airport  
 3 Vectren

**CITY OF DAYTON, OHIO**

**GROWTH IN LAND AREA  
SELECTED YEARS**

<u>Year</u>	<u>Square miles at December 31</u>
1950	23
1955	27
1960	34
1965	36
1970	40
1975	43
1980	54
1985	55
1990	55
1991	56
1992	56
1993	56
1994	56
1995	56
1996	56
1997	56
1998	56
1999	56
2000	56
2001	56
2002	56
2003	56
2004	56
2005	56
2006	56
2007	56
2008	56.5

Source: Division of Planning City of Dayton

**CITY OF DAYTON, OHIO**

PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

Employer	Fiscal Year 2008			Fiscal Year 1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Miami Valley Hospital	6,960	1	9.94%	4,200	3	5.43%
Montgomery County	5,774	2	8.25%	4,750	2	6.14%
Dayton Public Schools	3,700	3	5.29%	3,750	4	4.84%
Good Samaritan Hospital and Health	3,343	4	4.78%	2,700	7	3.49%
University of Dayton	2,900	5	4.14%	2,600	8	3.36%
City of Dayton	2,648	6	3.78%	2,944	6	3.80%
Childrens Medical Hospital	1,912	7	2.73%			
Sinclair Community College	1,597	8	2.28%			
Veterns Administration	1,579	9	2.26%			
BEHR Dayton Thermal	1,416	10	2.02%			
Delphi Automotive Systems Corporation				5,000	1	6.46%
AT&T/NCR Corporation				3,200	5	4.13%
Franciscan Medical Center				2,200	9	2.84%
Acustar (formerly Chrysler)				2,100	10	2.71%
<b>Total</b>	<b>31,829</b>		<b>45.47%</b>	<b>33,444</b>		<b>43.21%</b>

Source: Dayton Business Journal

**CITY OF DAYTON, OHIO**

ESTIMATED CIVILIAN LABOR FORCE  
AND ANNUAL AVERAGE UNEMPLOYMENT RATES  
LAST TEN FISCAL YEARS

Year	Montgomery County		Dayton		Ohio		U.S.
	Labor Force	Unemployment rate	Labor force	Unemployment rate	Labor force	Employment rate	Unemployment rate
1999	277,900	3.90%	76,200	6.70%	5,780,700	4.00%	4.30%
2000	279,600	4.00%	73,300	6.90%	5,807,000	6.00%	4.00%
2001	278,700	4.60%	73,400	7.90%	5,825,600	7.40%	4.40%
2002	276,700	6.00%	73,600	10.20%	5,836,500	5.60%	5.70%
2003	276,000	6.50%	72,500	7.60%	5,866,800	5.50%	6.20%
2004	273,300	6.60%	71,600	8.00%	5,875,300	7.10%	6.20%
2005	272,200	6.40%	71,200	7.60%	5,900,400	7.60%	5.90%
2006	271,900	6.05%	71,000	8.30%	5,839,200	5.37%	4.60%
2007	275,200	6.20%	71,500	7.20%	5,976,500	5.60%	4.60%
2008	270,500	8.40%	70,000	9.40%	5,954,200	7.60%	5.80%

Source: Ohio Workforce Informer

**CITY OF DAYTON, OHIO**

ESTIMATED PER CAPITA INCOME AND PERSONAL INCOME  
LAST TEN FISCAL YEARS

Year	Dayton (MSA)			Montgomery County		Ohio		United States
	Per capita income	% of national average	Total personal income	Per capita income	% of national average	Per capita income	% of national average	Per capita income
1999	\$ 27,164	97.23%	\$ 4,549,290,900	\$ 27,487	98.38%	\$ 26,859	96.13%	\$ 27,939
2000	28,549	95.66%	\$ 4,744,244,271	28,949	97.00%	28,207	94.51%	29,845
2001	29,160	95.38%	\$ 4,788,042,840	29,827	97.56%	28,601	93.55%	30,574
2002	29,747	96.55%	\$ 4,842,454,636	30,404	98.68%	29,212	94.81%	30,810
2003	30,385	96.51%	\$ 4,917,265,320	30,784	97.78%	29,954	95.14%	31,484
2004	31,387	94.97%	\$ 5,031,116,391	31,773	96.14%	31,161	94.28%	33,050
2005	31,792	92.16%	\$ 5,096,035,056	32,133	93.15%	31,867	92.38%	34,495
2006	33,195	90.42%	\$ 5,273,789,235	33,658	91.68%	33,320	90.76%	36,714
2007	34,314	88.87%	\$ 5,451,568,122	34,732	89.95%	34,874	90.32%	38,611
2008	N/A	N/A	N/A	N/A	N/A	35,511	89.33%	39,751

Source: Bureau of Economic Analysis

N/A - Information not available

**CITY OF DAYTON, OHIO**

DAYTON METROPOLITAN STATISTICAL AREA EMPLOYMENT (1)  
NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT IN SELECTED INDUSTRIES (2)  
LAST TEN FISCAL YEARS  
(IN THOUSANDS, EXCEPT PERCENT)

Industry	1999	2000	2001	2002	2003	2004	2005
<b>Total</b>	<b>431.7</b>	<b>435.3</b>	<b>428.8</b>	<b>420.6</b>	<b>415.5</b>	<b>411.8</b>	<b>409.4</b>
<b>Goods-Producing Industries</b>	<b>96.4</b>	<b>96.2</b>	<b>87.1</b>	<b>82.5</b>	<b>78.3</b>	<b>75.4</b>	<b>73.8</b>
Natural Resources, Mining and Construction	16.4	16.2	15.1	15.3	15.2	15.6	15.4
Manufacturing	80.0	80.0	72.0	67.2	63.1	59.9	58.4
<b>Service-Providing Industries</b>	<b>335.3</b>	<b>339.1</b>	<b>341.6</b>	<b>338.1</b>	<b>337.2</b>	<b>336.4</b>	<b>335.7</b>
Trade, Transportation, and Utilities	79.9	81.5	79.0	75.0	72.6	71.6	71.1
Information	10.3	10.3	11.5	11.6	11.4	11.1	11.1
Financial Activities	17.8	17.3	18.0	18.3	18.8	19.0	19.0
Professional and Business Services	51.6	52.4	54.8	52.7	53.9	53.2	52.3
Educational and Health Services	57.2	58.3	59.3	60.9	61.7	62.5	63.7
Leisure and Hospitality	35.9	36.1	35.5	35.7	36.5	37.1	37.3
Other Services	16.0	16.3	16.3	16.7	16.8	16.7	16.7
Government	66.5	66.8	67.2	67.3	65.4	65.1	64.5

(1) Dayton Metropolitan Statistical Area includes Greene, Miami, Montgomery, and Preble Counties.

(2) Nonagricultural employment excludes farm workers, proprietors, the self-employed, unpaid family workers, and domestic workers.

Source: Bureau of Labor Market Information and Ohio Department of Job and Family Services



2006	2007	2008	Percentage of Total 2008 employment
<b>408.2</b>	<b>408.2</b>	<b>396.2</b>	<b>100.00%</b>
<b>71.7</b>	<b>67.8</b>	<b>60.6</b>	<b>15.30%</b>
15.2	14.7	13.7	3.46%
56.5	53.1	46.9	11.84%
<b>336.5</b>	<b>335.6</b>	<b>335.6</b>	<b>84.70%</b>
70.0	68.7	67.0	16.91%
10.6	10.9	12.1	3.05%
20.1	20.1	18.6	4.69%
52.3	52.2	51.7	13.05%
64.7	65.8	68.9	17.37%
37.8	37.3	37.2	9.39%
16.4	16.0	15.5	3.91%
64.8	64.5	64.6	16.28%

**CITY OF DAYTON, OHIO**

FULL TIME EQUIVALENT CITY GOVERNMENT  
EMPLOYEES BY FUNCTION/PROGRAM  
LAST SEVEN FISCAL YEARS

Function/Program	2002	2003	2004	2005	2006	2007 (1)	2008
<b>Governmental activities:</b>							
Downtown	29	28	34	34	29	36	34
Youth, education and human services	4	4	4	3	3	4	1
Community development and neighbors	194	184	174	174	168	131	139
Economic development	50	33	40	40	39	45	43
Leadership and quality of life	336	317	317	299	281	421	368
Corporate responsibility	185	172	160	169	164	187	178
Public safety and justice	1,210	1,134	1,098	1,056	1,072	1,134	1,118
<b>Business-type activities:</b>							
Dayton International Airport	185	193	187	178	175	180	160
Water	266	273	268	253	242	257	260
Sewer	129	129	124	122	120	142	134
Golf	37	24	17	17	19	86	70
Storm Sewer	163	147	138	124	124	144	143
<b>Total Full-Time Equivalent (FTE)</b>	<b>2,788</b>	<b>2,638</b>	<b>2,561</b>	<b>2,469</b>	<b>2,436</b>	<b>2,767</b>	<b>2,648</b>

Source: City of Dayton ITS and Manangement & Budget

(1) - Starting in 2007 the City included both Fulltime and Parttime employees in the calculation so that the total would match the number of employees on record.

**CITY OF DAYTON, OHIO**

**SCHOOL ENROLLMENT TRENDS IN MONTGOMERY COUNTY  
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>The University of Dayton (1)</u>	<u>Wright State University (2)</u>	<u>Other Colleges/ Universities (3)</u>	<u>Total Colleges/ Universities</u>	<u>Dayton Public Schools (4)</u>
1999	10,183	N/A	20,698	30,881	22,478
2000	10,318	15,398	21,348	47,064	21,079
2001	10,250	15,810	22,246	48,306	20,842
2002	10,125	16,517	22,917	49,559	20,788
2003	10,284	16,729	23,588	50,601	17,170
2004	10,495	16,944	23,241	50,680	19,829
2005	10,569	17,074	22,555	50,198	15,972
2006	10,503	16,870	22,786	50,159	17,054
2007	10,395	16,913	22,443	49,751	14,963
2008	10,920	17,662	23,259	51,841	14,486

Source: (1) University of Dayton, Registrar's Office  
 (2) Wright State University, Budget Planning & Resource Analysis  
 (3) Sinclair Community College, Institute of Planning & Research  
 (4) Dayton City School District

**CITY OF DAYTON, OHIO**

**CITY OF DAYTON AND  
MONTGOMERY COUNTY, OHIO  
LAND AREA  
DECEMBER 31, 2008**

<u>Jurisdiction</u>	<u>Square Miles</u>
Dayton . . . . .	56
Less portion outside of Montgomery County . . . . .	
Other incorporated areas in Montgomery County excluding Dayton . . . . .	174
Unincorporated Townships within Montgomery County . . . . .	233
Total approximate area of Montgomery County	<u>463</u>

Source: Division of Planning City of Dayton ( County Land Records)

**CITY OF DAYTON, OHIO**

**BUILDING PERMITS ISSUED  
LAST TEN FISCAL YEARS**

<u>Year</u>	<u>New Construction</u>	
	<u>Permits issued (1)</u>	<u>Valuation (1)</u>
1999	1,564	80,143,557
2000	1,652	124,091,672
2001	1,206	129,052,146
2002	1,314	148,084,800
2003	1,407	133,241,900
2004	1,020	174,560,405
2005	957	135,844,107
2006	948	106,199,962
2007	843	135,523,498
2008	757	76,613,598

Source: (1) City of Dayton Division of Business Services, Permit Section

**CITY OF DAYTON, OHIO**

AVERAGE COST OF HOUSING CONSTRUCTION  
LAST TEN FISCAL YEARS

<u>Year</u>	<u>Units</u>	<u>Total Permit Value</u>	<u>Single-family average structure cost</u>	<u>% Change from previous year</u>	<u>% Change from 1999</u>
1999	43	6,499,504	151,151	N/A	N/A
2000	39	5,893,400	151,113	-0.03%	-0.03%
2001	192	20,722,589	107,930	-28.58%	-28.59%
2002	222	22,801,633	102,710	-4.84%	-32.05%
2003	277	29,435,199	106,264	3.46%	-29.70%
2004	185	21,928,258	118,531	11.54%	-21.58%
2005	215	25,306,493	117,705	-0.70%	-22.13%
2006	186	19,292,702	103,724	-11.88%	-31.38%
2007	134	12,431,781	92,774	-10.56%	-38.62%
2008	83	8,125,807	97,901	5.53%	-35.23%

Source: Census Bureau

**CITY OF DAYTON, OHIO**

**OPERATING INDICATORS AND CAPITAL ASSET STATISTICS  
LAST TEN FISCAL YEARS**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Public Service</b>										
<b>Highways and Streets</b>										
Streets (miles)	855	855	855	855	855	855	855	967	969	1,718
Streetlights	19,800	19,900	20,030	19,188	19,356	21,292	23,421	18,650	18,650	20,163
Traffic Signals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	325	325	325
Computerized Signals	N/A	N/A	N/A	N/A	N/A	N/A	N/A	178	225	275
<b>Public Safety</b>										
<b>Police</b>										
Headquarters	1	1	1	1	1	1	1	1	1	1
Training Academy	1	1	1	1	1	1	1	1	1	1
Number of Districts	5	5	5	5	5	5	5	5	5	5
Number of Employees	629	621	625	611	464	439	414	506	512	505
<b>Fire</b>										
Headquarters	1	1	1	1	1	1	1	1	1	1
Training Academy	1	1	1	1	1	1	1	1	1	1
Fire Stations	14	14	14	13	13	13	12	12	12	12
Number of Employees	404	437	423	413	379	376	366	385	383	379
<b>City Fleet (public safety)</b>										
Fire	N/A	N/A	N/A	N/A	N/A	N/A	N/A	101	99	96
Police	N/A	N/A	N/A	N/A	405	402	393	288	354	354
<b>Recreation and parks</b>										
Parks Acreage	2200	2200	2000	1400	1400	1400	1400	1389	1389	1389
Total Facilities	85	85	84	11	10	9	9	15	11	11
Parks	72	72	72	72	72	72	72	72	72	62
Playgrounds	49	49	49	49	49	49	49	49	49	49
Swimming Pools	28	28	28	16	16	19	14	19	8	3
Tennis Courts	78	78	68	22	22	22	22	22	65	65
Community Centers	11	11	11	11	11	11	10	9	2	2
Senior Centers	N/A	N/A	N/A	2	2	2	2	2	1	1
Athletic Complexes	N/A	N/A	N/A	2	2	2	2	2	2	2
Specialized Facilities	N/A	N/A	N/A	4	4	4	4	4	1	1
Shelter Houses	53	53	53	53	53	53	53	53	53	53
Golf Courses	6	6	6	3	3	3	3	3	3	3
Spray Park Facilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7	7
Recreation Centers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4	4
Cultural Centers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	1
Teen Centers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	1
<b>Water</b>										
Water Mains (miles)	768.00	771.00	772.90	800.00	800.00	791.00	799.00	800.28	803.07	803.33
Maximum Daily Capacity (millions of gallons)	61.12	75.90	48.00	72.35	72.35	51.85	51.30	50.30	51.60	46.53
<b>Sewer</b>										
Sanitary Sewers (miles)	600.00	603.00	600.00	650.00	650.00	600.00	600.00	601.28	601.39	602.85
Storm Sewers (miles)	400.00	403.00	400.00	600.00	600.00	400.00	401.00	402.28	402.85	403.35
Maximum Daily Capacity (millions of gallons)	N/A	N/A	N/A	44.98	37.43	36.64	36.03	37.56	35.97	35.06

Source: Various Departments, City of Dayton

N/A - Information not available

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**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**  
**SEPTEMBER 24, 2009**